EL PASO ELECTRIC CO
Moderator: Lisa Budtke
November 5, 2014
9:30 am CT

Operator: Good day and welcome to the El Paso Electric Company's 3rd Quarter 2014 Earnings Call. Today's conference is being recorded. At this time, I would like to turn the conference over to Lisa Budtke. Please go ahead.

Lisa Budtke: Thank you, Lauren. Good morning, everyone. Thank you for joining the El Paso Electric Company's 3rd quarter 2014 earnings conference call.

My name is Lisa Budtke, and I'm the Assistant Treasurer for El Paso Electric. On the call today are CEO, Tom Shockley; President, Mary Kipp; CFO, Nathan Hirschi; and other members of Senior Management.

Today, we will discuss our 3rd quarter highlights, an update on the Montana Power Station, the expected timeline for upcoming rate cases, an update on our rate case preparation, our 3rd quarter financial results, our capital requirements and liquidity, our revised guidance range for 2014 and finally an update on our potential impact of regulatory lag in 2015.

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 3rd quarter 2014 Form 10-Q will be filed with the Securities and Exchange Commission (SEC) on or before this Friday, November 7, 2014.

We also would like to inform you that we are attending the EEI Financial Conference on November 11th through November 13th in Dallas. 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 November 19, 2014. The details as it relates to the replay are disclosed in our press release.

For forward-looking statements, on slide 2 of our presentation you will 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 in 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-Q and other SEC filings contain our forward-looking safe harbor statements and also lay out the risk factors that should be considered. These filings may be obtained upon 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 statement 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 our CEO, Tom Shockley, to talk about some of our 3rd quarter highlights.

Tom Shockley: Thank you, Lisa. Good morning and thank you for joining our call. I would like to begin by once again congratulating Mary Kipp on her recent appointment as President by our Board of Directors. Mary was appointed President on September 16th and the news has been well received by our local leaders and stake holders alike. Mary is a native of the region and very active in the local community. Her appointment was key to the Company's succession planning efforts and was implemented timely as I and other members of our Senior Management team near retirement. Mary has shown both exceptional leadership ability and expertise overseeing various areas of the company. We are confident that her efforts along with the other 1000 plus employees will help the Company continue to provide the safe and reliable service that our community has grown to know.

I'm also pleased to announce that our 3rd quarter 2014 earnings per share increased by $0.04 to $1.30 per share compared to $1.26 per share for the 3rd quarter of 2013. During the quarter we experienced growth of 1.4 percent in the average number of retail customers served. Finally, I wanted to provide an update on the progress that we have made on the goals that we set earlier in the year and communicated to you during our 4th quarter 2013 earnings conference call. Significant progress has been made including all the necessary air permits for the four Montana Power Station units, obtaining the Certificates of Convenience and Necessity in both Texas and New Mexico for Montana Power Station Units 3 & 4, and beginning the construction of Montana Power Station Units 1 & 2. We plan to issue debt to fund our construction program by the end of this year or early next year and we have refined our rate filing timeline. Mary will now provide an update on the Montana Power Station.

Mary Kipp: Thank you Tom. Turning to slide 4, I am pleased to report that construction on our New Montana Power Station has progressed significantly and we are currently on schedule to complete Units 1 & 2 and place them into service during the 1st quarter of 2015. In October, we began the process of mounting the generators and turbines for Units 1 & 2 on their pads. We currently anticipate construction of phase 2, consisting of Units 3 & 4, to begin in the 2nd quarter of 2015. Once completed, the four Montana Power Station units will add 352 MW of clean, efficient, natural gas power to our generation portfolio.

Turning to slide 5, I would like to provide you with an update to our expected rate case timelines. As we have previously mentioned, we expect to file rate cases in both Texas and New Mexico using historic test years. However, in New Mexico the rules for post-test year adjustments will allow us to file a rate case using a historical test year ended December 31, 2014 and to reflect both Montana Power Station Units 1 & 2 in rate base. In New Mexico, represented by the upper blue arrow, we expect to file for new rates in April 2015. We expect the New Mexico rate increase to become effective by the end of March of 2016. We believe that using a historical test year will allow for the rate case to be completed in the initial 10 month suspension period. The time line in Texas, represented by the green arrow below has been accelerated slightly to reflect the completion of Montana Units 1 & 2 by March 31, 2015. Based on the construction progress that has been made thus far, we are now targeting to file in the rate case in Texas in August 2015. We would then anticipate the base rate increase in Texas to also become effective by the end of March 2016. While the timing of the rate case is predicated on the completion of Montana Units 1 & 2, we will ultimately seek rate relief for our recent investments related to our numerous capital construction projects including generation additions including previously mentioned Montana Power Station Units 1 & 2, transmission lines, distribution substations, our Eastside Distribution Operation Center and other general plant additions.

In total, the Montana Power Station is our largest single construction project, however, it only comprises one third of our total construction program through 2018. We continue to invest in our service territory to maintain our reliability and to support the growth of our community. As we have previously discussed, we expect that these investments will add approximately $400 million to rate base. As we move forward with this expected timeline, it is important to note that we will face some headwind as we deal with the impacts of regulatory lag in 2015. Later, Nathan will discuss the impacts of placing Units 1 & 2 into service in March 2015.

Moving to slide 6, I would like to provide some detail on how we are planning for our upcoming rate cases. We have refined our rate case timeline to reflect earlier construction completion dates than originally anticipated for the Montana Power Station Units 1 & 2 as previously discussed. In addition to the refined timeline, we are also preparing for the actual filings in 2015. We have been actively involved in the community outreach efforts to keep the community informed of our plans and the necessity of the rate filings. We believe it is critical to communicate with our customers that the need for rate relief is due to the significant investment in new electric utility plant required to support the load growth within our service territory and for replacing older, less efficient units. In addition, we continue to remain engaged with our local leaders and regulators to keep them apprised of our rate filing plans. We remain focused on working with all regulators and stakeholders throughout the entire process to ensure the successful and timely execution of our regulatory strategy. At this time I will now turn the call over to Nathan to discuss our financial results.

Nathan Hirschi: Thank you, Mary. As you can see on slide 7, for the third quarter of 2014, we reported net income of $52.5 million or $1.30 per share compared to the 3rd quarter 2013 net income of $50.6 million or $1.26 per share. For the first three quarters of the year, we reported 2014 net income of $87.2 million or $2.16 per share compared to 2013 net income of $87.4 million or $2.17 per share.

Turning to slide 8, we list the key earnings drivers for the 3rd quarter of 2014 compared to the 3rd quarter of 2013. Beginning with the positive drivers, net income for the 3rd quarter of 2014 compared to the same period last year was positively affected by decreased income taxes, which resulted in an increased earnings per share of $0.07, primarily due to the Company being allowed a domestic production activities deduction also known as a “manufacturing credit” in 2014, whereas we took no such deduction in 2013. Allowance for funds used during construction increased due to higher construction balances, including the Montana Power Station, which benefited earnings per share by $0.05. Turning to the negative drivers, we experienced a decrease in earnings per share of $0.05 resulting from increased O&M expense primarily due to maintenance at the Rio Grande and Newman generating stations without comparable maintenance expense in the 3rd quarter of 2013. Earnings also declined in the 3rd quarter of 2014 by $0.02 per share primarily due to a $3.0 million reduction in non-fuel base revenues from sales to public authorities, which reflects the increased use of an interruptible rate as well as other energy savings programs at military installations.

On slide 9, we provide a comparative analysis of changes in retail non-fuel base revenues and megawatt hour sales by customer class for the 3rd quarter of 2014 compared to the same period of 2013. Total retail non-fuel base revenues declined by 0.7 percent while total retail megawatt hour sales increased by 0.2 percent during the quarter. During the 3rd quarter, revenues for the public authorities class declined by $3.0 million or 9.5 percent primarily due to increased use of an interruptible rate at a local military installation, which is lower than the previous rate applied for those services; energy savings from energy conservation and energy efficiency programs and use of solar distributed generation at military installations; and reduced sales to a local water utility due to reduced ground water pumping in the 3rd quarter. However, the decline in revenues to public authority customers was partially offset by increased revenues from our residential and small commercial and industrial customers due to growth in KWH sales despite slightly less favorable conditions, which I will discuss shortly. We experienced a 1.6 percent increase in residential revenues, which was primarily attributable to a 1.3 percent increase in the average number of residential customers served. Small commercial and industrial customers experienced a 1.5 percent increase in revenues due to a 1.9 percent increase in the average number of customers served. During the quarter we continued to experience solid customer growth, as the average number of customers served grew by 1.4 percent over the same period of 2013.

Turning to slide 10, we have illustrated how weather has had an impact on the 3rd quarter revenues. In addition to 3rd quarter cooling degree days being 2 percent below the same period of 2013, cooling degree days in the 3rd quarter of 2014 were 4 percent below the 10 year average. We also experienced a substantial amount of rain in September. This was the wettest single month in over six years for El Paso, significantly impacting the water pumping as previously mentioned.

On slide 11, we have provided a chart to illustrate the mild weather that has been experienced in our service territory in the first nine months of 2014, compared to the past 9 years. As you can see, both heating degree days and cooling degree days were not only less than September year-to-date 2013, but also below the 10 year averages. In terms of cooling degree days, the September 2014 year-to-date total was the lowest observed since the same period in 2008. Similarly, as we have previously discussed, heating degree days recorded in the first nine months of 2014 were the lowest amount observed since the same period in 2006.

Turning to slide 12, we anticipate issuing long-term debt in late 2014 or early 2015 to provide sufficient liquidity to meet our anticipated cash requirements including construction expenditures. However, we are evaluating market conditions and refining the amount and timing of our financing needs. During the first nine months of 2014, our capital expenditures for additions to electric utility plant were $189.3 million. In total, we expect to spend approximately $306 million for capital expenditures in 2014. In terms of cash dividends, we paid $33.3 million during the first nine months of 2014. On September 30, 2014 we had a $13.4 million cash balance on hand and had liquidity of approximately $223 million including cash and the borrowing capability available to us on our credit facility.

Turning to slide 13, since our peak earnings season is behind us we are tightening our 2014 earnings guidance range by $0.10 to $2.20 to $2.35 per share from our previous range of $2.15 to $2.40 per share.

Turning to slide 14, as Mary mentioned, we anticipate that the Montana Power Station Units 1 & 2 will commence commercial operation by March 31, 2015. Overall, this is a positive development as it allows us to serve our customers' demand for electricity and provides more flexibility in the timing of the rate case process. However, it will have a negative impact on 2015 earnings as it increases the impact of regulatory lag occurring in 2015. The accelerated timing of construction should lessen the impact of regulatory lag on 2016 earnings.

The primary components of regulatory lag in 2015 are AFUDC, depreciation, operating and maintenance expense, and property taxes, and slide 14 shows the mid-point of the estimated range for each of these components. We anticipate that we will discontinue accruing AFUDC on the eastside distribution facility in January 2015 and Units 1 & 2 for Montana Power Station including the common plant, transmission lines and substations in March 2015. This reduction in AFUDC should lower earnings per share by approximately $0.19. The next component that is anticipated to have a negative impact on earnings in 2015 is depreciation expense. Depreciation expense associated specifically with the eastside distribution facility and the Montana Power Station Units 1 & 2, and the associated common, and transmission facilities maybe higher in 2015 by approximately $0.08 per share. The other items impacting regulatory lag are increased property taxes and increased O&M expense, estimated at approximately 0.07 per share, reflecting additional expenses that can be expected from operating the new units and facilities. There are additional factors including interest expense and non-fuel base revenues that may add to or offset the impacts of regulatory lag on 2015 earnings. The negative impact of regulatory lag in 2015 for total earnings per share related to the Montana generating facility, which includes Units 1 & 2 and the related common, and transmission assets, and the eastside distribution facility is expected to be in the range of $0.31 to $0.37 per share. Although 2015 should be impacted negatively by regulatory lag, earnings in 2016 should be positively impacted by receiving rate relief three months earlier than once anticipated. By bringing Units 1 & 2 online earlier in 2015, new rates are anticipated to become effective in March 2016 for both Texas and New Mexico. It is important to note that these estimates are subject to change as we further refine our filing package and timeline.

At this time, I will hand the call back over to Lisa to open up the call for questions.

Lisa Budtke: Thanks, Nathan. This concludes our third quarter 2014 earnings presentation. Lauren, at this time, we will now open the call for questions.

Operator: Thank you. If you'd like to ask a question please signal by pressing star 1 on your telephone keypad. If you are using a speakerphone please make sure your mute function is turned off to allow your signal to reach our equipment Again, press star 1 to ask a question. We will pause for just a moment to allow everyone an opportunity to signal. Our first question comes from Anthony Crowdell with Jefferies.

Anthony Crowdell: Good morning. I have two questions; one is related to the size of the rate increase you think you’re going to ask in percentage terms and my second question is more related to growth in the service territory. If you look at weather, weather was 4 percent negative for the quarter, but when I look at year to-date it’s even smaller, I believe it may be cooling degree days are just off 3percent. So it seems really close to normal and you are seeing a pickup when you give year to-date results in total retail customers served. But when I look at revenues, revenues are down 1.6 percent and I believe also total sales maybe down or slightly up, but it doesn’t seem that revenues are growing I guess like they were previously. And I know you guys are out there with a 1 to 1.5 percent growth rate, but it doesn’t look like that’s hitting the revenue line and is kind of a normal weather year?

Nathan Hirschi: Yes, I wouldn’t say it was a normal weather year Anthony, in the sense that we really started in the hole in the first quarter. On slide 11, what we were talking about really does show in the first quarter that we were significantly below the heating degree days that we started off with for the year. You’re right, in the last quarter, we were only 2 percent below prior year, but we really did start off a little bit in the hole in the first part of the year and I think the five-year compound annual growth rate for the last five years in 2013 was about 1.95 percent of kWh sales and we’re not sure if we can keep that up quite that high as our forecast will show. But some level around there is what we were anticipating. We lost about $1 million this quarter also on the interruptible rates from the military base. They’ve had a negative effect also.

Anthony Crowdell: Just on that, I’m sorry, I’m jumping a question here, but also in the quarterly results income tax took a benefit. Is it that a non-recurring benefit in that hard domestic production activity?

Nathan Hirschi: No, that is based on the current tax laws. We anticipate that we'll be able to take that going forward. We anticipate that if the tax law changes, that could modify that rate, but that's anticipated to go forward to some extent.

Anthony Crowdell: Okay. The percentage increase I guess...

David Carpenter: This is David Carpenter. We've talked about the rate relief before and we've provided a schedule that shows that we're looking at around close to $400 million increase in our rate base which is the primary driver of the rate increase. Typically the rule of thumb states close to 15 percent fixed charge rate apply so that would kind of give you a starting place for rate relief and its likely to vary from that, but it gives you the order of magnitude and probably if you were putting percentages around it, you're looking at probably in the range of 8 to 12 percent.

Anthony Crowdell: Okay. And I guess just lastly, when I look at slide 14 and you guys give the driver, so what the regulatory lag would be. My forecast, I guess, I was nowhere near I guess this type of regulatory lag or the negative regulatory lag here and my forecast also didn't assume that the Company needed any equity to fund the construction program. So now, it looks like 2015 if I just use the midpoint of what you guys are giving for this year, I don't know if it's $2.27 or something, but then I lose $0.31 to $0.37 and that's actually not including higher interest expense. It looks like I'm below a $2 number in 2015. At or below a $2 number in 2015 do you need to issue equity to fund the construction and/or what are the vehicles you will use to fund the construction program?

Nathan Hirschi: No. The goal is to get through this construction program as we say without issuing any additional equity. And the ratios might drop a little bit below what we would see in the longer term, but we hope that they would bounce back relatively soon.

Anthony Crowdell: Great. Thank you.

Nathan Hirschi: By the way, Anthony, just one other thing, there will be other positives and other factors if you factor in your growth rates on your revenue and these are the things that would be factored in the next year's earnings too. These are just the results related specifically to the Montana facilities and the Eastside Distribution Center.

Anthony Crowdell: Do you mind if and you don't have to quantify them, but do you mind if I ask what are the positives besides growth?

Nathan Hirschi: Revenue growth is probably the primary positive.

David Carpenter: Other plants increase AFUDC and this is just the AFUDC decline related to the plants that are going in service, but as we continue construction of Montana 3 and 4 and other facilities you'll have AFUDC that offsets a lot of any increase in interest expense.

Nathan Hirschi: I'm sorry, so this AFUDC decline is the amount of AFUDC related specifically to the units being placed in service in the first quarter. So AFUDC on Units 3 & 4 will ramp up due to construction of those units.

Anthony Crowdell: But I guess I want to jump on David's comment, there are other positives, he had stated the other positives maybe AFUDC associated with other plant. But is that AFUDC associated with other plant just going to offset the interest expense related to I guess any of the construction or can I assume that the AFUDC is so great now it is going to offset the interest which we don't quantify on this slide, it's also going to offset some of the negative impact with this, Montana and the Eastside Distribution Center?

Nathan Hirschi: Yes. It will offset, the AFUDC rate will be higher than the interest rate that we incur.

Anthony Crowdell: All right, great. Thanks for taking my questions.

Nathan Hirschi: Thanks.

Operator: As a reminder hit star 1 to signal for questions today please. Our next question comes from Brian Russo with Ladenburg Thalmann.

Brian Russo: Hi, good morning.

Nathan Hirschi: Hey, Brian, how are you?

Brian Russo: Good. You know, I appreciate the added disclosures on the lag in '15 and you mentioned '16 will now experience less lag. Is there any way to quantify that, '15 is lower maybe, but '16 is obviously higher?

David Carpenter: If you think about the effect of this quantification that we're showing it is really for three quarters of a year and so the effect of less lag on 2016 would probably be at least a third of that. In other words, you're cutting off a quarter of the lag that you were showing in 2016 and maybe a little bit more because as your plant go along, the AFUDC increases towards the end of the plant so forth. But at least a third of the impact that you're seeing on 2016 will be picked up and 2015 will be picked up in 2016.

Brian Russo: Okay, great. Well, that's helpful and now can we also talk more specifically about the positive drivers in '15 that help mitigate the $0.31to the $0.37, specifically load. I always thought a rule of thumb from every 100 basis points of load is worth $5 million of gross margin. Is that still the case?

David Carpenter: Yes. That's still accurate.

Brian Russo: And we still kind of utilizing 2 percent load with a normalized load growth rate?

Nathan Hirschi: Yes. Maybe not quite that high in our forecast, but that's our normal weatherized growth rate.

Brian Russo: Okay. And do you happen to know the year-to-date weather impact versus what normal was?

Nathan Hirschi: No, we don't quantify that precisely, so we don't give that out.

Brian Russo: Okay. Also the AFUDC contribution in '15 is it going to be a net positive as you ramp up MPS 3 & 4 or is it going to be a net negative?

David Carpenter: Overall it's going to be a net negative, Brian. We're not really at the peak of our construction program here and as we put the first two units in the Montana plant, we'll see a bigger decline in CWIP and we're going to see a pickup next year. So, overall, it will be a net negative, but it's certainly not to the impact that is shown on this slide.

Brian Russo: Okay, great. And then just lastly that you've refine the timeline on MPS, so wanting to is there an opportunity to kind of accelerate, you know, your initial time line for MPS 3 & 4?

Nathan Hirschi: Well, yes, we're still looking at that end and we're looking at the final dates there. So yes, there is a possibility that 3 & 4 could be reevaluated, but that's a little beyond where we're getting specific on. We're still looking at the 3 & 4 timelines.

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

Nathan Hirschi: Thanks.

Operator: Our next question comes from David Arcaro with Sidoti & Company

David Arcaro: Hey, thanks for taking my questions. Let's see. You had previously disclosed a year-end construction working progress balance of about $328 million at the end of 2015. I'm wondering if that still in the ballpark or if that changed significantly from now?

Nathan Hirschi: That's what we're still shooting for that. That's a reasonable level.

David Arcaro: Okay. And then, I guess, is part of what supporting less of a decline in AFUDC, because that's obviously, that's above of where it was in March of 2014 and then March of 2015 I assume is also going to be pretty high AFUDC. Is that the way to think about it? And then second, I guess, June and September quarters in 2015 would be low?

Nathan Hirschi: That's right. We still would be accruing AFUDC in the first quarter of 2015, but you would see the drop-offs in the second and third quarters.

David Arcaro: Got it. Thanks. I had a question on the public customers. Is this new taking advantage of interruptible rates? Is that a trend that you expect to continue?

David Carpenter: We'll see as we go through the rate case. One of the issues that we identified in our last rate case is that, we felt like the interruptible rate was lower than it should be which maybe encourages people to maybe make that decision to move over to the interruptible rate. In this next rate case we will certainly address the issue of moving that up where it's a little bit more closer to a cost-based rate and whether that encourages or discourages people from going to the interruptible rate. What we'd like to do is make it revenue neutral where if people go to the interruptible rate, it certainly offsets any cost that we would incur to keep them on the firm rate. And so that's where you'd like to get, right now it's probably is a little lower than it should be.

David Arcaro: Got it. That makes sense. Also would you, I think you've mentioned in the past potentially planning another debt issuance towards yearend, 2015, is that something that's still on the horizon?

Nathan Hirschi: That's our capital plan; it still calls for our second debt issuance towards the end of next year.

David Arcaro: A similar amount I guess to finance the construction of units 3 & 4?

Nathan Hirschi: Yes. That's obviously subject to change, but, yes, that's the current plan.

David Arcaro: Got it. One more quick question. You issued a solar RFP, just wondering when you expect to hear the results. And then when I guess you might issue a CCN related to that?

Mary Kipp: This is Mary. We actually have received the results back for the solar RFP and it was 20 megawatts plus 5 megawatts and we're in the process of analyzing these results. We don't have certainty around the timing of issuing or of requesting a CCN rather. But because we would hope to if the results come in as expected to have this plant on-line in 2016 it shouldn't be in the far too distinct future.

David Arcaro: Got it. Thanks very much.

Operator: Our next question comes from Maury May with Wellington Shield.

Maury May: Yes. Good morning folks.

Nathan Hirschi: Good morning.

Mary Kipp: Good morning.

Maury May: Yes. Congratulations on a decent quarter.

Nathan Hirschi: Thanks.

Maury May: Got questions on the elections in New Mexico, because there were three elections for the PRC, and I guess the hottest races in the nearby District 5. And as I woke this morning Ben Hall and Sandy Jones were still kind in a cliff hanger. Do you have any results there that we don't know about?

Mary Kipp: You know as much as we do at this point. We were in fact discussing that before the call started this morning.

Maury May: Okay. So, you know, looked like Sandy Jones was up by 1 percent or something, but nobody has declared victory there yet.

Mary Kipp: Not to our knowledge.

Maury May: Okay. And how about some of the other races like District 2 where Pat Lyons is running for re-election and District 4 where Lynda Lovejoy was, you know, trying to return to her seat?

David Carpenter: They were both unopposed Maury, so they're both in.

Maury May: They are. Okay, Lynda Lovejoy was unopposed?

David Carpenter: Yes.

Maury May: Okay.

David Carpenter: She was opposed in the primary, but she won the primary and she was unopposed in the general election.

Maury May: Okay. And what happened to the previous commissioner there, Theresa Becenti-Aguilar. Did she just retire?

David Carpenter: She lost in the primary.

Maury May: Oh, she lost to Linda Lovejoy in the primary, okay.

Mary Kipp: Last June. Yes.

Maury May: Okay. So, what do you think about, you know, the regulatory environment in New Mexico. You think it's going to just continue the way it's, you know, been in the recent years?

Mary Kipp: You know, it's always our goal to have good relationships with our regulators in New Mexico and we feel that we've made a lot of progress in that regard and we plan to listen to them and continue to talk to them and let them know what our plans will be. And hopefully that will keep us on the right track.

Maury May: Okay. Sounds good, Mary. Thank you.

Mary Kipp: Thank you.

Operator: As a reminder it is star 1 to signal today. Our next question is a follow-up from Anthony Crowdell with Jefferies.

Anthony Crowdell: Just a quick follow-up, you have given more clarity on, I guess, the regulatory lag in ‘15. Previously I guess, I know it was an analyst conference earlier this year, you kind of mentioned that you’re debating whether to file another rate case I guess after unit 3 goes online versus just doing one after 1 & 2 another one after unit 4. Is that plan, are we still on just a rate case after units 1 & 2 and the second rate case of 3 & 4, what does the regulatory lag in ‘15 or any other issue accelerate that to now three rate cases?

Mary Kipp: Anthony, this is Mary. Until we see what the results are of our first rate case, we’re not really going to be in a position to make a decision on subsequent cases. David, do you have anything to add to that.

David Carpenter: No, no, that’s accurate.

Anthony Crowdell: Could you just tell us what I don’t follow all the utilities in El Paso, so just what was the last I guess maybe the gas company maybe had a rate proceeding, what was the ROE decided in that last rate proceeding in the City of El Paso?

David Carpenter: Anthony, the gas company, its really, I’m not sure I call that comparable. I’m not sure exactly what ROE they receive there. Their appellate process is to the Railroad Commission of Texas and so it’s really in my mind not really very comparable because the Railroad Commission kind of follows their own guidelines, whereas what the City looks at for El Paso Electric is going to be more along the guidelines that the Public Utility Commission of Texas uses.

Anthony Crowdell: Okay, so you are saying that the City Council does make that distinction between whether it’s the PUCT or the Railroad Commission at the appellate process?

David Carpenter: It certainly is going to impact how they approach the cases and the decisions that they make.

Anthony Crowdell: Okay, great. Thank you for taking the follow up.

Operator: It appears there are no further questions at this time. I’d like to turn the conference back to management for any additional or closing remarks.

Lisa Budtke: I would like to thank everyone again for joining us on today’s call. We look forward to seeing you next week in Dallas at EEI. Thank you.

Operator: This concludes today’s conference. Thank you for your participation.

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