El Paso Electric Company
Moderator: Lisa Budtke
February 23, 2017

Operator: Good day and welcome to the El Paso Electric Company Fourth Quarter 2016 Earnings call. Today's call is being recorded. At this time, I'd like to turn the conference over to Lisa Budtke. Please go ahead.

Lisa Budtke: Thanks, Vicky. Good morning and thank you for joining the El Paso Electric Company Fourth Quarter 2016 Earnings call. My name is Lisa Budtke, and I am the Director of Treasury Services and Investor Relations. On the call today are CEO, Mary Kipp; CFO, Nathan Hirschi and other members of Senior Management.

You should have a copy of our press release and today's presentation and if you do not, you can obtain them from our website on the Investor Relations page.

We currently anticipate that our 2016 Form 10-K will be filed with the Securities and Exchange Commission (SEC) on or before Monday, February 27, 2017.

We also would like to inform you that we will be attending the UBS Utilities and Natural Gas Conference in Boston on February 28, 2017 and the Williams West Coast Utilities and Alternative Energy/Clean Tech Seminar in Las Vegas on March 22, 2017. Please refer to our website for all upcoming investor relations events.

A replay of today's call will be available shortly after our call ends and will run through March 9, 2017. The details as they relate to the replay are disclosed in our press release.

The forward-looking statements, on slide 2 of our presentation you can see our safe harbor provisions. In summary, our comments and answers to your questions may include forward-looking statements made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements involve known and unknown risks and other factors, which may cause the Company's actual results and future periods to differ materially from those expressed here. Any such statement is qualified by reference to the risks and factors discussed in the Company's SEC filings. Our 10-K and other SEC filings contain our forward-looking safe harbor statements and lay out the risk factors that should be considered. These filings may be obtained upon the request from the Company on our website, or from the SEC.

The Company cautions that the risk factors discussed in these filings are not exhaustive and we do not undertake to update any forward-looking statements that may be made from time to time by or on behalf of the Company. These statements, especially those made during the question and answer section of the call are subject to risks and uncertainties that are difficult to predict.

I would now like to turn the call over to Mary.

Mary Kipp: Thank you, Lisa, and good morning everyone. On slide 3 of the presentation, I'll briefly cover our financial performance for 2016. During the fourth quarter, we reported net income of $5.7 million or $0.14 per share compared to 4th quarter 2015 net income of $0.6 million or $0.02 a share. For the year, we reported net income of $96.8 million or $2.39 per share compared to 2015 net income of $81.9 million or $2.03 per share. Our improved overall financial results were largely due to the rate relief we received in 2016 which helped to partially mitigate some of the regulatory lag that we began experiencing in 2015. Nathan will talk about the drivers that impact earnings a little later in the call.

If you will now turn to slide 4 of the presentation, I'd like to point out some of the significant highlights that the Company achieved.

As I look back on the challenges of 2016, I'm extremely proud of the achievements we had during a very dynamic year. First, we obtained final orders in both of our rate cases. In Texas, which accounts for about 80 percent of our non-fuel base revenues, we received a final order that resulted in $40.9 million of non-fuel base revenues being recorded in 2016.

In July, we completed the sale of the Company's ownership interest in the Four Corners coal plant. The sale of our interest in this plant not only allows us to become a cleaner, coal-free utility, but also limits the Company's financial obligations relating to potential environmental regulations in the future.

Also in 2016, the Company placed into commercial operation Montana Power Station Units 3 and 4 in May and September, respectively. Together with Montana Units 1 and 2, all four units added a total of 354 megawatts of clean burning natural gas to our local fleet of electric generation which will provide enough energy to meet the needs of more than 160,000 homes in our in the Company's growing service territory.

In 2016, we set another native system peak record of 1,892 megawatts on July 14. Due to the continued growth in our service territory, the Company has set a new native peak record in 15 out of the past 16 years. This surpassed our 2015 record peak of 1,794 megawatts by 5.5 percent or 98 megawatts. In fact, our system peak in 2016 surpassed the previous peak established in 2015 on 37 separate hours over a period of 13 days. During July, Montana Units 1, 2, and 3 had a combined net capacity factor of 56 percent, which helped to meet the continued demand of our customers. Another significant accomplishment in 2016 was the review of our dividend policy.

Turning to slide 5, I am pleased to announce that Palo Verde had another stellar year in 2016 with Unit 3 recording the shortest refueling outage in the plant's history.

Also, in Texas, El Paso Electric ranked number one in reliability for both frequency and duration of outages. This contributed to us achieving above target customer satisfaction and call center performance for the year as well.

We also had employees devoting their time and effort by volunteering over 9,500 hours to our local region and we are very proud to support their efforts to participate, and in many cases, lead various organizations that benefit the local communities and region that we serve.

So I am extremely proud of these accomplishments and I'm looking forward to building upon them as we progress towards our 2017 objectives.

At this time, I'd like to turn to slide 6 where we will discuss some of those objectives.

With the completion of Montana Units 3 & 4 in 2016 and other plant additions, we've added an additional $444 million of capital investments since the end of the test year in our 2015 rate cases. As a result, we filed a general rate case in Texas on February 13 for an increase in non-fuel base revenues of approximately $42.5 million. A previous case in

New Mexico requires us to make a rate filing in New Mexico in the second quarter of 2017 using a historical test year ended December 31, 2016.

Another goal for the Company is to move closer to a peer-average dividend payout ratio after our major construction period and regulatory lag subsides. We have refined our dividend policy to achieve an annual 55 to 65 percent payout ratio by 2020, with the first annual increase above the historic $0.06 per share to commence in the second quarter of 2017.

The addition of affordable large-scale solar projects to our generation mix has been an objective of the Company for several years now. As a result, we expect to complete construction of the three megawatt Texas Community Solar and the five-megawatt Holloman Air Force Base solar facility in 2017. These solar facilities will be the first large scale solar facilities that will be owned and operated by the Company.

In addition, we are planning to implement a three-year pilot demand response program. The company is anticipating being able to start registering customers for that program in the second quarter.

We are constantly evaluating how to best plan for the growth of our region and the changing needs of our customers. We continue to keep our customers' best interests in mind as we plan for our future and issue an all-source request for proposal for new generating resources. These new resources will power the future of our service territory in a cost effective and efficient manner while promoting clean, safe, reliable and affordable electricity that promotes and supports the continued economic development of our service territory.

If you will turn now to slide 7, I'd like to provide more detail on the growth of our local community, which has driven the expansion we've experienced over the past several years.

Our region is very fortunate to have benefited from several multi-million dollar construction projects over the last few years and several additional large scale projects are slated to begin in the near future by both private and public entities. As a result, our local economy is enjoying growth, which has led to significant investments and jobs. El Paso County has added over 6,000 jobs to the workforce in 2016. In addition, El Paso's Gross Metropolitan Product has increased by almost $1 billion from 2013 to 2015. Another positive economic indicator is that the volume of home sales in El Paso has increased over $200 million from 2014 to 2016. All of these indicators are positive for our service territory and we have to plan accordingly to ensure that we have a reliable and secure grid.

Turning to slide 8, I would like to briefly mention our 2017 rate case filings. As you are aware, we filed a general rate case with the City of El Paso and other incorporated municipalities in our Texas service territory, and, at the same time, with the Public Utilities Commission of Texas on February 13 based on an historical test year ended September 30, 2016. As part of the rate case filing, the Company is requesting a non-fuel base revenue increase of $42.5 million. The filing also requested a return on equity of 10.5 percent and an equity ratio of 48.35 percent. As mentioned earlier, this filing was necessary to reflect approximately $444 million of new plant that has been placed in service since March of 2015. With the relate-back provision in Texas, the Company will have the ability to surcharge our customers for new rates relating back to consumption beginning on the 155th day after the rate case is filed. So by applying the relate back option in our current filing, we anticipate new rates would become effective on July 18,

2017. Our timeline reflects the potential final order to be issued during the fourth quarter of 2017.

In New Mexico, we anticipate filing a general rate case in the second quarter of 2017 using an historic test year ended December 31, 2016.

I would now like to turn the call over to Nathan, who will talk about our financial results.

Nathan Hirschi: Thank you, Mary. If you will turn to slide 9, we list key earnings drivers for the 4th quarter and twelve months compared to prior year.

The first four earnings drivers are primarily related to the 2015 Texas rate case. These include the positive benefits of higher non-fuel base rates, a higher level of other revenues and lower depreciation rates. Another impact of the 2015 rate case was a higher effective tax rate associated with normalization of state income taxes, which had a negative impact on 2016.

The majority of the remaining changes, including AFUDC, interest expense and taxes other than income taxes, which includes property taxes, were primarily driven by regulatory lag. This is due to the significant investments we have made in recent years. For more details, please refer to slide 9 of our presentation and our earnings release.

Turning to slide 10, we have provided a chart to illustrate the weather conditions experienced in our service territory during the past ten years.

The chart includes a comparison of normal weather to the actual weather recorded in our service territory. As you can see, heating degree-days in 2016 were 11.6 percent lower than the same period last year, and 14.2 percent below the ten-year average. In 2016, cooling degree-days were 1 percent below the 2015 level, but 2.9 percent above the ten-year average. Overall, weather was slightly less favorable than prior year.

Now turning to slide 11, we have provided a comparative analysis of the changes in the average number of customers and megawatt-hour sales by customer class for the 4th quarter of 2016 as compared to the same period in 2015. During the quarter, the average number of customers increased by 1.5 percent over the same period in 2015. The increase was mainly driven by an increase of 2.9 percent in small commercial and industrial customer class. Megawatt hour sales increased by 0.8 percent over the same quarter in 2015, this was primarily due to a 2.5 percent increase in the public authority customer class. While the company experienced a 1.4 percent increase in the average number of residential customers served, milder weather in the fourth quarter of 2016 resulted in lower residential kWh sales compared to the 2015 fourth quarter.

We have provided the same analysis for the full year on slide 12. Sales to residential and small commercial and industrial customer classes increased. Most of this was attributable to an increase in the average number of customers served over the same period in 2015. These increases were partially offset by decreased sales to large commercial and industrial customers. This was primarily due to reduced demand by the steel manufacturing industry in 2016 as compared to 2015.

Now turning to slide 13, I would like to provide our latest five-year projections for our capital expenditures. On this chart, you will see that we plan to spend $215 million in 2017 and $185 million in 2018. The revision to our projections is primarily attributable to increased transmission and distribution as a result of continuous planning to meet the demands created by our growing service territory to replace older equipment and to improve reliability. Over the next five years, we currently anticipate spending approximately $1.1 billion, which includes the initial costs for a 320-megawatt generating resource scheduled for completion in 2023. These amounts are subject to revision as we anticipate issuing an all-source request for proposal later this year, which could change, accelerate, or postpone the projects currently included in our estimates.

Turning to slide 14, I would like to wrap up today's presentation with some comments regarding our 2017 Earnings Drivers. Because we cannot predict the outcome of our 2017 Texas rate case, we will not be issuing 2017 guidance at this time. However, we will discuss some key earnings drivers for 2017.

As you can see, there are several factors that will negatively impact earnings in 2017, which are directly related to regulatory lag. The primary components of regulatory lag in 2017 are lower AFUDC and higher O&M, property taxes, depreciation and interest expense. Many of these costs are directly attributable to Montana Units 3 and 4 being placed into service in 2016 and to servicing our growing customer base.

On a positive note, assuming that we are able to resolve the Texas rate case in a timely manner, earnings are expected to be positively impacted. Continued customer growth is also anticipated to have a positive impact on our 2017 earnings. The company has consistently experienced customer growth of approximately 1.4 percent or greater over the past several years.

Another item to keep in mind is the seasonality of our business. Our earnings are heavily weighted towards the summer months. As you may recall, we recorded a $0.14 per share loss in the first quarter of 2016. Despite the higher rates that we have in place due to the 2015 rate cases; it is possible we may also record a loss for the first quarter of 2017. We also do not expect to be able to record the financial impacts of the 2017 Texas rate case until the fourth quarter of 2017 at the earliest. These items should be taken into consideration when allocating earnings between the quarters.

At this time, I would like to open the call for questions.

Operator: If you would like to ask a question, please press the * key followed by the digit one on your touchtone phone and make sure your mute function is turned off to allow your signal to reach our equipment. Once again, that is *1 to ask a question. We will take the first question today from Anthony Crowdell with Jefferies. Please go ahead.

Anthony Crowdell: Good morning.

Nathan Hirschi: Good morning, Anthony.

Anthony Crowdell: Nathan, did you just say that for the outcome in Texas, you would anticipate or maybe you wouldn't book the revenues until fourth quarter?

Nathan Hirschi: That's right. That's based on the current timeframe. That's our best guess at this point that it'll be recorded in the fourth quarter. With the relate back date, remember, Anthony, as of July 18

Nathan Hirschi: So, as we did it this year, unless we get some, resolution of the rate case, we won't be able to book it as of the relate back period. But that's our best guess of when it will get resolved in the fourth quarter, although that could be subject to change. That's kind of the goal, what we're working toward, although it might be pushed from that time also.

Anthony Crowdell: So, there's a possibility that we get guidance in December?

Nathan Hirschi: Well, it depends. We won't be giving out guidance until we get some better understanding of how the rate case progresses. So, it could come earlier than that, Anthony.

Anthony Crowdell: Okay. If I look on slide 9, you took a $0.02 positive for effective tax rate and the question probably also applies to depreciation. Does that carry forward now for first quarter and second quarter that I could book as I thought and I may have my years mixed up? You were guiding to a higher effective tax rate in –

Nathan Hirschi: No, that's a good question, Anthony. So what happened last year, they changed that in the fourth quarter of 2015, they changed the tax law to allow bonus depreciation. So, we had to write off some manufacturing credits that we had recorded last year that were adjusted for the bonus depreciation. So, we had an abnormally low tax rate or should I say an abnormally high effective tax rate in the fourth quarter of 2015. So, that $0.02 is kind of an anomaly. We will see going forward year-over-year the higher effective tax rate which we anticipate being about 36 percent for 2017.

Anthony Crowdell: And depreciation, can I add the positive, $0.02, for first quarter and second quarter of 2017?

Nathan Hirschi: You can, although, we added that slide on page 17 of the earnings release that kind of allocates the depreciation expense that we picked up when we booked the relate back revenues and relate back effects into the quarters. So, that's the effect that you will more likely see going forward on page 17 of the earnings release.

Anthony Crowdell: I apologize. You're saying that when I look at the tentative timeline for the rate cases, you have a relate back date in July 18, 2017 in Texas. How does that correspond to the lower depreciation?

Nathan Hirschi: Well, we will have lower depreciation in the first and second quarter of 2017 as compared to 2016 because of the depreciation. You will get a pretty good number of the effect if you look at the depreciation numbers shown on page 17 of the release that we allocated to the first and second quarters.

Anthony Crowdell: Okay and last on that page, on slide 9, you took a $0.04 benefit for the quarter for other.

Nathan Hirschi: Yeah, that was a large number of smaller items. Pension, we changed our other post retirement benefit plan during the year that helped us. We had some O&M changes that benefited us. So, it's a large number, of relatively smaller items.

Anthony Crowdell: Okay and just last, if, Mary, I think you had addressed this, I apologize. On slide 6, I believe, you're looking to implement a three-year pilot program for demand response and it just so happened under that bullet, you we're going to file an RFP for generation resources. How do you determine the RFP if you have a very successful demand response? It seems that it would really impact rate base growth and generation needs.

Mary Kipp: I don't think that the demand response program will rise to that level. So I think we have a good idea of what we're going to file in that RFP. We're expecting to file for some sort of generation that will probably come online in 2023, although, we could probably have some solar on an interim basis that may come online before that. But while we encourage demand response and we are looking forward to seeing how this pilot project works, it is a pilot project and I don't see it having a material effect because the generation we need I think far outweighs what we may get out of the pilot program. Is that fair, Jim? I have Jim, our VP of Regulatory here, Jim Schichtl, if he has some comments on that, it might help as well.

Jim Schichtl: No, that's correct. The demand response pilot is relatively limited. It's small customers, residential and small commercial to address the air conditioning load in the summer. But, it won't, Mary is correct; it won't have a large enough impact to change, at least at this point, the plans for the RFP.

Anthony Crowdell: Great. Thanks for taking my questions.

Nathan Hirschi: Thanks, Anthony.

Mary Kipp: Thanks, Anthony.

Operator: At this time, there is one name remaining in the roster. So, if there are any additional questions, please press *1at this time. And we'll go to Brian Russo with Ladenburg Thalmann.

Brian Russo: Hi, good morning.

Nathan Hirschi: Good morning, Brian.

Brian Russo: The above $0.06 dividend increase you're targeting, if I read the language correctly, it still seems like you're going to gradually increase the payout with the step up in earnings through 2020. Is that kind of how to look at it?

Nathan Hirschi: Yes. I mean, we'll go through and do a more detailed analysis in the second quarter. But we haven't decided if it is a one-time step up or not, but our real goal is to move in that direction over the next several years until we get to 2020.

Mary Kipp: And our key really is we want to keep some flexibility. Our Board will look at it again in connection with our need, our Board meeting that's associated with our annual meeting is in May. So we'll take a look at how things are looking around that time and make a decision, but directionally, we know where we're headed. It's just a question of incrementally how we get there.

Brian Russo: Got it and can you remind us of the O&M expense, savings and the O&M expense allocated to Four Corners as well as the depreciation expense that year-over-year will be absent from 2017 due to the sale?

Nathan Hirschi: Yes so, the level of O&M is about $10 million a year average. Last year had about $10 million of Four Corners O&M because they had some extensive outages in the first half of the year. So, it is about a 10 million per year amount that we have historically shown and depreciation, I believe is in the $2 million range.

Brian Russo: Okay. So, basically, you'll capture $5 million, positive benefit from the sale on O&M and $1 million positive depreciation from the sale in 2017 versus 2016.

Nathan Hirschi: Yes, those numbers are about right.

Brian Russo: Okay.

Nathan Hirschi: I will point out, though, Brian, we do have a little higher level of local generation outages scheduled for 2017 than what we have historically shown and we've done a really good job on O&M over the last few years. Our five-year O&M growth rate has been just about 0.8 percent. So, we've done a really nice job of maintaining O&M over the long term. At the same time, we are seeing some headwinds from an O&M perspective in the sense that, security and compliance and technological costs are impacting us. So, we do see some headwinds, but you're right about the Four Corners amounts.

Brian Russo: Okay and correct me if I'm wrong, but it looks like 2017 and 2018 Capex has been increased since your last disclosure, is that accurate?

Nathan Hirschi: Yes, that's right. The four-year Capex since the last time we went out is up about $69 million, for the next four years as opposed to what we presented in the second half of last year. And that really relates to some of the additional transmission and distribution expenditures we expect to incur over the next few years, which are partially tied to the big peaks that we had last year and we're seeing load shifting around our communities, which is going to require some more substations. We're also seeing a little bit higher costs associated with renewing some transmission right of ways, which is the lion's share of that, but it is up by about $69 million over what we presented in the four years.

Brian Russo: Got it and I think the mid-point of your last updated 2016 guidance was $2.33, yet you reported $2.39 and if I understood you correctly, earlier $0.02 of abnormal tax impact, but still, did you just exceed your expectations, or was there some, weather variance? Just curious to know what got you above the mid-point?

Nathan Hirschi: It really wasn't weather so much. It was a little bit less than the average quarter, but particularly with the milder heating degree-days that we had last year. But it was a large number of smaller items that mostly went our way. Property taxes were one of the items that came in better than we anticipated, and then O&M levels were a little bit lower. But it was really spread out over a number of areas and we really can't point to just one item, but things did go relatively well from an expense perspective during the quarter.

Brian Russo: Okay and then, Mary, just bigger picture, with the new administration and, proposed international trade policies and given your proximity to Mexico and the stimulus that that creates, any thoughts on any sort of economic impact?

Mary Kipp: Absolutely, so obviously, things are kind of up in the air and we don't know exactly where things are headed right now. We know that a border adjustment tax is being considered, and as we expressed to all of you quite often, there is a significant part of our economy that does depend on cross-border trade. That said, we need to see how that plays out. There could also possibly be some offsetting benefits to our service territory if some of these policies are enacted in terms of additional law enforcement personnel, things like that. But we are staying tuned on that. We work with our regional economic development group, the Borderplex Alliance, which represents people from Juarez, Mexico, as well as southern New Mexico and, of course, El Paso and we feel like we are doing everything we can to try to make sure that our service territory isn't negatively impacted, but we are keeping an eye on it.

Brian Russo: Okay. So I guess at this point, we should just kind of assume that your historical customer growth and load growth is, you know, sustainable in the near to intermediate term?

Mary Kipp: Yes and, really, we have seen a lot of diversification of our economy as well. We really have seen some new businesses come online, such as some high-end retails, some high-end dining establishments, grocery stores, things like that, and I think that's an indication that our economy here in El Paso is pretty vibrant even taking out our cross-border aspect.

Brian Russo: Okay, great. Thank you very much.

Mary Kipp: Thank you.

Nathan Hirschi: Thanks, Brian.

Operator: Next is Chris Ellinghaus with Williams Capital.

Chris Ellinghaus: Good morning, everybody.

Nathan Hirschi: Good morning, Chris.

Chris Ellinghaus: Nathan, I want to thank you for that reconciliation of the rate case numbers in the press release. That was helpful.

Nathan Hirschi: Thanks.

Chris Ellinghaus: I want to go back to the Four Corners questions relative to the O&M. You did have some early 2016 heavy Four Corners O&M. I think it was outages, if I remember correctly. And then you were talking about maybe a little bit more outage for 2017 in general. I just want to think about the shape of O&M. So with the absence of Four Corners now, should we be expecting that O&M will be a little bit more backend loaded for the year than it was in 2016?

Nathan Hirschi: Well yes. I think the level of O&M that we're seeing in the fourth quarter should kind of continue out. So we did see a slight drop-off related to Four Corners that was obviously in the first half that didn't repeat. So I think the O&M should follow a rather similar trend compared to last year. Is that fair, Lisa?

Lisa Budtke: Yes, that's right.

Chris Ellinghaus: Okay. And when are the anticipated outages?

Nathan Hirschi: Well, there are several of them. So we mainly do them in 1st of May and the shoulder months. So we try not to do any of our outages in the summer months. So they tend to be in the early part of the year and then the later part of the year with keeping all the units online during the peak summer months. So they are spread into the shoulder months.

Chris Ellinghaus: Okay, but not Q2?

Nathan Hirschi: There is a little bit that carries over into Q2, just like the Palo Verde outage does sometimes, but it's primarily in the first and the end of the third and fourth quarters.

Chris Ellinghaus: Okay. And how has weather been so far for the year?

Nathan Hirschi: It's been very nice to live here. I mean it was nearly 80 degrees yesterday. So it's been rather mild. So the number of heating degree-days has been below average so far this year.

Chris Ellinghaus: Okay. You were sort of talking about compliance expenses. Do you anticipate if there are some regulatory relief issues from the Trump Administration that there may be some benefits there?

Mary Kipp: Absolutely. You know, I think if we see a little bit more light-handed regulation, it will lead to some cost savings because like all utilities, we have experienced quite a bit of expense related to whether it's complying with cyber security standards, NERC CIP standards, EPA standards, and all kinds of things, which is important, but it does add cost.

Chris Ellinghaus: Okay and Mary, I just want to make sure I'm clear. It sounded like you were talking about the RFP that the 2023 combined cycle would participate and I think you said maybe some solar?

Mary Kipp: Yeah, we don't know that it's going to be a combined cycle. We have that tentatively penciled in. But really, what we're doing is we're coming up with the parameters of what we need to manage our load and we will bid out the requirements and we'll see what comes back.

Chris Ellinghaus: But you'll participate in at least something?

Mary Kipp: Absolutely, we'll participate.

Nathan: Which just on that point, we did talk about the Capex going up, the capital expense projections that we have going up and they mainly relate, as I mentioned, to the T&D spend which is a little bit more consistent than the generation spend. But it does go to show you how volatile those numbers are and they are subject to change as we go through the RFP process that those Capex projections will change also.

Chris Ellinghaus: Okay. As far as the Texas filing, do you have an idea when we can anticipate a case schedule?

Jim Schichtl: We have a pre-hearing conference scheduled for March 9 and we'll have an idea then.

Chris Ellinghaus: Okay, great. Lastly, you know, somebody was talking about the border questions. While that could maybe conceivably have some kind of impact, do you anticipate, other offsetting benefits if there was some maybe some drag from a border tax or whatever in terms of say, border patrol staffing or possibly businesses moving across the border? Can you talk about that maybe?

Mary Kipp: Yes and those are both things that we've talked about internally as well that we think could very much be potential offsets. Obviously, its conjecture at this point, however, I mean we don't know if there is going to be a border adjustment tax, but if there is, I think there probably would be some offset.

Chris Ellinghaus: Okay. Thanks for the color, guys. I appreciate it.

Nathan Hirschi: Thanks.

Mary Kipp: Thank you.

Operator: And we'll go back to Anthony Crowdell with Jefferies.

Anthony Crowdell: Hey, just a quick follow up on Capex. $36 million higher in 2017, $33 million more in 2018. Could you just tell what jurisdiction you're spending this on and when we could expect a recovery of it? I know that if it's in Texas, in a Texas filing you're requested a distribution and transmission rider. Is that the assumption when you get recovery of that or is this spending in New Mexico, and we have to wait for a new filing?

Nathan Hirschi: Well, you know, the transmission costs are spread out toward both jurisdictions, so those are allocated. I don't have those numbers specifically, but I do think that the distribution assets are consistent with our current sales mix which is 80/20.

Mary Kipp: And I think we are seeing more growth in Texas than we're seeing in New Mexico. So I think more of that the distribution spend is going to be in Texas particularly the east part of El Paso where we see a lot of growth. But the transmission obviously will be allocated pursuant to the jurisdictional allocator between our jurisdictions.

Anthony Crowdell: So is it fair if you do get that rider approved in the Texas case that I can assume that you're spending $185mm in well, you know, the incremental that you're spending, you will be able to earn off that in 2017 and 2018?

Mary Kipp: So, Anthony, there are some limitations on the use of the rider. One is that we can't be over earning in order to use it. But we think it's nice to get the baseline put in place so that in the event that we feel we need to use it, we can. Again, it's beneficial to our customers because it allows us to take advantage of some of that plant without the expense and time of the rate case. But we don't know yet how we'll use it; we just know that we want to create the option to use it.

Nathan Hirschi: And Anthony, even if when we do avail ourselves of the distribution cost recovery factor in the trends, it wouldn't be realistic to have those rates in place in 2017 or 2018. That's more of a longer-term process.

Anthony Crowdell: So, to make sure I understand, while you are spending more in 2017-2018 and maybe will earn some AFUDC off that, I shouldn't really bake that into the rate base that you're earning off in 2018 and 2019.

Nathan Hirschi: No earlier than 2019, that's for sure.

Anthony Crowdell: Okay. Thanks so much.

Operator: Once again, there's one name renaming in the roster. So any additional questions, *1 at this time. We'll go to Joe Zhou with Avon Capital Advisors.

Mary Kipp: Hey, Joe.

Andy Levi: Hi, it's actually Andy. How are you doing?

Nathan Hirschi: Hi, Andy.

Andy Levi: What's going on down there?

Andy Levi: It's been beautiful. Okay, that's good. Just a quick question on the dividend timing. So you said there's an annual meeting in May and that's when the Board will consider it.

Mary Kipp: Yes, traditionally, that's when the Board looks at it and that's the plan right now. Obviously, they're not limited to looking at it only in May. But that is our plan right now.

Andy Levi: Have you set a date for that Board meeting yet or not?

Mary Kipp: We do have a date.

Andy Levi: Okay. Can you share that with us?

Mary Kipp: It's the date of the shareholder meeting.

Andy Levi: Okay, which is?

Mary Kipp: I'm looking.

Andy Levi: Okay.

Mary Kipp: It's on May 25.

Andy Levi: May 25, okay and typically, you would announce it I guess the same day. Is that how it would work?

Mary Kipp: Yes.

Andy Levi: Yes, so on May 25, great. Thank you.

Nathan Hirschi: Thanks, Andy.

Operator: There are no further questions, so I would like to turn it back to Mary Kipp for any additional or closing remarks.

Mary Kipp: So thanks a lot everyone for joining us today. And before wrapping things up, I just wanted to reiterate we've made some significant investments over the past several years that will help us secure the grid and maintain reliability for our customers. We're going to keep delivering solid shareholder value and we've already started to earn a return on some of our investments and we look forward to getting this Texas rate case done and earning return on the rest. But thank you all so much and we'll keep working hard for you and be safe.

Operator: Thank you very much and that does conclude our conference for the day. I'd like to thank everyone for your participation.