EL PASO ELECTRIC CO
Moderator: John Boomer
August 6, 2014
9:30 am CT

Operator: Good day and welcome to the El Paso Electric Company 2nd Quarter 2014 Earnings Call. Today's conference is being recorded. At this time, I would like to turn the conference over to Mr. John Boomer. Please go ahead, sir.

John Boomer: Thank you Cassandra. Good morning, everyone. Thank you for joining the El Paso Electric Company 2nd Quarter 2014 Earnings conference call.

My name is John Boomer and I'm the Vice President and Treasurer for El Paso Electric. On the call today, are El Paso Electric's CEO, Tom Shockley; Executive Vice President, David Carpenter; Senior Vice President and CFO, Nathan Hirschi and Senior Vice President of Operations, Steve Buraczyk.

Today we will provide an update on our 2nd quarter highlights, Montana Power Station construction and related infrastructure, capital expenditures, the probable timelines for our upcoming rate case filings, the corresponding rate base projections, our 2nd quarter financial results and our revised guidance range.

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 2nd quarter 2014 Form 10-Q will be filed with the Securities and Exchange Commission on or before August 8, 2014.

We also would like to inform you, we will be attending the Goldman Sachs Power, Utilities, MLP and Pipeline Conference in New York on August 12th and also maybe participating in additional marketing events during the upcoming quarter. 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 August 20, 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 exclusive 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 Tom to talk about some of our 2nd quarter highlights.

Tom Shockley: Thank you, John. Thanks to all of you who have joined us this morning. Our quarter started in April with the receipt of a final EPA Green House Gas Permit. We did receive the TCEQ state permit previously, so we were able to begin all of the planning and start construction of the first two units at our Montana Power Station.

The mobilization and construction started in late May and we've seen very good progress, even though we're very early in the process. The anticipated completion of the first 2 units of the power station will have four identical units that are the aero derivative, very fast responding, natural gas, simple cycle turbines. The first two units will be online before our peak in 2015 and as a matter of fact, we think we will have a good chance of finishing those earlier than anticipated.

Another aspect that fell into place in the 2nd quarter that we were very pleased with was a very long-term fuel reconciliation that was settled in the 2nd quarter and that resulted in an increase in earnings as a consequence of a quality performance from Palo Verde of $2.1 million in the quarter.

The Board of Directors approved a 5.7 percent increase in the quarterly cash dividend on May 29th. The quarterly dividend has grown by 27 percent to $0.28 per share per quarter from the 2nd quarter of 2011 when the quarterly dividend was reinitiated.

Another exciting accomplishment during the quarter was the fact that we doubled our utility scale solar projects from 47 MW to 97 MW, giving us a very strong position in the solar field and by the end of 2014, we will have about 6 percent of our generation coming from solar.

So, with that, I will let Steve tell us a little bit about the operations through the quarter.

Steve Buraczyk: Thank you Tom and good morning everyone. At this time, I would like to provide an update on the progress being made at the Montana Power Station.

As detailed on slide 4, we mobilized equipment and crews and began construction late May 2014 on Montana Units 1 and 2. We currently anticipate that these two units will be in service prior to the summer peak of 2015. Our current construction schedule will potentially allow completion of Units 1 and 2 by the end of March 2015. In addition, we have received final orders approving the Certificates for Convenience and Necessity or CCN’s for Montana Power Station Units 3 and 4 in New Mexico and Texas on June 11, 2014 and July 11, 2014, respectively. With the primary regulatory milestones for the construction of the Montana Power Station behind us, we can now focus our efforts on the timely completion of these units. Once complete, the four LMS-100 units at Montana Power Station will add 352 MW of efficient, clean burning natural gas to our already low carbon emitting generation portfolio.

Slide 5, provides a brief update on the status of the transmission line CCN applications related to the Montana Power Station which were filed in 2013. Approval to build the transmission lines was sought to connect the Montana Power Station to the electrical grid, so that we can meet the expected customer growth and demand and improve system reliability. The Company received a final order on the Montana Power Station to Caliente line on March 10, 2014. Settlements have been reached on the Montana Power

Station In & Out connection to the Caliente to Coyote transmission line and the Montana Power Station to Montwood transmission line. Also, a Proposal for Decision has been issued to recommend the approval of lines. The Public Utility Commission of Texas has scheduled both settlements for consideration at their open meeting on August 7, 2014.

Finally, the Company has been working on the construction of a new Eastside Distribution Operations Center, directly adjacent to the Montana Power Station. Construction began on this facility October 2013 and will consolidate many of our El Paso warehousing, fleet, line crew and engineering personnel into one location, which will allow us to improve the efficiency of operations including outage response times. This facility is currently projected to be completed by early 2015.

The cash capital expenditures that are projected to be spent over the next five years are shown on slide 6. The Company anticipates spending approximately $1.3 billion through 2018. A substantial portion of these dollars is attributable to the construction of the Montana Power Station and related Transmission infrastructure required to interconnect the power station to the electric grid.

The current construction program anticipates that the first two units at the Montana Power Station will be completed in 2015. Montana Units 3 and 4 are projected to be completed in 2016 and 2017, respectively. We anticipate spending an average of $253 million per year from 2014 through 2018.

I will now turn the call over to David Carpenter.

David Carpenter: Thank you Steve. If you turn to slide 7, we have provided a graphic of probable rate case timelines for rate case filings in both Texas and New Mexico. As Steve Buraczyk just discussed we're projecting that the Montana Power Station Units 1 and 2 may be completed as early as March 2015, but no later than June 1, 2015, the start of our summer peak season.

The New Mexico timeline is the same as was presented to you last quarter regardless of when the Montana Power Station Units 1 and 2 begin commercial operations. We currently 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 historic test year ended December 31, 2014, and reflect both Montana Power Station Units 1 and 2 in rate base through a pro forma adjustment. Assuming we file the rate case in May 2015, we would expect rates to be effective by April 2016. New Mexico has the ability to suspend the effective date another three months, but we believe that by using a historic test year it will allow the rate case to be completed in the initial ten-month suspension period.

In Texas, our original timeline reflected the use of a historic test year ended June 30, 2015, after the units are placed in service. The orange timeline illustrates the original scenario in which we assume that the rate case would be filed in November 2015 and that rates would subsequently become effective in Texas by July 2016. While we are currently on track to bring Montana Power Station Units 1 and 2 online in time to file for new rates in Texas in November 2015, if Montana Power Station Units 1 and 2 are completed by the end of March 2015, we would be able to file the Texas rate case earlier. Therefore, an alternative scenario in green has been provided to show the timeline if the earlier in-service date is achieved. If the units were to go into service by March 31, 2015, a Texas rate case filing could then be made in August 2015 and rates would become effective by April 2016.

Turning to slide 8, we have included the projected rate base schedule presented during our first quarter 2014 earnings release presentation. This schedule illustrates our anticipated rate base additions for Montana Units 1 and 2 in 2015, which will be included in our upcoming rate case filings in Texas and New Mexico, as well as our anticipated rate base after the completion of Montana Power Station Units 3 and 4, which will require subsequent rate case filings. The majority of the rate base growth illustrated on the chart is necessary to meet the growth in our service territory and not for environmental retrofits. We remain focused on working with our regulators to communicate the timing of and the need for future rate adjustments to incorporate new plant additions into our rates and minimize the impact of regulatory lag.

Our CFO, Nathan Hirschi, will now discuss our second quarter financial results.

Nathan Hirschi: Thank you, David. As you can see on slide 9, for the 2nd quarter of 2014, we reported net income of $30.1 million or $0.75 per share compared to the 2nd quarter 2013 net income of $29.2 million or $0.73 per basic share. For the first half of year, we were reported 2014 net income of $34.7 million or $0.86 per share compared to 2013 net income of $36.8 million or $0.92 per share.

Turning to slide 10, we list the key earnings drivers for the 2nd quarter of 2014 compared to the 2nd quarter of 2013. Beginning with the positive drivers, net income for the 2nd quarter of 2014 compared to the same period last year was positively affected by the recognition of the Palo Verde performance rewards associated with the 2009 to 2012 performance periods, net of disallowed fuel and purchased power costs related to the resolution of the Texas fuel reconciliation proceeding, which resulted in increased earnings per share of $0.04. Increased allowance for funds used during construction resulted from higher construction balances including the Montana Power Station benefitted earnings per share by $0.03. In addition, earnings for the 2nd quarter of 2014 increased by $0.03 per share as a result of increased miscellaneous income primarily due to gains recognized on the sale of assets in 2014 and decreased donations.

Turning to the negative drivers, we experienced a decline in earnings per share of $0.03 resulting from increased taxes other than income taxes, primarily due to higher property taxes. Earnings also declined by $0.03 per share during the quarter due to increased depreciation and amortization expense, resulting from higher depreciable plant balances including Rio Grande Unit 9, which began commercial operations in May 2013. Finally, earnings declined during the 2nd quarter of 2014 by $0.02 per share resulting from decreased retail non-fuel base revenues, primarily due to less favorable weather conditions.

On slide 11, we have provided a comparative analysis of the changes in retail non-fuel base revenues and megawatt hour sales by customer class for the first six months of 2014 compared to the same period in 2013. Total retail megawatt hours sales declined by 3.2 percent, while total retail non-fuel base revenues declined by 2.2 percent during the first six months of 2014 as a result, of milder weather in the 1st quarter, and due to a 3.8 percent reduction in cooling degree days in the 2nd quarter. For the first six months of 2014, heating degree days decreased by 26.6 percent and cooling degree days decreased by 4.4 percent compared to the same period in 2013.

On slide 12, we have provided the same comparative for the 2nd quarter of 2014 compared to the same period of 2013. The total retail megawatt hour sales declined by 1.1 percent while retail non-fuel base revenues declined by less than 1 percent during the 2nd quarter of 2014 as a result of milder weather and a challenging comparison with a hot 2nd quarter 2013. The number of cooling degree days during the 2nd quarter of 2014 was 3.8 percent below the level experienced in the same period of 2013. The Residential customer class experienced a decline of megawatt hour sales of 1.5 percent and a decline in non-fuel base revenues of 1.3 percent. The Commercial and Industrial small class experienced a decline in megawatt hour sales, of 1.7 percent. In spite of the reduced megawatt hour sales, non-fuel base revenues only declined by 1 percent in this class. Similarly, the Public Authorities class experienced a 0.5 percent decline in megawatt hour sales, but increased non-fuel base revenues by 1 percent. Weather significantly impacts the usage of these customer classes. We continue to see solid growth in the number of customer served, as we experienced a 1.4 percent increase in the average number of residential customers during the 2nd quarter of 2014.

On slide 13, we have provided a couple of charts to illustrate the mild weather that has been experienced in our service territory during the first six months of 2014. We discussed last quarter, we experienced 958 heating degree days in the 1st quarter of 2014, which was 28 percent lower than the same period in 2013 and 19 percent lower than the ten-year average. Heating degree days have more of an impact on the sales during the 1st quarter than on the 2nd quarter, therefore, only the 1st quarter is provided for heating degree days. In terms of cooling degree days, the 2nd quarter of 2014 experienced 1,095 cooling degree days, which were approximately 4 percent below the same period of 2013. However, cooling degree days during the 2nd quarter of 2014 were approximately 4 percent higher than the ten-year average for the quarter. Although the weather was slightly warmer than the ten-year average during the 2nd quarter, the level of cooling degree days experienced in 2013 was considerably higher, thus making for a difficult comparable period.

Now, turning to slide 14, we have provided the number of heating and cooling degree days that have been observed in El Paso during the first six months of each of the last ten years. As you can see, the first six months heating degree days were 17 percent below the ten-year average and 27 percent below the first six-months of 2013. The 1,042 heating degree days observed in the first six months of 2014 was the lowest level observed since 2006. It is also important to point out that that not only was the first six months of 2014 a mild period compared to the ten-year average and recent comparable periods, the first six months of 2013 last year had very favorable weather conditions and experienced the second highest level of heating degree days recorded over that 10 year period. The recent variability of weather during the first six months of 2014 versus 2013 has made the comparisons across the two periods somewhat challenging. The good news is that for the month of July 2014 cooling degree days increased by 14.1 percent or 5.4 percent compared to the prior year and the 10 year average, respectively. So, we had a good had a July.

On slide 15, we have provided a chart to illustrate our system peak since 2003. Although weather recently has been rather mild in comparison to recent years, our native system peak continues to grow. We set a new native system peak on June 4, 2014. It is also impressive to note that since 2003, our system territory has set new native system peaks every year except for 2012. Over this same period, our peak load has grown at a compound annual rate of almost 3 percent.

Turning to slide 16, we are illustrating that the population of El Paso and Dona Ana Counties in Texas and New Mexico has grown at a similar rate as our number of residential customers. Since 2004, our residential customer class has grown at a compound annual rate of 1.9 percent, while the population of the two most populous counties in our service territory has grown by 1.6 percent. We continue to see consistent growth in the number of customers served.

Now, turning the slide 17, we are narrowing our 2014 earnings guidance range to $2.15 to $2.40 per share from our previous guidance range of $2.10 to $2.50 per share. Six months of actual results has allowed us to narrow our range and reflects the decline in base revenues resulting from mild weather in the first half of the year, offset by various positive variances in net income categories.

Turning to slide 18, I will briefly discuss our capital requirements and liquidity. As we have previously indicated, we anticipate issuing long-term debt 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 financial needs. Therefore, we now anticipate that we will issue long-term debt later in 2014 or early in 2015. During the first six months of 2014, our capital expenditures for additions to electric utility plant were $106 million. In total, we expect to spend approximately $316 million for capital expenditures in 2014. In terms of dividends, we paid $22 million during the first six months of 2014. On June 30, 2014 we had $13 million cash balance on hand and had liquidity of approximately $215, which includes the cash and the borrowing capacity available on our line of credit. At this time, I would like to hand the call back to John and open up the call to questions.

John Boomer: Thanks Nathan. This concludes our second quarter 2014 earnings presentation. At this time, we will open the call up for questions.

Operator: If you would like to ask a question, please signal by pressing star 1 on your telephone keypad. If you're using a speakerphone, please make sure your mute function is turned off to allow your signal to reach our equipment.

Again, that is star 1 to ask a question and we'll pause for just a moment to assemble the queue.

We'll take our first question from Anthony Crowdell of Jefferies.

Anthony Crowdell: Good morning. I have hopefully three easy questions. My first question is related to the revision in guidance. If I think of the old guidance which I assume was based on normal weather, the midpoint is roughly $2.30.

The new guidance is downward about $2.23, but if I look at this quarter's performance or I guess cooling degree days and especially since I guess rates are more summer skewed and the summer months are much more important to you. Cooling degree days for this quarter were above where they would be normally. And you have both between first quarter gains of the nuclear decommissioning trust, and also this quarter you had the one-time Palo Verde performance, and then you also had some miscellaneous in there of asset sales that roughly totals somewhere between $0.10 and $0.14. It seems that has made up for the poor weather you had in the first quarter, so I guess my question is related to the downward revision in guidance, it doesn't seem like it is related to weather, because this quarter weather was above normal?

Nathan Hirschi: Well yes, we didn't tighten up the range at the end of the first quarter which was really the worst quarter in weather than the second quarter was. The second quarter was about average weather, as you kind of point out. But, it's just that we tightened up for the first six months, now understanding that the majority of the earnings come in the second half of the year.

Anthony Crowdell: I mean so far when I look at July, six days in August, is that trending normal or is that trending above normal. And, I know it's only one month out of an entire summer?

Nathan Hirschi: No, July was a good month. July we had above normal, above prior year weather. August is starting off a little bit below normal, but, it's been a good start to the quarter.

Tom Shockley: Anthony, this is Tom. I think that your mid-point maybe a little bit higher than you suggested.

Anthony Crowdell: The old number or the new number?

Tom Shockley: The new number.

Anthony Crowdell: The new number is $2.00.

Tom Shockley: $2.27 midpoint.

Anthony Crowdell: $2.27.

Tom Shockley: Yes.

Anthony Crowdell: So you've come down in the midpoint there, I guess, what $0.03?

Nathan Hirshci: Right, $0.03.

Anthony Crowdell: Three cents, but also you've probably had between first quarter nuclear decommissioning trust gains, second quarter Palo Verde performance and also some asset sales. You know, that's probably been more offset with those gains. I guess that is what I was trying to understand.

Nathan Hirschi: Yes, some of that was already reflected in guidance. So, the guidance already included the resolution of the fuel reconciliation. So, some of that was factored in.

Anthony Crowdell: Okay and I guess with your ability maybe to speed up the construction of Montana, and this I guess is related to David Carpenter. How much more revenue do you capture for the year, if your able to accelerate new rates in 2016?

Do you go for capturing, you know, 60 percent of those revenues if the plant went on at your normal expectation, and does that accelerate to like 85 percent of revenues if you get new rates in there by April or something? What's the delta in the change?

David Carpenter: I haven't calculated it quite that way Anthony. But, I think, that it probably - I guess one way to put it is, it probably makes at least $15 million increase in revenue in 2016, which we probably estimate around 25 percent. You know somewhere in that range of the annual amount, so it probably increases picking up a quarter, it picks up about 25 percent of an annual rate increase that specific quarter.

Anthony Crowdell: Could we change or shorten now Montana Units 3 and 4 construction, and you know, it seems like you are getting these two units in, I am guessing was it a nine-month construction cycle. Can I now assume, between Units 3 and 4 shrink that and get those done quicker, and get then when you file the rate case for I guess Unit 4, that also accelerates the recovery of that in rates?

David Carpenter: I think the schedule for three and four really hasn't changed. I think so, what we'll do is still plan on getting those in by the start of the summer peak and that schedule really hasn't changed. So, I think our second or third rate case filing however it works out, is probably going to stay on a June test year right now.

We don't see a lot of benefit in those construction schedules speeding up. But, we did see a benefit in getting started on Montana 1 and 2 and going ahead and getting those completed.

Anthony Crowdell: Do you have the ability to just building one and two pretty much at the same time. Do you have ability to do three and four at the same time, and then getting four in service by I think that would be the peak of 2016?

Steve Buraczyk: Anthony, this is Steve, based on our loads and resources document and as we sit today, Montana 3 is needed in 2016 and Montana 4 is not needed until 2017. So, that's where we're at, at this point with the plan, as far as the construction goes.

Anthony Crowdell: Okay, great. And, just the last question is, there's been talk, and I guess the city council and also in the newspapers in El Paso about potentially raising the franchise fee and I know it is going back between the water and the electric company. I want to know your comments, and is it fair to say that if it is raised on the electric utility that you don't recover that until you file your rate case, which would be at the completion of Montana 1 and 2, or is there an ability to get this single item rate treatment sooner?

David Carpenter: That's not correct, Anthony. What we've done is we have already filed a surcharge with the City of El Paso to the extent they approve the surcharge, it would reflect the increase in the franchise fee and we would not agree to increase the franchise fee until the surcharge is in place. So, basically you know the franchise fee and the surcharge would be simultaneous and there would be no impact on our earnings.

Anthony Crowdell: Great. Thanks again for taking my questions, guys.

Operator: We'll take our next question from David Arcaro of Sidoti.

David Arcaro: Hi, thanks for taking the question. I think this is for Steve. What are the key variables for accelerating the Montana construction timing? I guess what are some of the variables that are in your control? What's out of your control?

Steve Buraczyk: I'll start with the ones that are really out of our control at this point, is primarily the weather. As we sit here today, the plan has units coming online prior to March 2015. But, as you know, that we get into the spring and sometimes we have some fairly windy days and of course we could have some winter days as well that could potentially delay the construction. But, currently as we sit here today, a lot of the things that are certainly within our control, such as the natural gas and the water hookups to the facility, we think those are on pace to be completed so that the construction can be done by the end of the first quarter.

David Arcaro: Did I catch that right? Did you say that the current plan is ahead of schedule? Is it currently tracking toward being completed by March 31st?

Steve Buraczyk: That's correct. That's the construction plan that we have in place today.

David Arcaro: Got it. Thanks. That's the only question I had.

Operator: Again, that is star 1 to signal for a question. And, we'll take our next question from Maury May of Wellington Shields.

Maury May: Good morning, gentlemen. I just have a few questions on a few small things. First of all, what are your actual investments in the Montana-related transmission lines, and on the new Eastside Distribution Operation Center?

David Carpenter: Maury, its David Carpenter. If you look at slide 18 that we had in our presentation, I think that lays it out fairly well, go to slide 18.

Maury May: Yes, I missed that 38 and 40. I'm sorry, yes. Okay, moving right along to my second question, sale of assets in the second quarter, what were those assets, and how much did you sell them for?

Nathan Hirschi: They were just some excess vehicles or used vehicles that we had about $600,000 of vehicle sales.

Maury May: Okay and third, can you review the history of franchise fees in the City of El Paso? I remember that the franchise fee was an issue in the 2005 settlement, at which time it did go up. Can you tell us, you know give us a history on the franchise fees for like the last decade and what is the city asking for now?

David Carpenter: Yes, Maury. The franchise fee, as you remember correctly was increased I believe from 2 percent to 3-1/4 percent in 2005, which extended the rate freeze for five years and I'm trying to remember the year. I believe it was in 2011, I could be off on the year. We increased the franchise fee by another 75 basis points from 3.25 percent to 4 percent. Now, that increase was specifically for economic development and so, it was basically set aside in the city budget or in their accounting and is used specifically to support economic development projects that probably right now the primary project they're supporting is the Medical Center of Americas and then they're also as we've already discussed, they're proposing and additional 1 percent increase in this budget cycle.

At this point in time, we will wait and see whether that's approved or not. If it is approved, it could be effective as early as September or depending on, as we discussed, the timing of the rate approval, it could be at a later date.

Maury May: Okay, so this would take the franchise fee from what 4 to 5 percent?

David Carpenter: Yes.

Maury May: Okay and you would keep the 75 basis points for economic development in place?

David Carpenter: Yes. That's correct.

Maury May: Okay. Did part of that economic development money go for your new baseball stadium?

David Carpenter: No, that was not one of the projects that they funded with the economic development fee.

Maury May: Okay, all right and this would be 5 percent of gross retail revenues within the city limits, which are about 60 percent of corporate revenues, is that correct?

David Carpenter: Yes.

Maury May: Okay, great. Thank you, David.

Operator: We'll take our next question from Tim Winter of Gabelli Investments.

Tim Winter: Good morning. David I was wondering if you could talk about the logic of filing for a historical test year in New Mexico versus a forward-looking test year, where perhaps you could get all of the units into rate base?

David Carpenter: Well, there are several things, there Tim. When we look at the forward test year, versus the historical test year, we did not feel like it really provided any significant difference in the amount of rate relief that we could justify. Yet, as we have followed the companies that followed the forward test years in New Mexico, they're regulatory lag period has generally increased to at least the maximum 13 month period that's allowed under the New Mexico statute. When we've used the historic test year, we've generally been able to get the rate cases completed well within the nine month or ten month original suspension period, provided by the statute. So, we really felt like we didn't get any additional rate relief from the future test year. Yet, we probably increased the regulatory lag. Then, because of the timing of kind of the uncertainty that we had in the short construction period for the Montana Unit, we really couldn't start a future test year any much earlier if any than we could do a historic test year. So, we really felt like the regulatory lag offset any benefit that we could get from the future test year.

Tim Winter: Okay and then just one follow-up question on slide 15, the load growth slide, as you are building your forecast for the next five years, what sort of load growth are you are you expecting?

David Carpenter: Yes.

David Carpenter: I think it's more in, we haven't got the numbers for 2015, I believe it's more in the 2.5 percent or about 2.7 percent, maybe down just like 2.5 to 2.7 percent.

Nathan Hirschi: Yes, slightly below what we've seen here historically.

Tim Winter: But not materially below?

David Carpenter: No.

Tim Winter: Okay. Thank you.

Nathan Hirschi: Thanks.

Operator: We'll take our next question from David Arcaro of Sidoti.

David Arcaro: Hey thanks, just had one really quick follow-up. You had a sale of land last quarter, you had a sale of I think you said used vehicles this quarter. Wondering if we should expect to see further asset sales kind of moving the EPS needle a penny or two here and there, are there other assets on the books that you would characterize that are up for sale?

Nathan Hirschi: No, I think those are probably two isolated situations. We do have the nuclear decommissioning trust that has a fair amount of assets in it to generate some gains or losses just as we reallocate that portfolio. But I don't think that's a trend that we really see, just a couple of isolated transactions.

David Arcaro: Got it. Thanks very much.

Operator: And there are no further questions in the phone queue at this time.

John Boomer: Okay, I want to thank everybody for participating in our call and we look forward to communicating with you at the end of the next quarter or in the interim, if you can meet up with us at the Goldman Sachs Conference or out on the road somewhere else, we look forward to that as well. So, thank you very much and appreciate your time today.

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