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## El Paso Electric Company Q1 2008 Earnings Call Transcript

### Question-and-Answer Session

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**Operator**

Thank you. (Operator instructions) Our first question comes from Robert Howard with Prospector Partners. Your line is open.

**Robert Howard – Prospector Partners**

Hi, guys.

**Scott Wilson**

Hi, Rob. How are you?

**Robert Howard – Prospector Partners**

Good. That Credit Suisse contract, how long does that run, is that just one year or how long have you got it?

**Scott Wilson**

The Credit Suisse contract runs the same term as the IID contract which, if memory serves, it's through April 2010.

**Robert Howard – Prospector Partners**

So I guess you're saying that that contract is really where the wholesale offsets in sale increase [ph] to come from it. Was there any availability in terms of just kind of your regular plant operations that really didn't have anything – the upgraded Palo Verde turbine didn't give you the significant extra amount compared to last year or anything?

**Scott Wilson**

Yes. Well, we did generate marginally more power in the first quarter from Palo Verde than we did in the first quarter of '07, but the primary difference, the IID contract, has a capacity component and an energy component, and we supply 100 megawatt to that contract from the Credit Suisse sale and then there was a contingent piece for up to 50 megawatts that we supplied from our existing generation which could be anything from Palo Verde to any of our fleet. So the Credit Suisse contract runs the same term as the IID contract and that's for 100 megawatts and we back fill that with the

system contingent 40 megawatts to 50 megawatts come from our existing resources including Palo Verde.

**Robert Howard – Prospector Partners**

Okay. You guys were talking about, in 2008 or for this year, the Palo Verde non-fuel O&M costs possibly increasing significantly. I guess how much of this is sort of to fix some of these problems and resolve it for that or would any of this be possibly looked at as permanent?

**Scott Wilson**

Well, we would hope that this is something that they've got to do to get the plant in shape and that we would see some moderation in these costs or reduction in these costs in future periods. You'll probably recall when we talked about guidance back in November that we had anticipated a 10% to 12% to 15% increase in Palo Verde non-fuel O&M at that time and that again was related to trying to get the plant out of its degraded cornerstone. So we're hopeful that once the plant's back in the operational mode, in the good graces with NRC, that some of these costs that are being incurred out at the plant, would in fact not be necessary. But it's too early for to us make that call.

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