EL PASO ELECTRIC CO

Moderator: Lisa Budtke
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9:30 am CT

Operator: Good day and welcome to the El Paso Electric Company 4th Quarter 2014 Earnings Call. Today's conference is being recorded. At this time, I'd like to turn the conference over to Lisa Budtke. Please go ahead.

Lisa Budtke: Thank you, Taylor. Good morning, everyone. Thank you for joining the El Paso Electric Company's 4th 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 provide an overview of the Company's recent highlights, the Company's primary near-term objectives, the need and expected timelines for upcoming rate cases, an outlook for our service territory, our 4th quarter and year-end financial results, an update on our capital requirements and liquidity, and finally we will provide projected capital expenditures, rate base, and 2015 earnings guidance.

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 2014 Form 10-K will be filed with the Securities and Exchange Commission (SEC) on or before this Friday, February 27, 2015.

A replay of today's call will be available shortly after the call ends and will run through March 11, 2015. The details as they relate to the replay are disclosed in our press release.

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 that 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-K 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. At this time, I'd like to turn the call over to Tom.

Tom Shockley: Thanks, Lisa. Good morning to everyone and thank you all for joining our call this morning. As many of you already know, Mary Kipp was appointed President of the Company last fall. As a native of the area, Mary understands the needs of our diverse region. Her recent appointment was key to the Company's succession planning efforts and I am confident that under her leadership, the Company will continue to provide safe and reliable service. At this time, I'm going to turn the call over to Mary to discuss our recent accomplishments.

Mary Kipp: Thank you Tom and good morning everyone. I would like to begin on slide 3 of the presentation. It was recently announced that our Chairman of the Board Michael K. Parks resigned on February 5, 2015 in order to accept a position with a global investment management firm. I would like to thank Michael for his guidance and leadership throughout his 19 years of service on the Board. Michael has contributed significantly in moving our Company to where it is today and we all wish Michael the very best in his new position. The Board of Directors has elected Charles A. Yamarone, a seasoned financial expert, as the new Chairman. Chuck has been a director of El Paso Electric since 1996 and we look forward to working with Chuck in his new role. The Board of Directors also elected Edward Escudero, who has served on the Board since 2012, as the new Vice Chairman of the Board. Ed is a local community leader and business person who understands the role our Company plays in promoting the quality of life and strong economic health of our region.

As part of our succession planning efforts, we continue to build and strengthen our management team in 2014 by adding Michael Blanchard as our Vice President of Regulatory Affairs; Russell Gibson as Vice President, Controller; and hiring and then promoting John Boomer to Vice President, General Counsel. Several other key positions were filed from within the Company as well.

We are also very pleased that on June 4, 2014, we once again set a new Native Peak record of 1,766 MW. This new peak surpasses our previous record peak of 1,750 MW, set only one year ago and is reflective of the continued growth in our service territory. Palo Verde had another stellar year in 2014 increasing its capacity factor to 93.7 percent. This increase represented 2.6 percent gain compared to the same period in 2013, and once again ranks Palo Verde as the nation's largest power producer for the 23rd consecutive year.

Also in 2014, we received all the necessary permits and regulatory approvals required to construct the Montana Power Station. Construction of Montana Power Station Units 1 & 2 is progressing well and they are on schedule to be placed into service during the first quarter of 2015. We recently completed construction of the new Eastside Operations Center, which is another major accomplishment. The 100,000 square foot facility incorporates green design features including water conservation, energy efficiency, and sustainable building concepts. El Paso Electric is committed to powering the way to a greener future.

Turning now to slide 4, in 2014, we were able to more than double our utility scale solar from 47 MW to 107 MW, which now represents 6 percent of our dedicated generation resources.

As you probably know, the Company has made a decision to cease participation in the operation of the Four Corners Power Station, which will terminate when our current agreement expires in July of 2016. We have recently signed an agreement with Arizona Public Service, which will allow them to acquire our ownership interest in the plant. Upon our exit from Four Corners, we will no longer own coal-fired generation. In July 2014, we settled our Texas fuel reconciliation case for the period spanning July 1, 2009 through March 31, 2013. On May 29, 2014, the Company's Board of Directors approved the 5.7 percent increase in the quarterly cash dividend and in December 2014 issued a $150 million of 5.0 percent Senior Notes.

If you will now turn to slide 5, I would like to talk about El Paso Electric's commitment to the community we serve. For over 100 years, El Paso Electric has been dedicated to the long-term success and well-being of our community. The efforts of our approximately 1,000 employees have strengthened our community and will continue to do so for many years to come. That is why I would like to take a moment to recognize the commitment and dedication of our employees. El Paso Electric's employees continue to focus on our mission of providing customers with safe, efficient, and reliable service. Due to this dedication, El Paso Electric has consistently ranked near the top in the ratings for grid reliability as compiled by the Public Utility Commission of Texas. In addition, our customer care department has made it a priority to improve the overall customer experience. Due to their hard work, the results of our 2014 customer satisfaction survey were the highest we have received over the past six years.

I am also extremely honored to say that employees of El Paso Electric contributed over 13,000 hours to various volunteer organizations throughout 2014. El Paso Electric's United Way Campaign was able to attain its fundraising goal and with the Company's match, we were able to contribute over $350,000 to support United Way agencies in West Texas and Southern New Mexico. In addition, over 100 charitable organizations benefited from El Paso Electric contributions in 2014. Looking back on 2014, I am very pleased with the efforts our employees have made to strengthen our relationships with the communities we serve.

If you will now turn to slide 6, I would like to comment on our objectives going forward.

Completion of Phase 1 of the Montana Power Station is a key objective in the near future. Phase 1 of the project includes construction, start up, and commercial operations of Units 1 & 2. El Paso Electric has not built on a new site since the Newman Power Plant was completed in 1961, so this is an exciting time in the growth of power generation for our Company. We anticipate Units 1 & 2 will be placed into commercial operation by the end of March 2015. The second Phase of the project, which includes the construction of Units 3 & 4, is expected to begin mid-year 2015.

Our goal is to build on past success and to maintain our top reliability ranking. Along with reliability, our employees will also remain committed to improving safety and all facets of customer service. We would also like to continue building on our efforts to develop affordable utility scale solar facilities, which is a natural fit given our location and abundance of sunshine. We have seen a dramatic drop in the costs for utility scale solar generated electricity, which has made solar more affordable and beneficial for our customers. An additional objective that is very important to our Company looking forward is to continue communicating and improving relationships with stakeholders as we streamline our regulatory strategy. We have been actively involved in outreach efforts to keep our community informed of our plans and the necessity for the rate filings.

On slide 7, you can see the timing for filing our rate cases in Texas and New Mexico have not changed from our last Earnings Call. We expect Montana Power Station Units 1

& 2 to be completed by March 31, 2015 and new rates to be effective by the end of March 2016.

Building new plant is necessary due to unit retirements and to support load growth in our service territory. If you could now turn to slide 8, I would like to provide more detail on the growth in our local economy, which has driven the expansion we have experienced over the past several years.

While many cities across the country have experienced negative growth during the recent national recession, the leadership of our local and state officials left our region well insulated from the negative effects of the recession. As a result, the local region has enjoyed positive growth; which has led to significant investments and jobs. Additionally, the growth at Fort Bliss has been identified as a major driver of the local economy over the past several years. Home to the 1st Armored Division, Fort Bliss has experienced tremendous growth since 2005 as a result of the Base Realignment and Closure Act. Over $5 billion has been invested at Fort Bliss to accommodate units being relocated from other bases in the United States and Germany. The strategic positioning of the $400 million Union Pacific Intermodal Rail Yard in Southern New Mexico also added to the growth in our local economy, and will make the region a focal point for rail shipments throughout the United States. El Paso also welcomed the opening of a brand new $60 million Downtown baseball stadium last April, which is home to the new triple-A El Paso Chihuahua's. The inaugural season was a huge success as most of the home games were sold out, and the stadium was named Ballpark of the Year.

El Paso was honored to be chosen to be the home of the first new medical school to be built in Texas in 4 decades. The Paul L. Foster School of Medicine celebrated a ribbon cutting in 2007, and graduated its first class of new physicians in 2013. In addition to the medical school, several new medical facilities have been recently completed in El Paso, including a five story $60 million Health Sciences Building at UTEP, a new nursing school and two new hospitals.

Turning now to slide 9, I would like to comment on the future projects that will be the drivers of local economic growth and expansion going forward. El Paso voters approved $473 million in Quality-of-Life bonds in 2012 that will be used to construct parks, pools and aquatic centers, museums, and libraries. The vibrancy of El Paso's future economic condition is also reflected in the unemployment rate. El Paso's unemployment rate for December 2014 was at its lowest level since 2008 and the El Paso area's industrial space vacancy rate was at its lowest level since 2007. Several large construction projects have been announced recently, but none larger than the new $1 billion Army Medical Center currently under construction at Fort Bliss. In order to accommodate the rapid expansion, over $1 billion of state and federal monies have been approved to build additional transportation infrastructure. The growth in El Paso has not escaped the attention of several national employers as recent corporate expansions have been announced. Charles Schwab, Prudential Financial and Automatic Data Processing have all announced plans to expand operations in El Paso, adding nearly 2,000 jobs to boost El Paso employment. Although this list is not all encompassing, it is evident that we too must invest in our infrastructure in a cost effective manner to meet the needs of our growing region, which ultimately benefits all stakeholders.

I would now like to turn the call over to Nathan, who will talk about our 2014 financial results.

Nathan Hirschi: Good morning everyone. I would like to start on slide 11 of our presentation. For the 4th quarter of 2014, we reported net income of $4.2 million or $0.10 per share, compared to the 4th quarter of 2013 net income of $1.2 million or $0.03 per share. For the twelve months ended December 31, 2014, we reported net income of $91.4 million or $2.27 per share as compared to 2013 net income of $88.6 million or $2.20 per share.

Turning to slide 12, we list the key earnings drivers for the 4th quarter of 2014 compared to the 4th quarter of 2013. Beginning with the positive drivers, net income for the 4th quarter of 2014 compared to the same period last year was positively affected by gains on the sale of equity investments in our Palo Verde decommissioning trust funds, which resulted in increased earnings per share of $0.06. The increased level of gains in 2014 is due to rebalancing the decommissioning portfolio to get closer to our asset allocation targets. Allowance for funds used during construction or AFUDC also had a positive impact on earnings during the quarter, which led to an increase in earnings per share of $0.06 over the same period of 2013. The AFUDC increase was primarily attributable to higher construction balances which include the expenditures related to the Montana Power Station and the Eastside Operations Center. Non-base revenue items net of energy expenses, increased earnings per share by $0.04 when compared to the same period in 2013. This increase was due to a Texas energy efficiency bonus of $2.0 million which was awarded by the Public Utility Commission of Texas in November 2014 for our 2013 energy efficiency program results. The increase was also attributable to an increase in deregulated Palo Verde Unit 3 revenues related to an increase in generation as Unit 3 had a refueling outage in the fourth quarter of 2013 with no fuel outage in the current year. Also during the quarter, earnings per share increased by $0.02 due to increased revenues from our residential and small commercial industrial customers. The increase in retail non-fuel base revenues was primarily driven by customer growth and increased cooling degree days recorded in October 2014 when compared to October 2013.

Turning to the negative drivers in the 4th quarter of 2014, earnings declined by $0.08 per share due to an increase in income taxes when compared to the same quarter in 2013. The increase was primarily due to the legislative timing of the bonus deprecation extension in 2014 associated with the Tax Increase Prevention Act of 2014. In addition, income taxes were also negatively impacted during the quarter due to a higher level of tax benefits that were recorded in the 4th quarter of 2013 relating to positive developments in state income tax audits and settlements with no comparable level of benefits in the current period. Earnings also declined by $0.03 per share in the 4th quarter due to an increase in Palo Verde operations and maintenance expense primarily due to increased payroll including incentive compensation.

Now turning to slide 13, we detail by customer class, the change in retail revenues and megawatt-hour sales for the 4th quarter of 2014 and the percentage change over the comparable period of 2013. During the fourth quarter, total retail non-fuel base revenues increased $1.5 million, pre-tax or 1.3 percent over the same period in 2013. The increase was due to increased sales to residential and small commercial and industrial classes. MWH sales also increased for the residential customer class by 2.2 percent while MWH to the small commercial and industrial class increased by 2.3 percent. The increases in non-fuel base revenues and MWH sales were a result of normal weather in October 2014 and an increase in the average number of residential customers served. In October 2014, cooling degree days increased by 70 percent when compared to October 2013.

Offsetting the growth experienced by residential and small commercial industrial customers were the declines in non-fuel base revenues and MWH sales for large commercial industrial and the public authorities customer classes. The decline in MWH sales and non-fuel base revenues for the public authority class in the 4th quarter was primarily due to energy savings from energy conservation and efficiency programs and the use of solar distributed generation at military installations. On a positive note, we continued to experience solid customer growth during the quarter, as the average number of customers served grew by 1.3 percent over the same period of 2013.

Now turning to slide 14, you will see the key earnings drivers for the twelve months ended December 31, 2014. Many of the same positive earnings drivers covered in the 4th quarter results are also positive drivers for the year-to-date results. AFUDC, investment and interest income, and non-base revenue items are also positive earnings drivers for the year-to-date period. The largest positive driver for 2014 was AFUDC. Compared to prior year, AFUDC increased earnings per share by $0.15 due to the higher balances of construction work in progress, including the Montana Power Station, the related common, transmission and distribution infrastructure and the Eastside Operations Center. On the negative side, the main earnings drivers for the year, which partially offset the impacts of the positive drivers, were retail non-fuel base revenues, taxes other than income taxes, depreciation and amortization and Palo Verde operations and maintenance expenses. Compared to prior year, non-fuel base revenues negatively impacted earnings by $0.09 per share for the twelve month period ended December 31, 2014. The decline was mainly due to the reduction in sales to public authorities which reflects increased use of an interruptible rate by a military installation customer in addition to other energy savings from energy conservation and energy efficiency programs and the use of solar distributed generation at military installations. Non-fuel base revenues were also negatively impacted during the year due to lower sales to residential customers due to milder weather, primarily in the first quarter of the year, and lower sales to large commercial and industrial customers.

If you could now turn to slide 15, we have provided a comparative analysis of the changes in retail non-fuel base revenues and MWH sales by customer class for the year-to-date period. As can be seen on the slide, total retail non-fuel base revenues and MWH sales declined by 1.0 percent and 1.6 percent for the year, respectively. As I previously discussed the declines were primarily attributable to the impacts of the increased use of an interruptible rate and energy savings programs at military installations and due to milder weather that was experienced in 2014 compared to 2013. Heating degree days declined 21.7 percent when compared to the same period in 2013. However, we were pleased to see an increase of 1.3 percent in the average number of customers in 2014 compared to the same period of 2013.

Now turning to slide 16, we have provided a chart to illustrate the weather conditions experienced in our service territory over the past 10 years. The chart includes a comparison of normal weather to the actual weather recorded for each year. As you can see, the number of cooling degree days reported in 2014 was very close to the 10 year average but below the level experienced in recent years. Heating degree days recorded in 2014 were much lower than the previous year and the 10 year average. In fact, the 1,900 heating degree days recorded in 2014 were the lowest level recorded in our service territory in over 60 years. The mild winter weather observed in 2014 for our service territory had a noticeable impact on MWH sales and resulting non-fuel base revenues for the year, particularly in the first quarter of the year.

Now turning to slide 17, our cash capital expenditures in 2014 for additions to electric utility plant were $277.1 million. In December 2014, we issued $150 million of 30 year debt to provide sufficient liquidity to meet our anticipated cash requirements including construction expenditures. In terms of cash dividends, the Board of Directors declared a quarterly cash dividend of $0.28 per share on January 29, 2015, and we paid $44.6 million during the twelve months ended December 31, 2014. On December 31, 2014, we had liquidity of approximately $326 million including a cash balance of approximately $40 million and the borrowing capability available to us on our revolving credit facility. In total, we expect to spend approximately $271 million for cash capital expenditures in 2015. As we continue to make progress on our current construction program, we may also return to the debt market in late 2015 or early 2016 to issue long-term debt.

If you will now turn to slide 18, you will see our anticipated cash expenditures over the next five years. As I just mentioned, we anticipate that our 2015 cash capital expenditures will be $271 million, particularly due to the construction of the Montana Power Station. On average, we anticipate spending $219 million per year from 2015 through 2019. In total, we anticipate spending approximately $1.1 billion in cash capital expenditures through 2019 to serve the growth in our service territory.

Now turning to slide 19, I would like to discuss a revised rate based projection based on our capital construction plan.

We currently anticipate including the Eastside Operations Center and the Montana Power Station Units 1 & 2, including common plant, transmission and substations, in our 2015 rate case filings in both Texas and New Mexico. After the completion of the Montana Power Station Units 3 & 4 total rate base is expected to grow to approximately $2.2 billion. However, we do not want to presume the timing of our next rate cases, which would include the cost of Montana Power Station Units 3 & 4, until we receive the results of our first rate case filings in Texas and New Mexico.

Turning to slide 20, I would like to finish today's presentation with our 2015 Earnings Guidance. We are initiating our 2015 earnings guidance in the range of a $1.75 to $2.15 per share. As you can see, the 2015 earnings projections are expected to decline from prior years due to regulatory lag primarily related to the major projects placed in service by the end of the first quarter of 2015. The primary components of regulatory lag in 2015 are deprecation, property taxes, O&M expense and AFUDC. Other items anticipated to negatively impact earnings include higher interest expense related to our 2014 debt issuance and lower deregulated Palo Verde Unit 3 revenues due to lower natural gas prices, and a planned outage in the second quarter of 2015. Earnings could be positively impacted by customer growth and a return to more normal weather. Although 2015 should be negatively impacted by regulatory lag, earnings in 2016 should be positively impacted by the rate increase, which is anticipated to become effective in March 2016 for both Texas and New Mexico.

At this time, I'd like to turn the call back over the Lisa.

Lisa Budtke: Okay, this concludes our fourth quarter 2014 earnings presentation. Taylor, at this time, we will now open the call for questions.

Operator: Thank you. If you would 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 the opportunity to signal for questions. Our first question comes from Anthony Crowdell with Jefferies.

Anthony Crowdell: Hi, good morning. Couple questions when I look at the CAPEX projection slides 18 and 19 year rate base, both have come down slightly from your last projection maybe given in second quarter. You have lower rate base after Units 1& 2 and 3 & 4 and lower CAPEX. Could you just tell me the drivers of why you’re seeing lower rate base?

Lisa Budtke: Yes, Anthony. This is Lisa. Basically, we've gone through a process of updating all of our capital projections and the operations team has just looked at components where they’re making sure that the timing’s appropriate. From there we've reduced our projections, mainly it's in the area of transmission and distribution and substations, and then also a little bit in our IT systems.

Nathan Hirschi: But it didn’t affect any of the major projects that we have lined up.

Anthony Crowdell: You can expect that 2015 CAPEX is high, because you have the two Montana units, but comparably; what are the drivers or the big spending items in the 2019 CAPEX?

Nathan Hirschi: CAPEX in 2019 is beginning to incur generation expenditures for the next cycle of generation. So that's the early expenditures for a combined cycle that's tentatively planned for 2022.

Anthony Crowdell: Okay. When you look at 2015 guidance, if I split the baby in the middle and took the mid-point there, what's the ROE you're assuming at that midpoint?

Nathan Hirschi: We ended the ROE this year with about 9.5 percent and that would drop down to about an 8 percent ROE.

Anthony Crowdell: You know, it's a pretty wide range and I know weather is such a game changer for you guys. Is it just a lower and higher end there? Or all weather related or are there other items that are causing that wide delta there?

Nathan Hirschi: Yes, weather sales are part of it, but there's everything from gas prices to production O&M levels.. So it's more than just weather.

Anthony Crowdell: All right, and just lastly, I think maybe third quarter or second quarter you guys had spoken about potential roof top solar going in your jurisdiction and I guess the economics really didn't work when you look at the average home price and the cost of putting rooftop solar. But also in this quarter you've stated in your comments that at least utility scale solar is becoming more affordable.

I've seen some articles that First Solar or some other companies are going in your service territory and offering no money down or a lot of incentives so residents get solar. I mean, what type of penetration are you expecting in your forecast or do you think it will grab any foothold in El Paso, because you had said that being where you're located it's just a great environment for solar?

Mary Kipp: Anthony, this is Mary, good morning. Definitely, I think what you're referring to is SolarCity had a press release and then announcement that they wanted to expand their footprint in our service territory beyond currently providing it to the military. As you know, however, our average bills are pretty low I think $75 a month. So it's going to be interesting to see how the economics of that work. As you also know, we've made a very big play in utility scale solar and we've been very, very successful in getting great pricing on our projects and I think we'll have some more of that to announce in the future.

But in our upcoming rate case, we're going to propose changes to our rate design to address the impact of this and we view roof top customers as kind of partial requirement customers in terms of they're not taking all their kilowatt hours from us. So, while we think, it's important there is a place for all types of renewable resources on our system we're going to continue to look at the best way to price our options.

Anthony Crowdell: Great. Great quarter and thanks for taking my questions.

Nathan Hirschi: Just on the ROE for the current year, this is why we're filing the rate case. The ROE is below the level that we've experienced in recent years. It's the increased cost that we're seeing come through with the regulatory lag it's obviously why we're in the process of filing our Texas and New Mexico rate cases.

Anthony Crowdell: Obviously you're not going to tell me what the ROE you're going to file for in Texas and New Mexico or if you are that's great, but just what was the last decision I guess from the El Paso City Council? I believe this was for a gas company. Where, when and what was the ROE in that proceeding?

Lisa Budtke: Anthony that was the black box settlement. Basically, that was Texas Gas coming in and the City of El Paso approved in July 2014 a $3.5 million revenue increase for them but it was black box.

Mary Kipp: Anthony, this is Mary again. I just wanted to let you know as far as NMPRC and the Texas PUC, we're looking at recent decisions ranging on the high end from 10.25 down to 9.96 percent in New Mexico and then in Texas we're looking at about 9.65 to 9.8 percent.

Anthony Crowdell: In the El Paso or I guess Texas Gas case in the City of El Paso, was there an AFUDC rate or anything or it just truly black box?

Lisa Budtke: It was truly a black box settlement. In fact, we looked at their minutes and that's what they had in the minutes for the city.

Anthony Crowdell: Great. Thanks for taking my questions.

Nathan Hirschi: Thanks, Anthony.

Operator: And we'll take our next question from Feliks Kerman with Visium Asset Management.

Feliks Kerman: Hi, good morning. I guess most of my questions have been answered already but I'll just try to add a couple of more things here. If you look at the EEI presentation I think we had listed here a CWIP balance of something around $316 million in '16 and then in today's remarks we're kind of lowering that down to that $150 million.

Is this just kind of shifting in the CAPEX or are we kind of expecting lower AFUDC earnings in '16 as a result?

Nathan Hirschi: Since the EEI Conference, we have changed our thought on when Montana Unit 4 would be placed into service. So the biggest difference is it has Montana 4 coming into service in '16 as opposed to '17 and so that's why the year-end balance at the end of '16 would go down. That's the lion's share of that. But it's also, as Lisa mentioned earlier, we did do some tweaking and true-up of our CAPEX plan.

Feliks Kerman: Okay and then you guys commented a little bit about the growth in the service territory. You know, new jobs being created, construction being increased. What is kind of the run rate as you look forward into your load growth?

Nathan Hirschi: Customer growth has been pretty consistent at 1.3%, 1.4 percent. Our long-term growth rate over the last 10 years, 11 years has been about a 3 percent rate. We're kind of anticipating that it will be lower and we're clearly anticipating we won't be able to maintain the rates that we had in the last 10 years based on kind of recent trends. But we still see its somewhere above the industry customer growth rate.

Feliks Kerman: Okay and then just one minor kind of bookkeeping question. Year-over-year the investment income from the decommissioning trust added about $0.13. How should we think about that looking forward? Is that kind of the run rate going forward or do we expect additional earnings from that as you look out beyond?

Nathan Hirschi: I think that's kind of the run rate that we would expect going forward. The market's been running well and so we do anticipate incurring or having the same levels that we've had in 2014 going forward.

Feliks Kerman: Okay. That's all I have. Thank you and congrats on the quarter.

Nathan Hirschi: Thank you.

Operator: As a reminder, again, if you'd like to ask a question that is star 1, star 1 for questions. And we'll take our next question from Tim Winter with Gabelli.

Tim Winter: Good morning.

Nathan Hirschi: Morning Tim.

Tim Winter: I was wondering if you guys could talk a little bit or explain a little bit the decrease in revenues from sales to public authorities as military installations and whether that has anything to do with the Net Zero Program that they're opening and how to think about that going forward?

Nathan Hirschi: Well yes, it is related to that. There has been a concerted effort on the military installations and some of the governmental entities in the region to be more energy efficient and provide more of their service from distributed generation at the plant. So it is related to that. There has been a lot of effort and a lot of additions at that military installation that caused that to occur during the year and so we think a lot of that decline in that customer class over the last couple of years. So we anticipate that stabilizing or declining a little bit more as we go forward. Also during the year, one of the local military installations went on an interruptible rate which caused them to have lower billed revenues without related decline in megawatt hour sales. So there was a revenue decline there related to a switch to an interruptible rate by one of the customers. Does that make sense, Tim?

Tim Winter: Okay and then thoughts about how to address the revenue requirement related to that in the future, the rate case filings coming out?

Nathan Hirschi: Yes, well as part of the rate design we will re-address the cost associated with the interruptible rate. Part of the upcoming rate cases will be to make sure all the customer classes are allocated fair rates.

Mary Kipp: Tim, this is Mary and this isn't directly responsive to your question but another area that we are working with the military on their Net Zero initiative is that we have gone out with an RFP for 20 megawatts of solar. And we've gotten back some really good bids. We plan to go forward and file a CCN for a system resource, which would be located on Fort Bliss, comprised of 20 megawatts of solar and we'll do that in March.

Tim Winter: Okay great. Thank you, guys.

Nathan Hirschi: Thanks, Tim.

Operator: We have no further questions.

Lisa Budtke: Okay, I would like to thank everyone again for joining us on today's call. Have a great day and be safe.

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

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