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El Paso Electric Company Q4 2008 Earnings Call Transcript

Question-and-Answer Session

Operator

(Operator Instructions) The first question comes from Adam Whiteman – [Unidentified Company].

Adam Whiteman – Unidentified Company

Just had one question about the impairment and guidance, is that based on your current market values for those equities or is it based on where you see the market evolving over the next 12 months?

David Stephens

It's on a market value that we saw rather than on an expectation of where the market may go in the balance of the year.

Adam Whiteman – Unidentified Company

So if 2009 ended today, what would be the impairment?

David Stephens

We haven't recalculated that number. The most recent number that we have is approximately two weeks old. And that resulted on about \$12.5 million impairment in the NDT, but we have not updated that number.

Operator

The next question comes from the Paul Fremont - Jefferies & Company.

Paul Fremont - Jefferies & Company

I guess one is a housekeeping question. There is I guess a tax credit for the fourth quarter versus tax expense for the fourth quarter of 2007. What's the explanation there?

David Stephens

I'm not following you. Did you say a tax credit in the fourth quarter? Are you saying a negative tax provision?

Paul Fremont - Jefferies & Company

Yeah. In other words, what's the change in tax expense fourth quarter 2008 versus 2007, what's driving that?

David Stephens

This is David Carpenter, our Controller.

David Carpenter

In 2007, we had a number of adjustments that reduced tax expense, a couple of them were related to prior periods and a couple of them were true-ups for the 2007 taxes. And we did not have those same adjustments in 2008.

David Stephens

So what you saw was, really, some one-time adjustments in 2007 that didn't replicate in 2008?

Paul Fremont - Jefferies & Company

And for 2009, I mean what type of a tax rate should we be looking at?

David Stephens

Thirty-three percent to 34%, somewhere in that ballpark.

Scott Wilson

Effective tax rate, Paul.

Steven Busser

It is a little less than statutory because of AFUDC equity.

Paul Fremont - Jefferies & Company

And with the large drop in C&I, can you give us a little bit of flavor as to what type of load is dropping off and whether that is likely to start up again if the economy improves?

David Stephens

We have seen a couple things. We saw a large customer in the fourth quarter shutter their operations in early October, but actually restart them in the second week in January. Now, they restarted them instead of running three shifts flat out they are on a reduced shift basis.

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