

The logo for Seeking Alpha, with the text 'Seeking Alpha' in white and a yellow Greek letter alpha symbol to the right, all on a dark red background.

El Paso Electric Company Q2 2008 Earnings Call Transcript

Question-and-Answer Session

Operator

(Operator Instructions) The first question is from Robert Howard from Prospector Partners.

Robert Howard - Prospector Partners

Hi guys.

Scott Wilson

Hi, Robert, how are you?

Robert Howard - Prospector Partners

I am doing good. Just a couple quick ones. At least on the release, it showed an increase in interest expense was that driven by the auction rate securities or was that more just issuance of the new debt?

Scott Wilson

Actually, both. We certainly saw an uptick in interest expense associated with our auction rate securities and the new bond deal was issued late in the quarter. I mean, we only had about a little less than one full months of interest expense associated with the new bond deal..

One other thing we did, Rob, because we were concerned about liquidity at the time we did this deal, the capital markets were a little uncertain to say the least and given the size of our construction program, we decided that we would actually size this deal larger than we maybe initially anticipated..

So we issued between \$25 million and \$50 million more than we initially thought to provide us with the liquidity cushion over the next 12 to 18 months to make sure that we can fund our construction program without having to do any additional financings.

Robert Howard - Prospector Partners

Okay. So, I guess in terms of trying to figure out maybe what the steady state level of interest is going to be here.. Is that a couple hundred or a couple million dollars here because that part looks like it is going to come back down? How much of an impact should we say that that specific piece had? Can I make an adjustment there?

Scott Wilson

Well, maybe the easiest way I think on a run rate basis, you could obviously calculate the interest expense on the senior note deal. Just to give you and this is subject to change because the auctions happen every week, but recently we have been paying somewhere on average when you average the two issues together, somewhere between 4.75% and 5.5% on average. Now that is subject to change. It could go up, it could go down but that is about what we have been paying on that and we have got some existing fixed rate stuff out with an average in the high fours. So for today, given where we are today a walking around number of 5% on all the PCBs you would be in the ballpark, again subject to change.

Copyright © 2008 CNET Networks, Inc. All Rights Reserved.