Q1 2021 Earnings Call

Company Participants

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

Other Participants

- Analyst
- Andrew Weisel, Scotiabank
- Durgesh Chopra, Evercore ISI
- Jeremy Tonet, JP Morgan
- Julien Dumoulin-Smith, Bank of America
- Michael Lapides, Goldman Sachs
- Stephen Byrd, Morgan Stanley
- Steve Fleishman, Wolfe Research, LLC

Presentation

Operator

Ladies and gentlemen, thank you for standing by, and welcome to the American Electric Power First Quarter 2021 Earnings Conference 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 over to our host, Ms.Darcy Reese, Vice President of Investor Relations. Please go ahead.

Darcy Reese {BIO 20391516 <GO>}

Thank you, Tony. Good morning, everyone, and welcome to the first 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 the remarks.

I will now turn the call over to Nick.

Nicholas K. Akins {BIO 15090780 <GO>}

Thanks, Darcy. And welcome again, everyone to American Electric Power's First Quarter 2021 Earnings Call and Happy Earth Day. Before I get started with our results for the quarter, I just have to say I was struck with the public relations -- public reactions to the Chauvin verdict has been a long wait, but justice and faith in our legal system does prevail. I bring this up because it happens. I had chosen a song which I do every quarter as you know for a different reason, but now it serves two purposes. One of the most mesmerizing singers I'd ever heard was the late Marvin Gaye. I thought of a song when actually thinking about our quarter in the multitude of activities that AEP continues to accomplish and was thinking of what's going on, the Marvin Gaye hit from 1971 written during another tumultuous time in America. This song was a plea for peace, justice and understanding perspectives to move forward in a positive way together. As I said, this song was released in 1971, 50 years ago, but it could not be more appropriate today.

We need our leaders, our communities and indeed our companies to continue to come together and stop the divisiveness, which the new cycle -- defense feed off of and recognize we have a lot more in common than our differences. That would be a great start to advancing this nation in a positive way.

That being said, getting to my original purpose as I said earlier, what's going on with AEP as the lyrics say, Hey, man, what's happening? Whoo, everything is everything. We're going to do a get down today boy, I'll tell you. So here we go. The first quarter of 2021 came in with operating earnings of $1.15 per share versus $1.02 for first quarter 2020, which met our expectations particularly given winter storm Uri's impact in Texas, Arkansas, Louisiana, Oklahoma, which we reported on in last quarter's earnings call. AEP continues to reaffirm our 2021 guidance range of $4.55 to $4.75 per share and our 5% to 7% long-term growth rate. And we would still be disappointed not to be in the upper half of the guidance range.

It's hard to believe it has been over a year since we entered into the pandemic. I continue to be impressed by the resiliency of our employees, their dedication and commitment to our customers and communities. We continue to practice social distancing, are encouraging vaccinations and looking forward to putting COVID in the rearview mirror.

As we look towards the future, we are seeing our communities starting to rebound from the shadow of the pandemic. Job growth and electric consumption show continued improvement, supporting our view that the economy within our service territory will continue to rebound.

While our normalized load was down 1.9% for the quarter, this is largely attributable to the one-time year-over-year weather event in February. If not for the disruptive impact of the storm on manufacturing in the supply chain, we believe our load growth would have been more robust and other key signposts continue to point towards a healthy recovery in 2021. Julie will be covering this in more detail later.

We continue to make significant progress in diversifying our generation fleet. Last week, we proudly commissioned the first of our three projects that make up our 2 billion north-central wind investment. On April 14, the 199 megawatt Sundance wind energy center came online on budget, spot the challenges of COVID-19 and extreme weather. Commercial operations of the project means our PSO and SWEPCO Louisiana and Arkansas customers will start saving on their energy bills by taking advantage of this clean, low cost of wind resource. We continue to look forward to the Maverick and Traverse projects coming online at the end of 2021 and early 2022 respectively.

At AEI, we announced the retirement of several fossil plants which combined with previously announced retirements results in 8000 megawatts of planned retirements and expiring PPAs over the next 10 years. This drives the need for incremental capacity, economic energy and furthers the opportunity to continue to transform our fleet and invest in regulated renewables for the benefit of our customers.

For each of our vertically integrated companies, we updated our resource plans and identified approximately 15,000 megawatts of wind and solar investment opportunity over the next 10 years, in addition to our North Central wind investment. This amounts to 8,566 more megawatts than we mentioned last November at AEI. In fact, almost 10,000 megawatts are proposed during the 2021 to 2025 time period. By building on the success of north-central wind, we are focusing on pursuing regulated renewable investments for the benefit of our shareholders, customers and our communities.

We look forward to continuing to work collaboratively with stakeholders as part of our integrated resource planning process many of which will be filed during the fourth quarter of this year and will be issuing request for proposals for these resources in both the near and over the long-term. These updated resource plans are consistent with our emission reduction goals that we announced in February and will put us on a path to achieve 80% reductions in carbon by 2030 and net-zero carbon by 2050.

As we mentioned, in our newly released climate report, we are committed to making the energy we provide as clean as possible as fast as we can without compromising reliability, affordability or the security of the electric power grid. We will provide updates on the progress as we move to the execution stage of what we call our future forward strategy. By focusing on investments in support of clean affordable and reliable energy, our customers and communities will be well positioned to adapt to the needs of a clean energy economy. Another important milestone that further enables our clean energy transition ainium[ph] and its affiliate AEG reached an agreement to acquire the 1,300 megawatt Rockport Unit 2 from the lessors at the end of a lease in 2022.

Anium[ph] has leased the unit and operated at since construction. If approved by the Indiana commission AEP's actions, will provide a valuable short-term capacity bridge for the company, resolve pending litigation and bring certainty to the closure of both Rockport units by 2028.

This agreement also provides further flexibility in advancing our clean energy transition more quickly if appropriate. Our rate case activity continues, and hence robust and obviously across all the jurisdictions in Virginia, Appalachian Power receives an order and it's Virginia trying rate case reconsideration request on March 26. The commission did not change the initial holding. APCo is now focused on its appeal to the Supreme Court of Virginia and the errors in applying the statutes the company believes the commission relied upon to reach its decision.

In Ohio, a settlement was reached showing the productive relationship AEP Ohio has with various Ohio stakeholders. The settlement agreement balance the interest of the settling parties, including the commission staff, the Ohio consumers counsel, industrial, commercial and other entities like the Ohio Hospital Association. Testimony in support of the settlement was followed by the company and the matter is set for a hearing focused on the settlement agreement on May 12.

In our SWEPCO jurisdictions, we have rate cases pending in Louisiana and Texas and we're preparing a filing in Arkansas. In Texas, we are seeking a net revenue increase of $73 million and ROE of 10.35%, the following include investments made from February 2018, accelerated depreciation for three coal plants and increase in storm reserve and vegetation management. Intervening parties and staff filed testimony, company rebuttal testimony is due April 23 and there's a May 19 hearing date. We expect to receive an order in this case by December.

In Louisiana, the $93 million net revenue increase peaking at 10.35% ROE is before the commission awaiting a procedural schedule. In Arkansas, SWEPCO filed notice that it would not be filing the formula rate date because it would be filing a new base rate -- base case filing through update rates. This was expected as a result of north-central approval and will incorporate the facilities in base rates in Arkansas. A notice of intent to file a rate case was also filed in Oklahoma for PSO on March 16. The case will be filed by April 30. The following is intended to address among other things, general updates, the eroding ROE and a filing requirement related to incorporating the north-central assets in base rates and minimizing the length of the rider recovering those costs.

We also continue to engage the Oklahoma, Arkansas, Louisiana and Texas commissions regarding the appropriate mechanisms for recovery of the approximately $1.2 billion of fuel expense that occurred with winter storm Yuri. AEP continues to request whack recovery to maintain balance sheet strength and capital structures of the operating companies. Julie will update the state of the alternatives being discussed. In otherwise great story, I would be remiss if I did not express extreme disappointment with the FERC decision to consider the possible reduction or removal of the RTO 50 basis points adder for transmission investment.

As evidenced by every reputable expert on what is necessary to achieve our net zero goals, transmission is an integral part of the solution. Ensuring a reliable and resilient grid is foundational to support a clean energy economy, it's vital that the federal policy continues to support transmission investments and particularly those that are made by companies who are participants in RTOs. Participation RTOs has resulted in ensuring the most efficient regional solutions are advanced, participation should be encouraged and not discouraged. There is a cost of being in an RTO and offsetting this cost-benefit equation could change the dynamic of RTO participation.

Under the Federal Power Act, FERC is required to provide incentives to each utility that joins an RTO. FERC's abrupt about-face on incentives will certainly lead to litigation as is consistent with its previously well-established and correct approach that incentives should not expire until the utility leaves the RTO. Underachieving excellence program, our achieving excellence program, we continue to harness the ideas of our team members by focusing on operational efficiency gains as a substantial part of our efforts have been the O&M curve, this specific program is set to deliver sustainable annual O&M savings that will continue to support our earnings growth expectations.

I continued to be proud of the wealth of ideas that our team members bring to ensure that we are maximizing the value of services that we provide to our customers and our communities. Lastly, regarding our efforts regarding portfolio management, we now will announce an ongoing strategic review of our Kentucky assets.

We expect to complete this review during 2021.

As we have mentioned before, and as for all practical purposes of we are fully regulated utility, we're now focused on portfolio optimization and capital allocation prioritization to address future capital needs with balance sheet expectations while improving shareholder value. So more to come in the future regarding this review.

Now, I'll move to the equalizer chart. Overall, our operations ROE is currently 9.1%. We generally target it and the 9.5% to 10% range. The ROEs that we were discussing here are not whether normalized so keep in mind. We're also thickening equity layers over the last several years as well. So that reflects in the ROE as well.

So as moving to AEP Ohio, the ROE for AEP Ohio at the end of first quarter 2021 was 10.3%, slightly above the authorized primarily due to timely recovery of capital investments. We expect the ROE to trend around authorized levels as we maintain concurrent capital recovery of distribution, transmission investments.

Regarding APCo, the APCo at the end of first quarter was 8.6% as below authorized due to lower normalized usage, higher amortization primarily related to the retired coal fire generation assets and higher depreciation from increased Virginia depreciation rates and capital investments partially offset by continued management of O&M expenses. And keep in mind the Virginia triennial review as part of that process as well.

Kentucky, the ROE for Kentucky at the end of first quarter was 4.8% as well below authorized due to loss of load from weak economic conditions and loss of major customers along with higher expenses. Transmission revenues were also lower due to the delay of some capital projects, and I've already discussed in relation to Kentucky what we're doing there.

Anium[ph], the ROE of Anium[ph] at the end of the first quarter was 10.4%. It's above authorized due to continued discipline managing O&M expenses, reduced interest expenses and rate throughouts, partially offset by lower than expected retail sales during first quarter '21.

Regarding PSO, PSO at the end of first quarter 2021 was 9.1%. It's slightly below its authorized level primarily due to increased capital investment, not currently in base rates, partially offset by continued management of O&M expenses. And I mentioned earlier we are giving notification of following a base rate case there.

SWEPCO was below authorized at 9.1% and due to loss of load and continued impact of the Arkansas share of the Turk plant, which we said on several occasions is about 110 basis points and also partially offset by offices themselves in the first quarter '21 resulting from the severe winter storm event. AEP Texas at the end of the first quarter was 7.7%. It was below authorized primarily due to lag associated with the timing of annual cost recovery filings, favorable regulatory treatment allows AEP Texas to file DCRF and TC -- T -- filings to recover costs on capital investment. So, while the expectation is for the ROE to trend towards an authorized ROE of 9.4% in the longer term, continued significant levels of investment in Texas will impact the ROE.

And then the ROE for AEP Transmission Holdco at the end of the first quarter was 10.1%. AEP Transmission Holdco's ROE was slightly below authorized, primarily driven by the annual revenue true up in the second quarter of 2020 to return the over collection of 2019 revenues. Transmission is forecasting this ROE to be in the mid 10% range in 2021.

So, I'll conclude by stealing a comment from one of my international CEO peers, who made the observation that we are in a magical moment for the electric industry, given the move to a clean energy future through electrification.

It has been a very busy quarter for AEP, but the work really starts now regarding the execution of our plan to transform this company from what was the largest coal-fired utility to one of the largest regulated renewable companies in the U.S., an amazing transition that will benefit customers with clean energy, with a continued reliability and affordability. Along with being the largest transmission supplier in the country that will also benefit from the resource transformation and the further emphasis being placed on the infrastructure and notification due to transportation, AEP is well positioned to experience a truly magic moment in our history that will set the tone for our continued quest of remaining the premier regulated utility.

Julie, I'll turn it over to you.

Julie Sloat {BIO 6462741 <GO>}

Thanks, Nick, and thanks, Darcy. It's good to be with everyone this morning. I'm going to walk us through the financial results for the quarter, share some thoughts on our service territory load and economy and then finish with a review of our credit metrics and liquidity.

So let's go to Slide 7, which shows the comparison of GAAP to operating earnings for the quarter. GAAP earnings were $1.16 per share compared to $1 per share in 2020. There's a reconciliation of GAAP to operating earnings on Page 15 of the presentation today. Let's walk through our quarterly operating earnings performance by segment. This is laid out on Slide 8.

Operating earnings for the first quarter totaled $1.15 per share or $571 million compared to $1.02 per share or $504 million in 2020. Looking at the drivers by segment, operating earnings for the vertically integrated utilities were $0.54 per share, up $0.04 driven by the favorable impact of weather due to warmer than normal winter temps in 2020.

Other favorable items in the segment included of system sales, higher transmission revenue and the impact of rate changes across multiple jurisdictions, partially offsetting these favorable items were higher depreciation, lower normalized retail load, higher O&M, a prior period fuel adjustment and higher other taxes. The transmission and distribution utilities segment earned $0.23 per share, down a penny from last year.

Earnings in this segment declined primarily due to lower normalized retail load attributable in part to storm Yuri. Other smaller decreases included higher depreciation, tax and O&M expenses. Pay rule drivers in this segment included transmission revenue, rate changes and weather. The AEP Transmission Holdco segment continue to grow contributing $0.35 per share, an improvement of $0.07 per share from last year. Net plant increased by $1.3 billion or 13% since March of last year.

Generation and marketing produced $0.06 per share, down a penny from last year. The favorable impact of the retirement of Oklaunion and land sales on the generation business offset the unfavorable ERCOT market prices on the wholesale business during storm Uri in February. The decrease in our new both business was driven by lower energy margins and higher expenses. Finally, corporate and other was up $0.04 per share, driven by an investment gain and lower interest expense, partially offsetting these items was a higher impact -- impact of higher taxes.

Overall, we experienced the solid quarter and we're confident in reaffirming our annual operating earnings guidance.

So let's take a look at our normalized load for the quarter on Page 9. Starting on the lower right corner, our first quarter normalized load came in 1.9% below the first quarter of 2020. There are two important factors to consider when evaluating the year-over-year comparisons for the quarter. The first factor is that last year included an extra leap year day, assuming everything else is equal you would expect about a 1% decline in sales due to one less day in the quarter. And the second factor is that the pandemic started during the last two weeks of the 2020 first quarter. In other words, the first quarter analysis is comparing a pre-pandemic view of our service territory load to a view after COVID began.

Importantly, we still expect a stronger recovery in the second half of this year as vaccinations increased positioning more communities to relax restrictions on businesses without jeopardizing public health. And as the benefit of the American Rescue plan stimulus it was signed in late in late March works its way through the economy. I'll talk a little bit more about the latest economic projections when we get to Slide 11.

So let's take a look at the upper left quadrant. Our normalized residential sales increased by 1.5% in the first quarter compared to last year. The growth in the residential sales was spread across most operating companies. As the pandemic recovery progresses, growth in residential sales has begun to moderate. While we expect residential sales to decline by 1.1% in 2021, we're assuming a moderate sustained load benefit from this customer class, given the stickiness of work-from-home arrangements for many office workers across our service territory for the foreseeable future.

So if you go over to the right, normalized commercial sales decreased by 1.6% in the first quarter, even though commercial sales were down across every operating company excluding Ohio, we are seeing steady sequential improvement since the pandemic began. In fact, AEP Ohio was the first operating company to post positive commercial sales growth. This correlates well with the fact that the AEP Ohio territory added the most jobs in the first quarter.

We also continue to see significant improvement in the same sectors that were hardest hit by the shutdowns in the second quarter of 2020. These sectors include schools, churches, restaurants and hotels. So finally, if you look in the lower left chart, you'll see that industrial sales decreased by 6.1% in the quarter compared to 2020.

Industrial sales were down across every operating company and most industrial sectors. Not surprisingly, the biggest declines were located in the western territory were storm Yuri in February caused a significant yet temporary -- significant yet temporary disruptions to many manufacturing facilities located in ERCOT SPP.

In addition to the numerous electric generators unable to run due to further natural gas supply lines, there are a number of other manufacturing processes that rely on natural gas supply to produce their product, many of those businesses were unable to produce for up to a week, while the pipelines were being sought out and in some cases, industrial loads were stalled as long as 42 days in Texas. So, the key takeaway here is that the dip in industrial sales in the first quarter was largely due to the one-time winter storm, which does not impact our fundamental outlook. So, here's an interesting data point that illustrates this. Our industrial sales in the eastern part of our service territory were down 2.6% as compared to the significant 12.8% drop in the western part of our service territory, which was impacted by Yuri. So, obviously that's a pretty dramatic difference.

That being said, we're still very bullish about the second half of the year as the U.S. acquires its significantly greater concentration of immunity from vaccinations and as the full impact of the additional fiscal stimulus is felt throughout the service territory economy.

So let's go over to Slide 10, where I can provide a little color on the industrial sales performance in the first quarter. The blue bars show the change in sales to our oil and gas customers. In aggregate, the sales to oil and gas sectors were down 9.6% in the first quarter led by the 21% reduction in oil and gas extraction. Most of the decline in this sector is in response to the challenging market signals from last year when the drop in global demand along with the temporary price war caused oil prices to fall below many producers breakeven point. However, we do not expect the weakness in oil and gas to persist. In fact, natural gas prices in March were up about 60% from last year and domestic oil prices last month have more than doubled since March of 2020.

We fully expect the higher prices today. We will provide a necessary signal that producers are looking for to increase their production within the service territory. And once we see the production increase in the upstream sectors, it's only a matter of time before we see the corresponding increase in the midstream and downstream operations.

The orange bars in the chart shows the change in industrial sales, excluding oil and gas. While it was still down 3.3% for the quarter, we expect to see stronger improvement in the second half of the year as the global economy recovers from the pandemic. Some of the weakness in manufacturing right now is related to supply chain disruptions. As efforts continue to strengthen the resiliency of the domestic supply chain for manufacturing, the AEP service territory is certainly positioned to benefit from any movement in that direction.

So let's go over to Slide number 11, where I can provide an update that I mentioned a few moments ago on the latest economic conditions within the AEP footprint. Starting in the lower left chart or on the left chart, you'll see that AEP service territory experienced a 1.6% increase in gross regional product compared to the first quarter of 2020. This was much better than the U.S., which had a relatively flat first quarter in terms of year-over-year GDP growth.

AEP service territory was less impacted by the virus and had fewer restrictions on businesses than other parts of the country, which has allowed the regional economy to fare better than the U.S. throughout the pandemic. Looking forward, the AEP service territory is expected to grow by 5.2% in 2021, lagging the economic recovery in the U.S. as you might expect.

Moving to employment on the right, you can see that the job market for the AEP service territory has also outperformed the U.S. throughout the pandemic. For the quarter, employment growth was only down 1.6%, which was 4.4%[ph] better than the U.S. during the first quarter. This is largely the result of the mix of jobs in our local economy, which has a heavier relative concentration of manufacturing and government jobs and a smaller share of leisure and hospitality jobs. Going forward, we expect job growth of 1.7% in 2021.

So let's go over to Page 12 to check in on the company's capitalization and liquidity position. On a GAAP basis, our debt-to-capital ratio is 62.5%, when adjusted for the storm Yuri event, the ratio remains consistent with our year-end 2020 ratio at 61.8%. Let's talk about our FFO to debt metric because as you would expect and as we've been signaling the impact of storm Yuri has and will have a temporary and noticeable impact in 2021 on this metric. Taking a look at the upper right quadrant on this page, we see our FFO to debt metric based on the traditional Moody's and GAAP calculated basis as well as on an adjusted Moody's and GAAP calculated basis.

On a traditional unadjusted basis, our FFO to debt ratio decreased by 3.9% during the quarter to 9.1% on a Moody's basis. Well, this is a pretty dramatic impact. The rating agencies are very much aware of this and have taken the metric data point as well as the anticipated recovery into consideration as it relates to our credit rating.

On an adjusted basis, the Moody's FFO to debt metric is 12.9%. To be very clear, this 12.9% figure removes or adjusts the calculation to eliminate the impact of approximately 1.2 billion of cash outflows associated with covering the unplanned Yuri driven fuel and purchase power in the SPP region directly impacting our PSO and SWEPCO in particular.

The metric is also adjusted to remove the effect of the associated debt, we used to fund the unplanned payments. This should give you a sense of where we would be from a business as usual perspective. So 12.9% business as usual. As you know, we're in frequent contact with the rating agencies to keep them apprised of all aspects of our business. And importantly, there is no change in our equity financing plan. On the topic of anticipated recovery, there's no debate that storm Yuri was an extreme event and consequently the various states would like to resolve recovery dockets as expeditiously as practical. Assuming recovery begins this year, our cash flow metrics will quickly return to the low to mid-teens target range next year as expected. So this should be a one year phenomenon for us.

As many of you know, we have initiated regulatory cases in our respective states to evaluate the costs and determine the recovery plan. Let me provide a quick update where we are in this process. On February 24, PSO filed with the commission for recovery of fuel costs through a regular -- with a regulatory asset and weighted average cost of capital

carrying charge and subsequently filed a motion seeking recovery of $650 million regulatory asset with the five year amortization. At this point, PSO has received approval to defer the storm related costs with recovery of the established regulatory asset over five years at an interim rate of PSO short-term financing costs like 75 basis points.

This is intended to be an interim order and the actual carrying charge will be determined in a future review and the regulatory asset amount is subject to finalization. Importantly, Oklahoma has also taken up securitization built to address the extraordinary fuel and purchase power cost felt by all utilities. PSO will evaluate if the securitization is appropriate for the recovery. And so, we would expect it to occur as early as next year.

In March, the Arkansas Public Service Commission issued an order authorizing recovery of the approximate $113 million, Arkansas jurisdictional share of the retail customer fuel cost over five years with the carrying charge to be determined at a later date and the actual amount to be recovered being subject to finalization. We requested a whack rate which was supported by the staff in accordance with the order SWEPCO began recovery in this jurisdiction in April, that was at a customer deposit rate of something like 80 basis points. The recovery period and associated carrying charge will be further reviewed in a hearing that's already been set for July 8 of this year, so 2021.

In March, Louisiana Public Service Commission approved a special order granting temporary modification to the fuel adjustment clause to allow utilities to spread recovery over a longer period of time. In April, SWEPCO began recovery of the Louisiana jurisdictional share of these fuel costs of about $150 million based on a five-year recovery period in a fuel over under recovery mechanism. SWEPCO will be working with the Louisiana commission to finalize the actual recovery period and determine the appropriate carrying charge.

And in Texas, SWEPCO intends to file for recovery under a fuel surcharge most likely in the second quarter. Our current plan is to request recovery over five years with a whack carrying charge.

Obviously, we have a lot in process on the regulatory recovery front on this matter, and we'll keep you apprised as we make progress, because as we all know this is extremely important. Let's take a quick moment to visit our liquidity summary on the lower right of Slide 12. On March 31, AEP renewed its $4 billion bank revolver for five years, and also entered into a two-year $1 billion revolving credit facility to fortify our liquidity position as we go forward. This placed our net liquidity position as of March 31 at a strong $3.4 billion.

Switching gears, our qualified pension funding increased 1.7% during the quarter to 103.5%. And our OPEB funding increased 9.6% to 170.5%. Rising interest rates that decrease plan liabilities along with positive equity returns with the primary drivers for the funded status increases in both plans during the first quarter.

So let's go to Slide 13, so we can wrap this thing up and get your questions. But you want to call out a couple of quick things before we do that. So top of mind for many folks, I know this, we want to mention to you that we've completed the planned $195 million equity funding portion of the north-central wind Sundance project. We used our at the market mechanism so that we could time the equity need with our purchase of the Sundance project which occurred last week. As you know, we will continue to move forward with additional opportunities in the renewable space, supporting our ESG focus as we transition toward a clean energy future.

Our performance in the first quarter and stability of our regulated business model gives us the 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, we are confident in our ability to grow the company, our stated long-term growth rate of 5% to 7%. So we surely do appreciate your time and attention today.

And with that, I'm going to turn the call over to the operator for your questions.

Questions And Answers

Operator

(Question And Answer)

Thank you. (Operator Instructions) Our first question comes from the line of (inaudible) with Guggenheim Partners. Please go ahead.

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

Good morning, Charles.

Q - Analyst

Hey, good morning guys. Good morning, Nick. Good morning, everyone.

A - Julie Sloat {BIO 6462741 <GO>}

Good morning.

Q - Analyst

So the couple of quick questions here. First on the incremental 8.6 gigs of renewable opportunity that you just added to plan. It's very sizable. So can you maybe touch a little bit on how we should think about these new opportunities in light of the 5% to 7% growth that you guide? What sort of financing avenues are you kind of looking at, the approval paths and what are you assuming in terms of own versus PPA?

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

Yes. I think we have the last part -- last of your question first. I think we have a pretty compelling argument now for owners of these facilities given even past the winter storm activity that we learn operationally, certainly what we learn from really the provisions of the agreements that we put in place relative to the approvals really stands better in terms of our ability to manage the project, manage congestion, manage other factors that really provide benefits to our customers. So, we're going to make a strong position that we should own those assets. And actually when you think about the strength of the utilities, it is going to be important for the states to really focus on how do we keep our utilities strong and PPAs don't do it from a capital structure perspective. We need to make sure that ownership and the flexibility of operations is key in that regard.

And regarding the other 8600 megawatts, yes, it is a sizable number but obviously when you look at the evaluation of the retirements, when you look at the needs of the operating companies and also north-centrals certainly showed you can deploy capital and reduce the overall bills to consumers. So, when you think about the retirements of coal-fire generation, the imposition of additional transmission having the benefits of the fuel cost aspects of it are tremendously important. So when you look at the analysis, having some level of carbon pricing in there certainly increases the focus on the ability for renewables to come into play. And that's certainly what we've been focusing on.

So as you look at the financial ability of it, the financial ability pretty much work like we did for north-central. Although it is large number, so we'll have to be very aware of what our balance sheet strength looks like during the process, the timing of when the different tranches of these renewables come into play, the cash position that supported with these projects coming online and being able to improve, as Julie mentioned, this FFO debt thing where it is today is really a 2021 issue. In 2022, FFO debt comes back up and certainly with the ability to put these projects in place, it will help in terms of our ability to continue to fund these projects. So it'll probably, we certainly would like for it all the be incremental but in reality when you go through this process, it'll probably be around capital allocation and prioritization associated with that within the existing plan but also incremental so it'd be a combination of both.

Yet to be seen. Obviously if we load continues to grow, if the position relative to the regulatory framework getting concurrent recovery, making sure that we get off the tax -- ADIT issues. That's all going to be helpful in terms of our ability to finance. So it's still a work in progress.

Q - Analyst

Got it. And then maybe just transitioning to corporate strategy and as optimization obviously the strategic review for Kentucky started. So Brian's been obviously very busy here. Can you maybe just elaborate on the stage we are in with that process, how better as you merge or data rooms open? And assuming this would backfill most of your windcatcher equity need so assuming we aren't looking at a duke style, Indiana GIC transaction, but the entire opco. So we should obviously consider leakage here, any NOLs as well that could be applicable in this case?

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

You're always ahead in terms of questions. So, yes, and I really can't answer any of those at this point because we are in a process. And certainly, as soon as we have information on it -- I think the real issue here is that we have made a deliberate decision to really start our portfolio management approach and evaluating jurisdictions because we are fully regulated. We can look at these areas and determine what the best fit is in terms of future capital needs and what our focus is and in terms of moving to a clean energy economy. So for us to come out and say that we are in a strategic process relative to Kentucky is an important statement in that regard. That's probably as far as we can go right now.

Q - Analyst

Let me ask you something a little bit more of a theoretical question. Would you consider asset rotations above your current equity needs let's say from North Central to fund the incremental CapEx renewables or T&D? I mean you're within your credit metric guidance, but does it make sense for you to further improve your balance sheet and simplify your story even further? I mean, do you kind of like looking at the stock valuation and does it make maybe more sense to -- do you think there's incremental value from a multiple standpoint to even have a stronger balance sheet and operating even less states here and I'm thinking maybe Texas?

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

Well, certainly, like I said, this is at the beginning of this process, but multiple expansion is clearly on our minds and making sure that you can -- you're investing in the right things, at the right places, at the right time is going to be incredibly important. And you saw that with North Central of timing, the recovery with the actual investments with the turnkey approach that we took. And it's all about the timing of it. It's all about the decisions made to ensure that we are doing proper capital allocation and rotation to manage this process forward. So -- and like I said earlier that's going to be a continuing part of our business.

Q - Analyst

Terrific. Thank you guys. I'll jump in the queue. Appreciate it.

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

Yes.

Operator

Thank you. Next we go to the line of Julien Dumoulin-Smith with Bank of America. Please go ahead.

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

Good morning, Julien.

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

Hey, good morning team. Congratulations on all these updates. A lot to digest here today.

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

Yes.

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

If I can, let's start with a higher level question here, right? So you're proposing a lot specifically in PSO. How do you think about the events that have transpired in Texas and Yuri impacting that? And specifically around some intermittent renewable resources like solar in Oklahoma, right? We just haven't seen a lot of that historically. So this has a little bit of new territory for that geography more than the economics all around. Can you talk to that? Have you kind of vetted some of the proposals here and the approval process?

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

Yes. So obviously, we're right out of the gate in terms of the announcement of what's included in each jurisdiction. So we'll have discussions with the commissions. And that's part of the integrated resource planning processes. And keep in mind too, when we do this evaluation during the RFP, I mean, during the process, it's always solving for whatever the least cost is in terms of what those resources are. So it shows up as wind and then solar typically is showing up as more wind early on than solar starts to pick up, but that's pretty fungible as you go forward. I mean these plans will change as we go forward based upon where technologies go, certainly where the opportunities exist. Now, Oklahoma may want more wind and less solar, but that won't matter, it would be a part of the total renewables piece that's included there.

The other part of it too is we will be very mindful of how much renewables are placed into service in relation to 24/7 supply and there's some natural gas that's built into this plan as well that then enables more renewables to be put in place. But the real focus going forward during this transitional period will be for units that provide 24/7 to be more of a reliability component, certainly more of a sort of an insurance backstop or for weather events or other events that may occur that impact the grid security and will either be very mindful of how those studies actually go.

And I'll tell you in our climate report, we saw for 2050 with a $15 carbon price and then more aggressive $30 carbon price, the 2035 case didn't solve because of the timing of getting resources in place and system related issues. So, you have to really think about how that's done. And we've looked at these plans and we certainly believe that with a level of 24/7 supply we still have out there and the additional opportunity associated with just the diversity of some of these projects. It's going to be a particular value to our customers going forward.

And I guess I'll just remind you that North Central had it been operational during this time of the Texas and Oklahoma outages with the Yuri would have saved customers $227 million. So you think about the savings associated with that. And the other thing too, the previous question someone was -- asking, when the utilities do it they focus on the long-term and North Central already had the weather packages already in place, where you don't find that in a large part of the market. So we think the long-term when we go about after these investments and that's why ownership is clearly important.

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

Excellent. And just to clarify this a little bit further. I know that the equity numbers aren't moving around too much or at all frankly relative to CapEx. But how much capital could be shifted given the latest update here. It was three year versus the five-year outlook here? Just want to understand out of the total 10-year view that you guys are providing today, how much could be in that three and five-year windows you think about just the specific timing of each of these dockets that will come up for renewable resources?

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

Well, yes, as I mentioned, 10,000 of megawatts of the 16,000 -- over 16,000 is in the '21 to '25 time frame. So it's going to be near term. So when you think about these projects they take couple of years to put in place. You'll be looking more at that 2023 to 2025 for most of it. But some of it was already -- is already in play. There's already RFPs going out for supplies of some of these renewables as we speak. Julie, anything you want to add to that?

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

Got it.

A - Julie Sloat {BIO 6462741 <GO>}

No, you've got that perfect. Thank you.

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

Okay. Thank you. We might have next.

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>}

Hi. Thanks so much for taking my question.

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

Good morning, Steve.

Q - Stephen Byrd {BIO 15172739 <GO>}

Morning. Congrats on a great update and a big movement in renewable. So happy to see that. I wonder if you could just talk a little bit more about as you grow out renewables whether there might be some additional transmission distribution requirements or storage or just other things that would sort of be additive as well. It's obvious just a huge amount of megawatts. Just curious of the other impacts.

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

Yes. There will be. And many of these projects, obviously we will have to look at the placement of these projects in terms of level of congestion, but also the level of transmission investment that's required. But, keep in mind too, with what the Biden administration is doing relative to the movement to clean energy, which obviously is a big part of his plan, large-scale transmission will also be incredibly important.

So I see, with what's going on today and the nexus of all these things coming together, our transmission which you've always said is -- as far as I can see for a decade well is probably even higher. We don't know what that number is at this point. And I think we got to get through the process and fully understand that, but when you do the net benefits associated with fuel and the capital cost of the renewables projects and transmission, it's still a benefit to consumers, so we'll go through that process, but you're right to be bullish about transmission in relation to these investments but also everyone else's investments because we are the largest transmission provider in the country and most of this has to come through us.

Q - Stephen Byrd {BIO 15172739 <GO>}

That's really helpful. And then I wanted to drill into Texas for just a moment. There are some bills as you know that are floating around that would permit securitization of costs and those look to be I guess to me quite helpful from a financing point of view. Just curious how you're thinking about that impact? How might that impact your thoughts on financing? I appreciate the points you raised earlier that essentially the credit metrics are sort of artificially low at the moment because of this storm, but some of these bills be especially helpful to you?

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

Well, certainly the archived portion of Texas we are essentially a large company there. So a T&D. So -- and we have based on our calls to provisions in place for recovery of that. We -- the only real exposure we've got from a wire standpoint is any I guess some of the reps they could potentially go bankrupt. But that's where it's going to be important to understand where that goes and also as far as securitization is concerned we've used securitization in the past in Texas and you're seeing it developer or what's classified on cost really is Yuri related investments, we'd be fine with that. Julie if you want to comment?

A - Julie Sloat {BIO 6462741 <GO>}

Yeah. That'd be great. Great question, Stephen. So we're keeping an eye on what's going on in Oklahoma. There's an opportunity potentially to engage in some securitization activity there. We would love to get cash in the door. So if that's something that's workable, we will absolutely take the cash. And my understanding is the way that is being at least initially discussed and potentially structured would be such -- in such a way that does not fit on our balance sheet, which makes it even better. So, yes, we'll take that cash and we go down the balance sheet, we like that very much. So we're definitely poised and ready and waiting.

Q - Stephen Byrd {BIO 15172739 <GO>}

That's great. Maybe one last quick one. Just as we just as we think about this growth in renewables, any changes in terms of your thoughts on coal retirement dates?

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

Well, obviously, the move we made on the second rockport unit solidified at least to 2028 and it could occur earlier depending on what the conditions are and what the evaluations are all with the commission and the replacements of capacity. And so we are -- and actually, we're looking for provisions like that even in legislation that's occurring. Because you're seeing all kinds of incentives develop for extension of PTCs, ITC's, direct pay we like, so direct pay not only for renewables projects, but also for transmission if you have an ITC, but I think also we'd like to see incentives for the underappreciated plant balances of coal units to further accelerate the ability to retire and obviate the impact to our customers.

But the current the current plan doesn't assume any of these advancements. So and this happens all the time where we have plans that are out there that are public, but a lot of things get worked on and will continue to work on these objectives. Because our objective is to move as quickly as possible to de-risk these investments and particularly with new environmental rules with CCR and other things we're making decisions about these plants and you've seen the last two quarters we've announced earlier retirements of coal and lignite plant operations. So, I would fully expect to see that process to continue.

Q - Stephen Byrd {BIO 15172739 <GO>}

Very good. Thank you very much.

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

Yes.

Operator

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

Q - Steve Fleishman {BIO 22027192 <GO>}

Yes. Thanks. Good morning, Nick and team.

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

Good morning. How you doing?

Q - Steve Fleishman {BIO 22027192 <GO>}

I am doing well. I have a couple questions on the Kentucky power announcement. So just I think Nick you said that you're doing a strategic review with a target for your end. So is that a target to basically have a sale done and proceeds by year-end or have a kind of like a sale or other plan announced by year end?

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

Steve, so I didn't say year-end, I said we would get the evaluation done in 2021 that could be earlier in the year, could be later in the year. Obviously, we need to get farther down the road in terms of this process. I can tell you that the process is established. Its ongoing. And we're going to move as quickly as possible. So -- and we've always talked about the timing of the resolution of anything related to whether it was Kentucky or anything else in relation to the needs around North Central. So -- and we still believe that timing fits.

Q - Steve Fleishman {BIO 22027192 <GO>}

Okay.

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

So I wouldn't say that that it would be the end of the year before we know anything. I just said during '21.

Q - Steve Fleishman {BIO 22027192 <GO>}

Okay. And just -- is there kind of -- this may seem silly but just is there reason this wasn't like part of your slide deck or release or it was just stated on the call. It is -- is it just something just happened, the Board just decide something?

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

No, I think it was out of respect of our employees because obviously you can't say something like this from an SEC perspective without some thoughts around that but also there's the human aspects of it too and employee aspects -- now in fact our employees just found out about it when I said it. I have a webcast after this with all employees to talk about, this to just to alleviate their concerns through the process. But this is the way it occurs, multiple things you have to think about when you're making these kinds of announcements.

Q - Steve Fleishman {BIO 22027192 <GO>}

Understood. And then just in terms of -- that's helpful. So in terms of thinking about your (inaudible) this would still be potentially directed at replacing the equity needs that you have currently for North Central as a potential replacement for some of that.

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

Yes, I'll let Julie talk about that.

A - Julie Sloat {BIO 6462741 <GO>}

Steve, yes, thank you for the question. Absolutely to the extent that we get dollars in the door that will be a wonderful place to put that to work in terms of being able to sidestep some of the equity need. And we'll see if we can make that happen. Absolutely.

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

We have the AGM (indubitable) that we've accessed but obviously it would change the nature of that.

Q - Steve Fleishman {BIO 22027192 <GO>}

One challenge was Kentucky power has a lot of coal plants and exposure I guess. So to speak, do you feel like there's still despite that decent interest to be able to monetize that at reasonable price.

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

Yes, and obviously different parties look at it in different ways. And that's what we're going to find out through the strategic processes is what the evaluation Kentucky's ownership of Mitchell in terms of valuation and its impact on overall price would be at.

It still has value. It still has years to operate and certainly if you look at the plan that we presented you still have a potential renewables opportunity there particularly with the potential retirement of Mitchell at some point. So anyone who is looking at this would say it's not in terms of just the valuation of Mitchell, it's evaluation of what you do with it during the transition. So there's a lot there to look at it from that perspective.

Q - Steve Fleishman {BIO 22027192 <GO>}

And my last question just on this topic and my last question is just the overall portfolio optimization kind of that you've been doing. Is this a conclusion of that or is this something where we could get more?

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

No. It's going to be an ongoing part of our process, so it's just the beginning.

Q - Steve Fleishman {BIO 22027192 <GO>}

Great, that's helpful. Thank you very much.

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

Yes, okay.

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>}

Good morning, Durgesh.

Q - Durgesh Chopra {BIO 20053859 <GO>}

Hey, good morning, Nick. Thank you for taking my question. Just I have to -- I think we've covered the rest. Just on storm cost Julie, you're currently deferring those, right? The $1.2 billion on the balance sheet. Can you just remind us (inaudible) Thank you. Can you remind us what is factored into your 2021 guidance? I'm just thinking about how the sort of the decisions here and the next few months impact your 2021 numbers?

A - Julie Sloat {BIO 6462741 <GO>}

Yep. Absolutely. You are exactly right. We're deferring those storm costs particularly as it relates to the fuel and purchase power cost because that's the biggest chunk of the dollars that we had exposure to as it relates to storm and Yuri in particular. And as it relates to what's embedded in our guidance I will tell you we actually updated our cash flow forecast that's included in the slide deck that you have today to incorporate the impact of this particular circumstance as well as the fact that we did have some ice storms and more -- I characterize more normal storm related activities that occurred in the Eastern portion of our jurisdictions here during the first quarter. So all of that is factored into those new cash flow forecast details, which you'll see impacting the cash flow from operations line in the slide included in the deck today.

As you know, we did take on some additional debt to be able to accommodate the fuel and purchase power spike that was not anticipated and so that is now being absorbed into our 2021 operations. And therefore into our earnings interestingly, if you look at page number eight of the slide deck that we have out there today, on the corporate and other segment, you'll actually see that interest expense was a benefit to us this time despite the fact that we have taken on a little additional debt in that capacity because it took a $500 million Term Loan on at the parent company interest rates have in terms of interest costs I should say was much lower in this particular quarter verses last year. We do still have lower debt outstanding from a short-term perspective versus last year. So all of those factors interestingly help to have this impact be one of benefit to us in this particular period. So steady as goes, no change in forecast, still feeling really good about where we are. Hopefully that helps you a little bit.

Q - Durgesh Chopra {BIO 20053859 <GO>}

It does. In nutshell it's captured in your EPS guidance, interest costs and the cash flow metrics, already reflect the sort of the some of the treatment you might be as in terms of recovery for these costs.

A - Julie Sloat {BIO 6462741 <GO>}

You got it. We did that by design because we wanted to make sure we had a fair amount of integrity in that forecast with particularly when you look at the cash flow metrics and give a shout-out to our fixed income front because I know that's extremely important.

Q - Durgesh Chopra {BIO 20053859 <GO>}

Understood. Thanks. Just one last one for me. Nick, you mentioned the winning per quarter. Just what to look for their terms of next steps? Is there going to be a rulemaking procedure and just next steps, what should we be looking for there?

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

Yes. There it is open for an - right now. So -- and obviously our comments will be very direct and very focused. I'm sure there'll be others in the industry with that as well. But it just seems like a direct polar opposite to where the administration is trying to go with movement to a clean energy economy. And really it is directly opposite to years of precedence of encouraging the development of transmission. So, I'm certainly hopeful as we get through the dialogue of what this all means.

And actually with RTO participation, when we originally joined RTO years ago, we were making a lot of money off of through and out rates of transmission. We traded that in for generation benefits because we were selling lot of generation. We're not selling generation. So to any real extent and certainly when you look at the value proposition of an RTO, it is centered on the ability to across a larger jurisdiction, but from an AEP perspective you got the cost of the RTO and certainly customers need to be able to benefit from that. So if you disrupt that cost benefit opportunity you will have people making different decisions about RTO participation.

So I think it's just sort of a policy move in the wrong direction. But I certainly am hopeful that the commission comes together on that.

Q - Durgesh Chopra {BIO 20053859 <GO>}

Understood. Is there a timeline as to when the comment period ends and when they might make a final determination yet?

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

I don't know that there is right now, they got the post them over in the Federal Register first. So we're thinking probably a summer, summer time frame for the April.

Q - Durgesh Chopra {BIO 20053859 <GO>}

Understood. Thank you. Appreciate the color.

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

Yes.

Operator

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

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

Morning, Andrew.

Q - Andrew Weisel {BIO 15194095 <GO>}

Thanks. Good morning, everyone. Appreciate you squeezing me in and let me call here. First just to follow up on the transmission. Are you able to ride an EPS sensitivity or potential impact if that RTO incentive adder were to be eliminated?

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

Yes. We had in our queue actually. The number for our evaluation if we lost the entire 50 basis points, it would amount to $55 million to $70 million pretax. So and that's the evaluation now. Who knows what they're going to do. Because you went in the meeting thinking they may actually go up on the RTO incentive but it remains to be seen what they decide to do. But that's the impact.

Q - Andrew Weisel {BIO 15194095 <GO>}

Well that was the next thing I was going to ask is do you see any potential of an increase or do you think that's highly improbable at this point?

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

I think certainly with what transpired we're just trying to make sure it stays the same. But if it increases there's a lot of reasons for it to increase because RTO participation and the adder is associated with transmission like I said the expenses of an RTO continue to go up and up. So I think there definitely needs to be an incentive there.

Q - Andrew Weisel {BIO 15194095 <GO>}

Okay, great. Then just one last follow-up question on the renewables. You talked a bit about the cost savings from coal plant retirements, and I know it's early and the cost will be continuously changing hopefully downward. But from what you see today, do you expect this update to the generation stack to lower customer bills in most cases all else equal? And you mentioned something about a potential carbon policy. Does your analysis assumes some sort of federal clean energy standard and how would it look from affordability perspective without that?

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

We have always had a carbon value in our analysis from a resource planning perspective. And that's I think it's 15 dollars a tonne, is what we've used. In our reports, our climate report, we used two cases of $15 case and a $30 case that was more aggressive and certainly that brought more -- that case brought more renewables and more quickly, but that's not reflected in the plan that we've shown here. So yes, it's certainly something that we're -- we will continue to look at, evaluate with the commissions. Yes, go ahead.

A - Julie Sloat {BIO 6462741 <GO>}

Just to throw additional finer point on that as well, if carbon pricing is excluded from the equation, the renewable opportunity could get here cut by about 2 gigawatts. So it's not that significant, but want to throw that out there.

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

Yes. We're looking at this thing as $15 to $20 billion investment opportunities. So, it would be not much of an impact if you took out the carbon pricing. But you can't plan for anything without putting in a carbon pricing these days.

Q - Andrew Weisel {BIO 15194095 <GO>}

Okay. Great. And the affordability question assuming the carbon is in the ballpark of what you're talking about. How would that --

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

Yes. And we've demonstrated that with North Central. I mean you can put these projects in place. And keep in mind we're thinking about the resiliency and reliability of the grid too. So there's limitations and we have to go through that process, but the ones we have in this plan we can do. And certainly, when you look at the benefits of north-central for example, it was $3 billion of benefit to the customers. And so when you have those kinds of economics in play, if you're able to run your 24/7 generation as more of a reliability and as an insurance policy essentially and layer in as much renewables you can put in transmission to make sure the system system continues to operate the way it should, then it could be a pretty powerful combination to benefit customers in the future.

Q - Andrew Weisel {BIO 15194095 <GO>}

That's great. Thank you very much for the details.

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

Yep.

Operator

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

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

Good morning, Jeremy.

Q - Jeremy Tonet {BIO 15946844 <GO>}

Good morning. Thanks for squeezing me in here at the end. Just wanted to touch base on Rockport if I could in kind of the decision tree that led to this in, just want to see what other kind of options you were evaluating. Just a bit more color would be helpful there. Thanks.

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

Yes. So obviously we were looking at Future requirements instead of environmental requirements on the units. And if we kept them operating longer than 2028 that would be a challenge from economic perspective. We didn't want to start making those kinds of investments not knowing how long the unit would actually be operational. So that was a consideration.

The other as I mentioned was the litigation to clear all that out to make sure we took ownership and we took control. And then of course the value of the bridge that exists that gives us the flexibility to make decisions with the Indiana commission to focus on what is the right path for that transition. So it gives us a lot of optionality, a lot of flexibility and the control. And by the way, I mean, there's two units there. So one we own, one we leased and it just made more sense for us to own both of them and make the decision of the plant as a whole and be able to adjust accordingly. So, it worked out well overall from that perspective and like I said gives us a lot of optionality and flexibility and actually it's a pretty -- at a price that I think it was $115 million. So it's an opportunity for us to really pay for that degree of optionality that has considerable value.

Q - Jeremy Tonet {BIO 15946844 <GO>}

Great. That's helpful. I'll stop there. Thanks.

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

Yep, sure. Thanks.

A - Julie Sloat {BIO 6462741 <GO>}

e have time for one more question.

Operator

Great. Thank you. Our last question comes from Michael Lapides with Goldman Sachs. Please go ahead.

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

Michael, you snuck in there.

Q - Michael Lapides {BIO 6317499 <GO>}

I snuck in at the end. Better late than never. Thank you for taking my question, team. Hey, Nick, you mentioned Kentucky today. You also outlined the renewable growth platform and plans for the regulated businesses. And obviously, you need -- lots of renewable companies pure plays trading at pretty good multiples even after the recent share price weakness. Just curious how do you think about the renewable portfolio at the G&M segment? And whether that piece of the business is truly core to AEP or whether the real growth is obviously in the regulated subsidiaries and maybe the non reg contracted renewable business could potentially be a source of funds for the parent to fund regulated growth?

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

Yes. So that's been a continual part of our business. Chunk gets allocated Capital -- the AEP energy gets allocated capital. And he's perfectly willing to throw it back over the fence, because we make evaluations based upon his threshold which is commensurate with the regulated part and also just his business is important because it keeps us in a part of like, for example, we're doing a lot of projects inhere Ohio directly with customers and enables it us to -- with customers in corporations actually, and it enables us to be in that business, but at the same time we're able to manage the capital such that he can throw it back over the fence if we see a better opportunity on the regulated side. So we have that work in very well where we can make those trade-offs on the continual basis. So, yes, it can be a source. It can be a source of capital to do some of these things and again that lens itself to the portfolio management approach to ensure that to ensure that we're putting the money in the right place at the right time.

So I -- and like I said, he's doing an incredible job with that and that organization. And the fact is they they're doing they're still doing the renewable part of it, but they're also doing specific relationships with customers with microgrids and those types of applications. So the value proposition of that business is so important to us seeing the leading edge of what we need to be doing and making cases in our regulated business to ensure that we continue to grow from those perspectives as well. So all it's working fine. But yes, the answer is yes. We can utilize that as a source.

Q - Michael Lapides {BIO 6317499 <GO>}

Got it. Thank you, Nick. Much appreciate it guys.

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

Okay.

A - Darcy Reese {BIO 20391516 <GO>}

Tony, I just wanted to say thank you for joining us on today's call. As always IR team will be available to answer any questions you may have. If you could please give the replay information.

Operator

Thank you. Ladies and gentlemen, this conference will be available for replay after 11:30 a.m. Eastern today to April 29th at midnight. You may access the AT&T replay system at any time by dialing 1866 207 1041 and entering the access code 380 2483, international participants may dial 402 970 0847. Those numbers again are 1866 207 1041 and 402 970 0847 with the access code 380 2483. That does conclude our conference for today. We thank you for your participation and for using AT&T event conferencing service. You may now disconnect.