Q4 2014 Earnings Call

Company Participants

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

Other Participants

- Ali Agha, SunTrust Robinson Humphrey
- Anthony C. Crowdell, Jefferies LLC
- Dan L. Eggers, Credit Suisse Securities (USA) LLC (Broker)
- Hugh D. Wynne, Sanford C. Bernstein & Co. LLC
- Jonathan Philip Arnold, Deutsche Bank Securities, Inc.
- Michael J. Lapides, Goldman Sachs & Co.
- Paul Patterson, Glenrock Associates LLC
- Paul T. Ridzon, KeyBanc Capital Markets, Inc.

MANAGEMENT DISCUSSION SECTION

Operator

Ladies and gentlemen, thank you for standing by, and welcome to the American Electric Power Fourth Quarter 2014 Earnings Call. At this time, all participants are in a listen-only mode, and later, we will conduct a question-and-answer session with instructions being given at that time. And as a reminder, today's conference is being recorded.

I would now like to turn the conference over to your host, Ms. Bette Jo Rozsa. Please go ahead.

Bette Jo Rozsa {BIO 16484334 <GO>}

Thank you, Keely. Good morning, everyone, and welcome to the fourth quarter 2014 earnings webcast of American Electric Power. We are glad you're able to join us today. Our earnings release, presentation slides, and related financial information are available on our website at aep.com.

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

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

Nicholas K. Akins {BIO 15090780 <GO>}

Thanks, Bette Jo. Good morning, everyone, and thank you for joining our fourth quarter 2014 earnings call.

2014 was an outstanding year for AEP, not just because our earnings came in within the stated guidance range, close to the midpoint, which – that is great, but the real story is how we did it. Our management team and employees pulled together and set a firm foundation for the future, the culture that allows for the proper and timely allocation of capital, the ability to take advantage of additional spending opportunities brought on by first quarter performance and a focus on discipline and execution by our employees to produce continuous improvement savings to provide the consistency our shareholders and customers expect.

As you probably know by now, Columbus is pretty excited by The Ohio State University football team winning the National Championship this year. They won it because of process, execution, discipline, and leadership that transcended the many pitfalls along the way. AEP is no different in our quest to become a premium regulated utility.

From the outset in 2014, our generation performance during the polar vortex offered an opportunity to advance investment in Transmission, detail plans for the movement of O&M expense into 2014 from 2015 and 2016, and build upon the foundation of our continuous improvement initiatives. My point being, all of these processes already exist to enable AEP to have the ability to quickly respond with confidence to ultimately improve shareholder value as well as produce value for our customers.

So, with that said, reviewing the financials for the quarter and the year, our GAAP and operating earnings for the fourth quarter were $0.39 per share and $0.48 per share, respectively. Our fourth quarter performance was, as we expected, given the headwinds of advanced spending, resolution of coal contract issues and the placement of certain regulatory reserves. The only surprise really was the recent Kentucky decision that knocked us down about $0.05 per share for 2014, which I'll discuss later. Even after these adjustments, our earnings were $3.34 per share on a GAAP basis and $3.43 per share on an operating basis for 2014, still within the operating earnings guidance range of $3.40 to $3.50 per share.

We also increased the dividend 6% on an annualized basis producing a total shareholder return of 35.1% for the year. As you can see, total shareholder return over the one-year, three-year, and five-year cycles have been impressive. Okay. That's great, but now what about 2015?

AEP is reaffirming our guidance range of $3.40 to $3.60 per share for 2015, with a 4% to 6% earnings growth rate based upon our original 2014 guidance that we shared at the November EEI Financial Conference. AEP will continue to focus on growth of the regulated businesses, in particular our Transmission business, focus on effective capital allocation and O&M discipline and our continuous improvement process redesign through Lean initiatives. Through our operating company model, constructive regulatory outcomes will be critical to our success, especially in West Virginia and Kentucky, both with major rate case activities this year.

Other major areas impacting AEP during 2015 include economic growth in our territory, PJM capacity market reform, the Ohio PPA proposals, the strategic review of our unregulated generation business and the EPA Clean Power Plan final rule. So I'll quickly go over some of these issues before moving on to the regulatory matters impacting the equalizer graph on the next page.

First, the economy in the AEP territory continues to show a rebound with significant and balanced growth in all three major customer classes. Overall, normalized load for the fourth quarter of 2014 increased 3.1% over fourth quarter 2013, excluding Ormet, showing solid growth in almost all sectors of the economy. This is great news moving into the New Year. Brian will share more specifics regarding load in a few minutes.

We're making excellent progress regarding our continuous improvement initiatives with business functional reviews on schedule while achieving the targeted savings. Lean deployment is complete in 13 distribution districts, with another 13 districts review planned for 2015, bringing the total to 26 of the 32 districts. We hope to move the others planned for 2016 into 2015 so that we can achieve the full value of these deployments in 2016.

We have also completed initial deployment activities at Cook Nuclear, IT, supply chain, commercial operations, customer and distribution services, among others. We have also now completed 10 fossil plants, with two others planned to complete during 2015. Transmission has completed the first of five, and the others are also planned to be completed in 2015; so another big year for Lean deployment in these and other areas. We're also following up with Lean Maturity Assessments in all of the completed areas starting in 2015 to ensure sustainability of these efforts.

Capacity market reform continues in PJM with filings of proposals for the capacity performance model and supplemental auctions with FERC. While some changes to these proposals are necessary to improve longer-term financial stability, as we discussed in our filing in these matters, we are pleased that PJM is pursuing these necessary and important changes to improve the balanced approach to resources, in particular ensuring the financial viability and value of base load-generating facilities that provide substantial electric system reliability support.

We're hopeful that FERC will recognize the importance of these reforms to not only stabilize the PJM markets but also ensure the reliability of the PJM footprint, particularly in the face of impending coal unit retirements in 2015 and beyond. FERC needs to approve these changes expeditiously so that adjustments can be made to the upcoming PJM capacity auctions.

Regarding the status of the Ohio Purchase Power Agreement, PPA-pending decisions, we believe at the December Special Hearing that we held before the PUCO a strong case was made by AEP and other parties that a legal basis and path exist under Ohio and federal law that allows PPAs to be put in place to not only protect customers from volatile capacity and energy markets, but also protect Ohio generation jobs and taxes.

The first shoe will drop soon with our ESP III case that contains the PPA approach for the OVEC generation capacity, followed at some point by the remaining PPAs for the approximately 2,700 megawatts of capacity that is most at risk in Ohio. These decisions are critical to the viability of these generating assets and to Ohio's energy future. The choice is clear for the PUCO; either generation can be maintained in the state as a hedge for customers against significant price swings, with the added value of jobs and tax benefits to Ohio, or we can continue to be an importer of power from out of state with further negative impacts on Utica shale development and economic development within the state. A positive decision on the ESP III case would at least open the door for a healthy continued dialogue regarding the future of Ohio resources.

The EPA's Clean Power Plan continues to gain attention with over 2 million comments filed. AEP filed comments with the EPA not only to finding the legal impediments to EPA's tortured position regarding the rules development, but we, as well as many other knowledgeable parties, made the case that the timing of the 2020 interim targets are not achievable and the reliability and resiliency of the electric grid is at risk if the U.S. EPA continues to pursue this much too aggressive path in transforming our nation's capacity and energy supply. Without adequate time available for states and those responsible for reliability to perform the proper studies before implementation can even begin, we risk a more costly and chaotic path to a cleaner energy economy.

We're pleased that the FERC, NERC, and as well as Congress are focused on the reliability issue and we look forward to participating in FERC's technical conferences that are upcoming this year. Additional warnings have been issued by several of the regional transmission operators and many of our states are extremely concerned about this proposed rule, and so are we.

Now regarding the unregulated business, as you're all aware, a Deal.com article mentioned that we had engaged in investment bank to help us evaluate our alternatives related to the disposition of that business. We acknowledge we had indeed hired the bank as a part of the process we have been discussing with you all for several quarters. As we discussed previously, we are engaged with our board in evaluating the strategic alternatives as certain milestones or factual information become known, such as timing for capacity market reforms and auctions, Ohio PPA guidance, and of course, the impact of retirements on capacity and energy markets. All of these issues represent no regrets actions to enhance generation value regardless of the ultimate decision regarding these assets. This analysis continues and remains on track.

So now moving to the equalizer graph, which is the page five of the presentation, obviously, strong regulated results; we continue to do several things. First of all, we sort of presented it in a different way this time, showed 2014 earned regulated ROEs and then also showed a pro forma view of 2015. That was done because primarily the ROEs are lower, on the left-hand side of the page for 2014 because of the advanced spending that occurred and also does not reflect the revenue that was generated from the unregulated generation side that we used those proceeds to actually do the advanced spending in those various jurisdictions.

So, as I go through each one of those, for Ohio Power, we'll continue to expect to see Ohio Power to earn 12% in 2015 in line with the ROE authorized in the most recent (11:18) analysis.

As far as APCo is concerned, as I said, last quarter, the combined company masks disparity between Virginia and West Virginia ROEs. We're doing fine in Virginia, but as far as West Virginia is concerned, we have a lot of work to do there. There's a case that's been filed for $226 million, of which $45 million relates to a vegetation management rider. The earned ROE for West Virginia was approximately 5.8% as filed in the rate case. So hearing has just concluded last week and we expect an order on that rate case in late May.

As far as Kentucky is concerned, Kentucky at 5.1% certainly reflects the surprise we got relative to the order from Kentucky, and we had to take a $36 million regulatory provision that was accorded because of the fuel cost disallowance that occurred as related to Mitchell. We've also filed a rate case at the end of 2014 that reflects about $70 million increase for the full recovery of Mitchell and we expect that case to be effective in July of 2015.

So it was sort of curious to us that we wound up with sort of a single-issue rate-making approach associated with the fuel cost issues and not taking into account the broader issues that also would be involved in the rate case. So we're disappointed with that outcome, and certainly, there's precedence there that we were banking on in terms of minimum load commitments and those types of things, but we are considering an appeal of that order, but also want to stay engaged with the Kentucky Commission so that we fully understand where they're going and what we need to do to bring about a more positive environment in Kentucky.

So moving on to I&M, I&M is doing very well. It was 7.9% because of the additional spending that's occurring there, the O&M shifts from the future years, and I&M is well-positioned to grow earnings and achieve a 10% ROE. I&M has a great regulatory framework and a lot of major capital investment programs that are in place, and we expect that to continue to improve and that's why the pro forma side relative to I&M is up towards 10.8%.

PSO continues with fourth quarter 2014 earnings improved over the prior year, resulting in an ROE increase of 8.3% to 8.9% for those periods, and really, it's because of O&M shifting and higher capital invested on the environmental spend associated with the Northeastern unit. So we're seeing some pressure there, but PSO is doing fine considering the advanced O&M spending.

As far as SWEPCO is concerned, that issue remains in terms of the Turk Arkansas portion of the generation. We are evaluating next steps in regard to that particular aspect of it. But nevertheless, SWEPCO has been able to achieve a $14.4 million rate increase in Texas to recover transmission costs and the LPSC, the Louisiana Public Service Commission, approved new rates that did go into effect the first of the year, resulting in an additional $15 million of revenue. So SWEPCO obviously is working where it can but the larger issue for SWEPCO will be the Turk portion of the generation which we are developing plans associated with that.

As far as AEP Texas is concerned, AEP Texas, the return, the pro forma return is coming down, primarily because of a significant drop in increased CapEx, lower earnings, and the need to infuse equity associated with the securitization. But they are filing a TCOS filing. It was made in December with an approval expected in February of 2015 and then they're also looking at a distribution filing as well. So, a work in progress relative to AEP Texas.

The Transco continues to do well. Those returns are still at the 11.5% and looks like 11.2% for 2015. We continue to add additional plant and service, $837 million of plant and service were added in 2014, and for ETT another $54 million of plant and service. So we continue to invest heavily in the Transmission business, and those returns are what we expected.

So overall, the returns for the pro form adjusted ROEs is at 9.6% for 2015, which is slightly above, I think. We had 9.5% in the EEI Financial case, so it's slightly above that. But as you see, as the advanced spending of 2015 and 2016 roll off and as well the additional rate case activity that's occurring we should see improvement during 2015.

So, obviously, I think it's been a great year because of the way we positioned the business, and as I said earlier, last quarter, 2015 will be an interesting year but one that no doubt we're excited about and will set the tone for redefining AEP's future.

So, now over to Brian.

Brian X. Tierney {BIO 1759901 <GO>}

Thank you, Nick, and good morning, everyone.

On slide 6 you will see our comparison of 2014 operating results and 2013 by segment for both the quarter and the year-to-date periods. I'll focus my remarks primarily on the total year results. You can find the details for the quarterly results in the Appendix.

Operating earnings for the fourth quarter were $232 million or $0.48 per share compared to $0.60 per share or $296 million last year. These results when combined with the results through September pushed our year-to-date operating earnings to $1.7 billion or $3.43 per share compared to $3.23 or $1.6 billion in 2013. Despite mild temperatures during this past summer, our 2014 results were strong compared to last year, driven by the weather-related sales and strong operations last winter. Our execution during these extreme periods produced sufficient margin for us to advance O&M spending from future years as well as to raise our 2014 midpoint target by $0.15 per share.

Finally, we continued to deliver on our Transmission targets, as Nick said, exceeding our 2014 forecast for the Transmission Holdco segment by $0.02 per share.

With that as an overview, let me step you through the major earnings drivers by segment for the year on slide 7. 2014 earnings for the Vertically Integrated Utilities segment were $1.45 per share, down $0.07 from last year. The major drivers for this segment include the favorable effects of rate changes and strong off-system sales margins offset by higher non-fuel operating costs. Rate changes were recognized across many of our jurisdictions, adding $0.20 per share for the year. This favorable effect on earnings is related to incremental investment to serve our customers. Partially offsetting this result were regulatory provisions of $0.04 per share in APCo Virginia and $0.05 per share for the Kentucky fuel order.

Increases in off-system sales benefited shareholders and customers. The higher margins improved earnings for this segment by $0.16 per share while customers across several of our jurisdictions realized $129 million through margin sharing mechanism. This was driven by strong performance during last winter's polar vortex.

O&M expense was higher than last year which lowered results for the segment by $0.28 per share. The higher O&M was due in part to planned incremental spending, including shifting work from future years, primarily in our generation and wires functions. In addition, O&M was impacted by an increase in employee-related costs and the effect of certain credits recorded in 2013.

Depreciation expense was also higher due to increased capital investment. This increased expense lowered earnings by $0.09 per share. To a lesser degree, weather and normalized load favorably affected the comparison by $0.02 and $0.01 per share respectively. Colder than normal temperatures were experienced through most of this year, benefiting sales at the beginning and end of the year, but adversely affecting sales during the summer months.

The Transmission & Distribution Utilities segment earned $0.72 per share for the year, $0.01 below 2013 results. The major drivers for this segment include the favorable effects of third-party transmission revenue and normalized load growth, offset by higher operating costs. Higher third-party transmission revenues added $0.09 per share, resulting from increased transmission investment, increased revenues from customers who have switched to alternative suppliers in Ohio, and favorable rate adjustments in the PJM and ERCOT regions. Normalized load was strong in both Texas and Ohio, improving results by $0.06 per share. I'll talk more about load and the economy in a few minutes.

Similar to the Vertically Integrated segment, O&M expense was higher than last year. This lowered the results for this segment by $0.05 per share. The higher expense was due in part to planned incremental spending, including shifting work from future years. In addition, O&M was impacted by an increase in employee-related costs.

Depreciation expense was higher for the year due to increased capital investment, lowering earnings by $0.04 per share. Certain tax items adversely affected the annual comparison by $0.04 per share due to higher property, state and federal income taxes. Rate changes and regulatory provisions netted together were unfavorable by $0.01 per share in the annual comparison. Finally, other items affected the comparison by $0.02 per share.

The Transmission Holdco segment continues to grow, contributing $0.31 per share for the year, an improvement of $0.15, reflecting our continued significant investment in this area. In the past 12 months, this segment's net plant grew by approximately $1.1 billion, an increase of 68%.

The Generation & Marketing segment produced earnings of $0.84 per share, adding $0.14 per share to the annual comparison. Gross margin improved most significantly early in the year due to the strong performance of the generation fleet and commercial organization during the polar vortex. The results in 2014 also benefited from lower fuel costs, partially offset by higher O&M expenses. These included maintenance costs as well as severance and retirement obligations related to unit retirements in 2015.

AEP River operations contributed $0.10 per share in 2014, $0.08 per share more than 2013, due to improvements in barge freight demand for much of the year. Corporate and Other earnings were down $0.09 per share from last year. The 2013 results included the interest income benefit recorded in 2013 associated with the resolution of the U.K. windfall tax issue.

In summary, we took advantage of extreme weather conditions, performed well operationally, were able to get a jump on future spending requirements and achieved earnings within our raised guidance range. All in all, a successful year financially.

Let's take a look at slide 8 where we can review the normalized load trends for the quarter. By now, you should be familiar with the layout of these charts and how we show the growth with and without Ormet, which ceased operations in the fourth quarter of 2013. My remarks will reflect the exclusion of Ormet unless otherwise noted to give you a sense of how our service territory is recovering on an ongoing basis.

Starting in the lower right corner, you can see that overall weather normalized load was up 3.1% for the quarter. This marks our fifth consecutive quarter with positive normalized load growth. I would also like to point out that the 2.2% growth for the year is the largest annual increase in retail sales since 2010. In the lower left quadrant, you see that our industrial sales volumes were up 3.9% for both the quarter and the year-to-date. We continue to see the strongest industrial sales growth from customers in our oil and gas related sectors, which I'll cover in more detail later in the presentation.

In 2014, 9 of our top 10 industrial sectors experienced growth compared to last year. The lone exception for the year was mining, which was down 3%. For the quarter, the sector leaders were pipeline transportation, up 61%; oil and gas extraction up 11%; and primary metals, our largest sector, which experienced 5% growth for the quarter, excluding Ormet. On the upper right of the slide you can see the commercial sales were up 3.5% for the quarter and were positive for the year for the first time since 2008. We saw the strongest commercial sales growth this quarter in Texas, where customer counts increased by 1.8%. For comparison, the AEP system saw commercial customer growth of five tenths of a percent.

Finally, in the upper left corner, you can see that residential sales grew by 2.1% for the quarter and ended the year up 1.1%. While we continue to see steady growth in residential customer counts in the West, most of the residential growth is related to higher customer usage, which is consistent with the improving economy in AEP service territory. I should point out that both for the quarter and the year we saw the strongest growth in residential and commercial sales in the T&D Utilities segment, where we collect only the wires component due to the unbundled rate structure. In the Vertically Integrated Utilities segment, where we collect the full bundled rate, we actually saw a decline in residential and commercial sales.

With that, let's review the most recent economic data for AEP service territory on slide 9. Starting with GDP, you can see that the estimated 2.6% growth for the U.S. economy in the fourth quarter is higher than the 1.7% growth in AEP's aggregate service territory. However, in the upper right corner, you see that the economy in our Western service territory grew by 2.5% in the fourth quarter, which nearly matched the U.S. and outpaced our Eastern footprint.

In the bottom left quadrant, you can see the job growth within AEP service territory continues to improve in step with the U.S. employment recovery. Job growth in AEP's Western territories exceeded both the U.S. and AEP's Eastern service areas. Within AEP's territory, we saw the strongest growth for the quarter in the following sectors: natural resources and mining, construction, leisure and hospitality, and manufacturing.

Now let's turn to slide 10 to update you on the impact the domestic shale gas activity is having on AEP's industrial growth. As we've said before, we are seeing significant load increases in the parts of our service territory that are located in and around major shale formations. For the quarter, industrial sales in the shale counties were up 23% compared to 0.7% decline in non-shale counties. For the year, we saw 30% growth in our shale counties compared to 2013. This shale region growth activity is significant for AEP because 17% of our industrial sales are located in shale gas counties.

The bottom of the chart highlights our industrial sales growth by major shale region. As you can see, for the quarter, we saw growth in all five shale areas, with the strongest growth around the Marcellus, Woodford and Utica regions.

Finally, we know that the recent decline in oil prices, if sustained, will be a strong headwind for the oil and gas sector in 2015. Fortunately, AEP has a diversified industrial base within its service territory to insulate it from downturns in one specific industry. For example, transportation and auto manufacturing would likely benefit from lower fuel prices. This is another example of how AEP's balanced portfolio of utilities provide not only geographical diversification for exposure to weather, but also a diversified regional economy to provide steady growth under various economic conditions.

Turning to slide 11, let's review the financial health of the company. Our debt-to-total cap remains healthy at 54.4%. Our credit metrics, FFO interest coverage and FFO-to-debt have improved from last quarter and are solidly in the BBB and Baa1 range at 5.4 times and 21.8%, respectively. Our qualified pension funding decreased 2% from last year and now stands at 97% funded. The reduction in the funded position was a result of an increase in plant liabilities, driven by a 70 basis point decrease in the discount rate and the adoption of the new mortality table, which was anticipated. An increase in the plant assets tempered the impact of the liability growth during the year.

For 2014, our pension funding was $71 million and we expect to make a contribution of $87 million in 2015. O&M expense associated with our pension was $103 million in 2014 and is expected to be about $84 million in 2015. Since our OPEB funding is at 118%, no funding was required in 2014 and none will be needed in 2015.

Finally, our liquidity stands at nearly $3 billion and is supported by our two revolving credit facilities that extend into the summers of 2017 and 2018. During the fourth quarter of last year, our Treasury group worked closely with our banking partners to amend and extend those key facilities. In doing so, we were able to modify the facilities in such a way that the bank's capital requirements would be reduced while at the same time providing a benefit to AEP by extending the tenor and taking advantage of improved pricing. We've worked hard over the last several years to achieve the financial strength demonstrated on this slide, and we believe we are well positioned for the future.

Turning to slide 12, I'll try and wrap this thing up. I know that 2014 is now ancient history to you, so let me close by providing an update for 2015. We are reaffirming the guidance range, as Nick said, that we provided to you at EEI last November of $3.40 to $3.60 per share. Here are some of the drivers you should think about that impact the guidance range.

We have a positive track record of putting capital to work for the benefit of our customers and then earning a return on that investment by efficiently getting it into rates. This year should continue that trend with expected rate changes of approximately $200 million, similar to last year. We are encouraged by the recent experience in our residential, commercial and industrial classes, and we expect a modest load increase this year of 0.6%.

Our continued investment in Transmission infrastructure should provide approximately $0.07 per share growth, and we will look for opportunities to deploy additional capital in that area, just as we have done the last couple of years. We are maintaining the discipline around Operations and Maintenance expenses. And because of our cost reduction initiatives as well as the cost we shifted into 2014, O&M should be a positive driver for 2015.

In regards to the challenges we face for 2015, I think you're well aware of them. From the earnings shortfall from the PJM capacity pricing and the retail stability ladder to lower natural gas prices and power prices and their impact on off-system sales. The capacity and RSR issues have been known for some time, and it is still very early in the year to make any changes based on current energy pricing. At this point in the year, we are still comfortably within the previously announced range.

In summary, the company is financially strong and we are well on our way to meeting our stated goals. With that, I'll turn the call over to the operator for your questions.

Q&A

Operator

Thank you. Our first question will come from the line of Dan Eggers at Credit Suisse. Please go ahead.

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

Hey. Good morning, guys.

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

Good morning, Dan.

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

I know there's going to be lots of Ohio questions in a minute, so I want to hit a couple others first. On the Transmission business, with the InfraREIT IPO out in the market, how are you guys thinking about the future of your Transmission business, given the size and the growth potential there and prospectively other cheaper forms of funding for the business?

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

We continue to look at our Transmission business as part and parcel to AEP. I mean, we obviously have a lot of scope and scale there, but really we continue to fund it on a continual basis, and it's important for us to be in a position to be able to grow that business. And really, to go to these other structures, there's complications from a state regulatory standpoint and a tax sharing standpoint, so at this point I think we're going to continue pursuing Transmission in the vein that we have been.

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

And one of the successes of Transmission this year was you guys kept finding more capital to put into that business. How are you thinking about investment as a baseline for 2015? And what do you think would cause that number to come up as the year progresses?

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

Yeah. So during the year, we continually reallocate capital from other business units as part of the business that we're in, and that's one of the processes, the great processes we have in place with the capital allocation program and the continual process for reallocation of capital. It enables us to move more to the Transmission side and advance some of that green area that I keep talking about on the graph of additional Transmission spend that we have available. And if we get ahead in some fashion, you never know what the summer will look like, but we'll certainly look for continued ways to improve and put that capital to work in the Transmission area.

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

You guys did a nice job detailing all the earned ROE expectations for the utilities by utility. In aggregate, it is 9.6% earned ROE, should we assume it's kind of a normalized earned ROE for you guys? You're always going to be between cases in different jurisdictions, so not everybody's going to be optimized at the same time. Have we seen the improvement in ROEs that we should expect to see after this year?

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

Yeah. I think, as you can see, the stack that we have for regulatory is relatively small compared to previous years. As we continue to invest in the regulated businesses, you're going to continue to see sort of a 10-ish%, around 10% type of ROE. So we expect, as we continue to make progress, we've invested heavily in Transmission, and some of that Transmission is also included in the operating companies and you also have additional Distribution spending going on. So we'll continue to make advancements and cases will become probably much more frequent and less in terms of what the ask is, so that we can take advantage of riders and things like that to get more concurrent recovery.

So as we progress in that regard, you'll see things like – and I&M is a perfect example where not only legislative, but from a regulatory standpoint, we've been able to get pretty substantial capital expense with a timely response in terms of recovery. We have that there, Transmission, certainly we're doing well from Ohio perspective, from a Transmission & Distribution perspective. So those are the kinds of things we'll continue to advance in the other jurisdictions as well.

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

Got it. Thank you, guys.

Operator

Thank you. Next we'll go to the line of Anthony Crowdell of Jefferies.

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

Hey. Good morning. Nick, no offense taken to missing the All-Star Game this weekend, but – or the reference to the All-Star Game, I'm not sure if you were there. But the question I have is, I guess, related to you mentioned earlier about the strategic review of the generating assets and then also maybe obtaining an Ohio PPA. I mean, how would the company approach it if basically the ground for the Ohio PPA was that AEP had to retain all the generating assets in Ohio?

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

Yeah. So, I mean, obviously, we don't want to talk too much about that because you don't know where things are going to go in this case. But it's our position that it's sort of a no-regret strategy for Ohio given that there really shouldn't be a requirement that we continue to own the asset, because what this is really about is reinforcing the value of those resources that they continue to run in Ohio. Now, obviously, it's a good thing to have PPAs that support contracts and to support generating units, and that would be a positive aspect that says, okay, there's continued consistency in terms of recovery around the cost related to these assets. And that would be a good thing. So we're going to just have to have those kinds of discussions. But obviously, as we pursue it, we want to see that we have the ability to do whatever we decide to do from a business standpoint, but make sure that those assets are standing there for Ohio customers. So we'll just have to see where that goes.

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

Great. Thank you very much.

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

Yeah.

Operator

Thank you. We'll go next to the line of Paul Patterson with Glenrock Associates. Please go ahead.

Q - Paul Patterson {BIO 1821718 <GO>}

Good morning. Can you hear me?

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

Good morning, Paul.

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

Good morning. Oh yeah. Good morning. How're you doing?

Q - Paul Patterson {BIO 1821718 <GO>}

All right.

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

Good.

Q - Paul Patterson {BIO 1821718 <GO>}

Just on the O&M shift, I apologize if I missed this, from 2015, 2016 to 2014, how much of that is quantifiable? And I apologize if you – I mean, I was listening, I just don't know if I missed it, how much of that was put in 2014 that's going to be coming out in 2015 and 2016?

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

Yes. About $60 million was moved forward from 2015 and 2016 into 2014.

Q - Paul Patterson {BIO 1821718 <GO>}

Okay. Great. And then with respect to the AEP merchant operation, I guess, I mean, obviously there are a lot of moving pieces, and I can appreciate that, but I'm just wondering what are the chances that you guys would retain this business? And how should we think about this?

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

Obviously, we're going to have to go through the evaluation process to determine exactly what we do, but our going in position is we are a regulated utility. And the two things we were trying to get out of this process was to make sure we took the volatility out of that, out of the unregulated business, and we're able to make long-term investments. Now that's a relatively high hurdle, but nevertheless, we have to go through the process of understanding the capacity market reform, what happens to PPAs to solidify those assets, what happens to energy markets when the other coal units around 5,700 megawatts of coal-fired generation gets retired here in May.

And then you have sort of two other things going on, and that is these supplemental auctions that are occurring. And if FERC approves the capacity performance model and have these other auctions, those may be considerable value propositions that we're going to have to know and understand. So I said the first shoe is going to drop around the ESP III filing and it will be up to the commission when they actually render an order on the follow up to that, which is a larger piece of the assets, and that's around 2,700 megawatts. So it's going to be dependent upon the timing and our understanding of the value proposition associated with that business. And I think you said it correct earlier, there's a lot of moving parts here, but they're parts that are starting to come together in 2015.

Q - Paul Patterson {BIO 1821718 <GO>}

Okay. So is it safe to say sort of that if you don't see lot of clarity, if it's going to be a volatile merchant operation due to let's say the ESP not working out as planned or whatever that it would be less likely that you guys would end up retaining the assets? Does that make sense?

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

Yeah, that makes sense.

Q - Paul Patterson {BIO 1821718 <GO>}

Okay. Thanks so much.

Operator

We'll go next to the line of Hugh Wynne with Sanford Bernstein.

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

Good morning, Hugh.

Q - Hugh D. Wynne {BIO 5516654 <GO>}

Hi. Just a question on slide 7. You've explained how some of the 2015, 2016 O&M expenses were brought forward, but there's another factor here that I wonder if you could shed some light on. The biggest contributors to higher earnings this year were I think the – well, among the biggest contributors were the OSS $0.16 and the AGR $0.11. You also got a nice added benefit from the AEP River Operations. And some significant portion of that on the OSS and AGR obviously reflected Q1 weather and market conditions. I imagine the AEP River Operations reflected to some extent very benign growing conditions and record corn harvest. My question is, how should I think about 2014, away from the impact that weather had on generation and shipping volumes at AEP River?

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

Yeah. So I think one thing is load obviously was increased during that period of time, and there was an enabling factor here where with load was obviously with the unregulated generation was able to do relative to margins. We were able to take advantage of that and certainly off-load some of the 2015 and 2016 impacts. But, I would say, the year, when you look at the foundational issues that we have from the regulatory recovery to what the service territory looks like it's doing in terms of load increases and the make-up of that load is probably very – I mean, it will be very good for us from a foundational perspective going forward.

I think you all look at 2014 as a very successful year in that we took advantage of the upside that existed because of frankly, the polar vortex and how we performed with our units and also being able to get some of the regulatory actions in place. So I'd say 2014 was a – if you took out, if you adjusted out what we made in off-system sales relative to the polar vortex, then we probably would not have taken some of the steps that we took and still would've managed the year in a very positive way.

Q - Hugh D. Wynne {BIO 5516654 <GO>}

Okay. So basically you're suggesting I think that we should be looking at 2014 as reflective underlying earnings power given the front-loading of the O&M offsetting the Q1?

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

That's right. And I think 2014 turned out to be a major positional year for us because we took advantage of some of the things that occurred during the year, and that's really, as I said earlier, and that's the true story of not only 2014, but the last quarter. We took advantage of the upside that occurred during the year, but we didn't do it just by doing additional things. We did it by my managing the future in terms of the earnings power of the company as well. So that's really the story of the year.

Q - Hugh D. Wynne {BIO 5516654 <GO>}

And a related question on eight then. I assume nonetheless that the – correct me if I'm wrong here, the relatively low growth that you're anticipating in residential normalized sales and commercial normalized sales despite accelerating GDP growth and improving employment and consumer confidence and all those good things, still reflects some element of the first quarter strength that you feel is probably not going to be repeated even on this normalized basis. In other words, you're working off of a very high base and that's going to be harder to replicate equivalent levels of growth in the coming year.

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

Hugh, I think that the last comment you made kind of hits the nail on the head. Because our growth was so strong in 2014, we don't think it will be as strong as we go into 2015, and that's why you see the numbers for the estimates reflected on slide 8 that you do.

Q - Hugh D. Wynne {BIO 5516654 <GO>}

Okay. And what...

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

And, Hugh, you've got to keep in mind, too. I mean we do the best job we can in terms of anticipating what load forecast looks like, but in this economy and with what's going on, particularly when you're on the – when it's adjusting considerably as we go along, we tend to be a pretty conservative bunch. It's done that way because it's sort of a forcing function for the rest of the business to compensate for what we could have as very low load growth depending on what happens to the world economy, oil and gas prices. We just have to see some consistency in all of this to really be positive enough to make further adjustments in the future, and that's going to play itself out.

Q - Hugh D. Wynne {BIO 5516654 <GO>}

The conservatism on the load forecast and the calculation of the adjusted earnings is much appreciated. Just one last thing, have you guys disclosed any expectations regarding the pace of O&M growth off of the 2014 base?

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

Yeah. We think, Hugh, it'll be flat to slightly positive. When you look at the Utilities segment, net of earnings offset at about $3.1 billion in O&M, we anticipate that to be perhaps closer to about $3 billion in 2015; so we do expect some uptick in O&M. And that's as a result of some of the things that we talked about, pulling some of those expenses and work associated with those expenses forward into 2014 from 2015 and 2016.

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

The fascinating part about all of that is that we continue to absorb additional increases in O&M for labor costs, certainly for cyber security, physical security, all of those things that are occurring in addition. So it's more than just keeping it flat. It's really absorbing substantial changes.

Q - Hugh D. Wynne {BIO 5516654 <GO>}

Got it. Thank you, Nick.

Operator

We'll go next to the line of Jonathan Arnold at Deutsche Bank. Please go ahead.

Q - Jonathan Philip Arnold {BIO 1505843 <GO>}

Yeah. Good morning, guys.

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

Good morning.

Q - Jonathan Philip Arnold {BIO 1505843 <GO>}

Firstly, I wanted to ask on the comment you made about residential sales being primarily up on usage rather than customer count in the West. Are you seeing some kind of a softening in the efficiency angle? Can you just give us a little bit more color on your confidence in the source of that growth and the likely trajectory?

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

Yeah. Jonathan, this is Brian. In some of the parts, particularly the T&D Utilities where we're seeing a lot of that shale industrial growth, is where we've seen a lot of the average customer usage growth go up. And in places that aren't impacted by that, we've actually seen a decline in average customer usage. So, as utilities, we look for industrial to lead commercial and residential growth; that's very much been the case in the places where we see the shale developments. I guess looking forward in terms of energy efficiency, I think a lot of the energy efficiency to date in the states where we have energy efficiency initiatives have been focused more on the residential class, and we anticipate as some of that low-hanging fruit gets taken, some of that will start shifting to the commercial class, and we'll start to see some impacts there as well. But that's sort of the color I'd give you on where we're seeing the load growth and why.

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

And Brian alluded to this earlier, and that is the shift that's occurring, if we see oil and gas impacts relative to shale gas activity, well, you still have gasoline and basic energy prices that are reducing, so that would have an effect of improving the residential and commercial side as well, because there's parts of the economy obviously that benefit from more disposable income. So it'd be interesting to see, as the year goes on, how this develops. We're just now at the beginning of being awash in shale gas and that kind of thing, but with gasoline prices lower, it may enable people to start purchasing more homes and those types of things that move the economy.

Q - Jonathan Philip Arnold {BIO 1505843 <GO>}

Great. Thanks. So you've obviously trimmed your 2015 sales outlook by 30 basis points. Is that – and you've sort of talked about other parts of the economy offsetting shale. Can you – how much of the kind of shale slowdown assumed to be versus what you were expecting? Can you make that kind of estimate?

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

Jonathan, yeah, when you look at – when you say we've trimmed it by 30 basis points, it's really adjusting the base that we're operating off of. So it's the higher base in 2014 that really accounted for the reduction in 2015 on a year-over-year basis. Does that make sense?

Q - Jonathan Philip Arnold {BIO 1505843 <GO>}

Yeah. If my memory serves that you did that last year, too?

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

Yeah, that happens.

Q - Jonathan Philip Arnold {BIO 1505843 <GO>}

Same thing happened, great. And could I just ask one other thing on the EEI slides, I think you said you were – you thought you had 80% of generation gross margin locked in some form of contract or hedging. Is there an update to that number? And, I guess, it might be that the hedges would be a bigger percentage of a smaller number. So, maybe adjusting for any change in the overall outlook?

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

Yeah, Jonathan, we don't want to give, obviously, a specific number, but when you think about what we try and have hedged, we try and be in that 60% to 70% hedged range. And I think that would be a fair assumption looking forward as well.

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

Jonathan, you know Chuck Zebula? He sort of worries about competitive information, so...

Q - Jonathan Philip Arnold {BIO 1505843 <GO>}

Right.

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

But that's a general rule of thumb that he uses.

Q - Jonathan Philip Arnold {BIO 1505843 <GO>}

But having said, you did say you were at 80% in November.

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

Yeah.

Q - Jonathan Philip Arnold {BIO 1505843 <GO>}

Okay. So, you're not saying that's changed, though, are you, Brian, when you say 60% to 70%?

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

No. I'm not. There's no change. When we talk about the range that we like to be hedged in – and it's – you also need to think about whether it's volume or margins.

Q - Jonathan Philip Arnold {BIO 1505843 <GO>}

Yeah.

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

So I think the margin that you're referencing is higher; in terms of volume that would be the lower amount.

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

Right.

Q - Jonathan Philip Arnold {BIO 1505843 <GO>}

Okay, great. Thanks a lot.

Operator

Thank you. We'll go next to the line of Paul Ridzon with KeyBanc.

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

Hello, Paul.

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

How are you?

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

Just fine.

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

It goes back to Hugh's question about MEMCO. Was 2014 a very good year or was 2013 a poor year?

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

Well, it's a combination of both. But 2014 was a good year primarily. We're starting to see earnings capability from the tanker barges. We also had a good grain season that continues, but our entry into the tanker barge business has been successful.

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

But I think Nick's initial statement hit the nail on the head. 2013 was not a good year, and 2014 was a good year.

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

So 2015 maybe split the difference?

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

We'd like to see it continue like 2014 was.

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

Okay.

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

And, as Nick said, we're getting higher margins from some of the tanker barges that we have, and we anticipate that we'll continue to grow that part of the business where we get the higher margins. Yeah?

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

And then on Transmission, I think you finished the year $0.02 ahead of plan. Should we assume that 2015, that carries and you can finish $0.02 ahead of 2015's plan?

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

We're thinking that the Transmission side will improve 2014's results by about $0.07 per share.

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

That kind of puts you on top of where your EEI slide deck of $0.38?

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

That's about right.

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

Yeah, that's right.

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

Okay. Okay. Thank you very much.

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

Okay. Thanks, Paul.

Operator

We'll go next to the line of Ali Agha with SunTrust. Please go ahead.

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

Hello, Ali.

Q - Ali Agha {BIO 22785216 <GO>}

Good morning.

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

Good morning.

Q - Ali Agha {BIO 22785216 <GO>}

Just making sure I understand on the merchant thinking on your part, as you said, a number of data points coming up. But if I hear them and the timing of all of those looks like by middle of this year you should be in a position to strategically decide your next step. Is that a fair way to think about it?

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

I think as it now stands you're going to have a lot of that information by mid-year. Now it remains to be seen what the commission does, particularly the Public Utility Commission of Ohio relative to the second increment, the 2,700 megawatts of generation. Will that occur before May or after May I don't know at this point. And then what FERC does with the supplemental auctions. If you have supplemental auctions, particularly that add tremendous value proposition from the existing auction periods like the 2016 and 2017 auction, there could be a supplemental auction associated with that and others as well. Then we're going to have to fully understand what that means.

I'm sure if there is a transaction, any transaction party would want to understand that too. So, as a general thought process, we're thinking a lot of the information will come into play in 2015. We're hopeful that a lot of it comes into play in mid-2015. But we'll have to see where that goes.

Q - Ali Agha {BIO 22785216 <GO>}

Yeah. And conceptually and in the past as you've thought about potentially exiting the business. You looked at two parts, actual sale monetization, raising cash, reinvesting that and then a spin-off where you save some of the tax leakage. As you've gotten more data, you've gone down the part, any clarity or preferences between those parts?

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

No, not yet. I mean, there are some big components sitting out there that we have to fully understand. And obviously it'd be great to take proceeds and reinvest in the business and particularly in Transmission but each one of those options you mentioned has its pros and cons, and we need to make sure we have all these major factual items to make a sound decision.

Q - Ali Agha {BIO 22785216 <GO>}

But generally you do believe there is capital still out there? You know, we've had these big PJM related transactions that have happened recently. There's still capital availability out there that is willing to spend more money in that region?

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

Yeah, I do. I think there is. And obviously some of the latest information on market power concerns and those kinds of things will – it really depends on who the other parties are. So that's another issue that we'll have to fully understand.

Q - Ali Agha {BIO 22785216 <GO>}

Yeah.

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

But I do believe there's others out there.

Q - Ali Agha {BIO 22785216 <GO>}

Okay. And in the past, when you guys have talked about your merchant sensitivities and exposures, you've related it to power prices and a dollar change equates to certain earnings per share. But is there sensitivity on the fuel side as well? In other words, oil prices obviously have come down, so have coal prices, so should we think more along the dark spread side of the equation or is the sensitivity all still on the power side on the merchant part?

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

Yeah. I think obviously capacity prices has a big part of the value proposition for those assets. And as far as the energy market's concerned, I mean, you'd have to look at the energy market and say, okay, what's the margin expectation from that part of that business. So margins are a little bit depressed in this market but not too depressed. And really, and like I said earlier, it really depends upon someone else's view of what the forward curve looks like.

So there'll obviously be discussions about long-term forward curve and what it looks like for energy prices, but the real definition around this will be provided in the capacity side.

Q - Ali Agha {BIO 22785216 <GO>}

Understood. Thank you.

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

Yep.

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

Operator, we have time for one more question.

Operator

Thank you. And our last question will come from the line of Michael Lapides of Goldman Sachs. Please go ahead, sir.

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

Hey, Michael.

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

Hey, Nick. Hey, Brian. When I look at the equalizer slide, the slide you show on earned ROEs across the various segments, can you just walk us through – I know you've got the Kentucky rate case outstanding and that'll have a big impact. But can you walk us through a little bit about what you think will improve things so much at both I&M and SWEPCO? I mean, the SWEPCO $15 million increase is a relatively small number in the size and scale of SWEPCO. Just kind of how do you get such a big uplift when you look at pro forma versus earned in 2014?

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

Yeah. Let me give you some quick insight into I&M. So obviously, they have some plants that are going to retire next year. So what we did in 2014 was look forward at what some of the severance and additional retirement obligations were going to be. And because we could quantify those and have some real clarity into what those would look like, we were able to take those charges in 2014 and won't be realizing those in 2015. So 2014's results were weighed down by our estimating and calculating those results and taking them in 2014. And obviously not having similar results in 2015 in I&M will help us to improve those results there.

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

And then for SWEPCO it's going to be – we're going to have to define an Arkansas solution here because we got the formula-based rate changes in Louisiana really taking account the Valley District that was acquired there. And then in Texas, we do have full recovery for Turk, but also the Transmission, TCOS filings and so forth have been positive. So those two jurisdictions are working very well. Arkansas is a work in progress because we're not only – we're now investing in scrubber applications, environmental expense at Welsh and Flint Creek Power Plants, and that's somewhat of a drag. But we've got to get through in some kind of ability to get through either Turk or some rate case support for Arkansas.

Now, Arkansas' returns other than if you exclude Turk are generally okay. But whether it takes into account the risk associated with Turk is another issue and we've got to find a mechanism to get more value for that previous Arkansas portion of Turk, the 88 megawatts.

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

And you think you can get...

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

Until that's solved you'll continue to see SWEPCO somewhat depressed.

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

Got it. And you think you can get some change in Arkansas done in 2015 to drive that 150 basis points or so increase in earned ROEs?

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

You're talking about above the 8.3%?

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

No. Just to go from 6.8% to 8.3%.

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

No, no. No, that – yeah, but he's asking how to get from 6.8% to 8.3%.

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

Yeah, we'll be able to do that.

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

We'll be able to do that because that doesn't include Turk. That really is recovery of the environmental expense.

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

Got it. Okay. I'll follow up offline.

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

Okay.

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

Well, thank you, everyone, for joining us on today's call. As always, the IR team will be available to answer any questions you may have. Keely, you can give the replay information now. Thank you.

Operator

Thank you. And, ladies and gentlemen, today's conference will be available for replay after 11:15 a.m. Eastern Time today, running through February 4 at Midnight. You may access the AT&T replay system by dialing 1-800-475-6701 and entering the access code of 350247. International participants may dial 320-365-3844. Those numbers again are 1-800-475-6701 and 320-365-3844 with the access code of 350247.

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