

### ***Components of Change in APBO***

The table below lists the changes in APBO between the January 1, 2018 and January 1, 2019 measurements. Following the table is a discussion of each of the listed changes.

<b>Components of Change in APBO</b>	
<b>January 1, 2018 APBO</b>	<b>\$ 66,785,274</b>
➤ Expected growth during for the period 1/1/2018 through 12/31/2018	\$ 2,940,944
➤ Updated mortality assumption	(270,022)
➤ Discount rate change from 3.79% to 4.43% reflected at 12/31/2018	(6,617,727)
➤ Updated per capita costs and contributions at 12/31/2018	(3,660,754)
➤ Updated post-65 drug trend rates	(719,510)
➤ Updated participation assumption	2,404,041
Subtotal change	\$ (5,923,028)
<b>December 31, 2018 APBO</b>	<b>\$ 60,862,246</b>
➤ Demographic data changes reflected at 1/1/2019	(627,615)
<b>January 1, 2019 APBO</b>	<b>\$ 60,234,631</b>

### ***Expected Growth***

The APBO is expected to increase each year over time if all other factors remain unchanged. The APBO is expected to increase over time due to additional service accrued and interest on obligations less benefits paid out. This expected growth includes anticipated losses resulting from using the full Ryan ALM Median Spot Rate Curve for computing the Service Cost and Interest Cost components of expense, versus using the single discount rate for each plan that produces the same APBO at year-end.

### ***Updated Mortality Table***

The assumed mortality was updated as of December 31, 2018 to reflect a new mortality improvement scale released by the Society of Actuaries in October 2018. Specifically, the improvement scale was changed from MP-2017 to MP-2018.

### ***Discount Rate Change***

The discount rate increased from 3.79% as of January 1, 2018 to 4.43% as of December 31, 2018 to reflect rates in effect at that time.

***Per Capita Costs and Contributions***

The per capita costs were updated for 2019. The pre-65 rates increased by 11.2%, the same as the increases in the pre-65 COBRA rates. Post-65 rates were set equal to the 2019 fully insured rates, which excluded the Health Insurer Fee in 2019. The fee is assumed to return in 2020. The decrease in obligation from updated per capita costs is primarily due to the decrease in the post-65 drug plan (EGWP) premium. Contribution amounts were provided by El Paso. Please see Section V for a list of the current per capita costs and Section III for a list of the current contribution levels.

***Updated Post-65 Drug Trend Rates***

The post-65 drug trend rates were updated to reflect management's best estimate for future trend rates given the current health care environment. The rates in the prior year were 10.00% in 2018 grading down to 4.50% in 2026. The current trend rates are 8.50% in 2019 grading down to 4.50% in 2026. Please see Section VI for a list of the current trend rates.

***Updated Participation Assumption***

The participation assumption was updated from 80% to 85% as of December 31, 2018 to reflect recent experience.

***Demographic Data Changes***

Participant census was collected as of January 1, 2019. Changes due to new hires, plan election, actual turnover, retirement and mortality since the prior valuation are represented by demographic data changes. The amount shown includes a change in the discount rate from 4.44% to 4.43% that resulted from reflecting the updated census in the projected cash flows that are used to determine the discount rate.

This section outlines the fiscal 2019 valuation results of El Paso Electric Company's postretirement medical and life insurance benefit programs under the provisions of *Accounting Standard Codification ASC 715-60: Employers' Accounting for Postretirement Benefits Other Than Pensions*.

### Obligations

The expected postretirement benefit obligation (EPBO) represents the present value of all future expected postretirement benefit payments for those active and retired participants. The accumulated postretirement benefit obligation (APBO) represents the portion of the EPBO allocated to service already rendered.

The following table summarizes the postretirement benefit obligations under ASC 715-60 at recent key measurement dates:

Postretirement Benefit Obligations		
	January 1, 2018	January 1, 2019
Attributable to service rendered prior to		
Retirees and their dependents	\$ 27,846,912	\$ 24,395,837
Active employees fully eligible to retire	17,646,666	16,085,145
Active employees not yet fully eligible	<u>21,291,696</u>	<u>19,753,649</u>
Total APBO	\$ 66,785,274	\$ 60,234,631
Attributable to service after the measurement date	<u>27,291,775</u>	<u>22,755,884</u>
Total EPBO	\$ 94,077,049	\$ 82,990,515

### Expense

The following table summarizes the postretirement benefit accrual expense for fiscal 2019 under the provisions of ASC 715-60.

2019 Net Periodic Postretirement Benefit Cost			
	Health	Life	Total
Service cost	\$ 2,371,105	\$ 51,995	\$ 2,423,100
Interest cost	2,101,241	355,159	2,456,400
Expected return on plan assets	(1,813,918)	(306,595)	(2,120,513)
Amortization of amounts in AOCI:			
Net loss/(gain) <sup>(1)</sup>	\$ (2,376,914)	\$ 0	\$ (2,376,914)
Prior service cost/(credit)	<u>(5,233,864)</u>	<u>0</u>	<u>(5,233,864)</u>
Total amortization	(7,610,778)	0	(7,610,778)
Total expense	\$ (4,952,350)	\$ 100,559	\$ (4,851,791)

<sup>(1)</sup> Amortization of net loss/(gain) is determined in total with all amounts allocated to the Health Plan.

***Development of Expected Return on Plan Assets***

El Paso Electric Company funds its postretirement benefit obligations through a VEBA account. The assets are segregated and restricted to be used for postretirement benefits only, and are considered to qualify as plan assets. The value of plan assets is based on the market value of assets as of the measurement date.

The following table summarizes the expected return on plan assets during fiscal 2019 based on a 6.00% expected rate of return, net of taxes and gross of expected administrative expenses paid from the trust.

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**Development of Fiscal 2019 Expected Return on Plan Assets**

	<b><u>January 1, 2019</u></b>
1. Plan assets as of beginning of period	\$ 36,287,094
2. Interest on (1) for the period	2,177,226
3. Expected contributions for period	450,000
4. Interest on contributions for period <sup>1</sup>	13,303
5. Expected administrative expenses for period <sup>2</sup>	181,435
6. Interest on administrative expenses for period <sup>1</sup>	10,886
7. Expected benefit payments from the Trust for period <sup>3</sup>	2,000,138
8. Interest on benefit payments for period <sup>1</sup>	<u>59,130</u>
9. Expected return on plan assets for period = (2)+(4)-(6)-(8)	\$ 2,120,513

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<sup>1</sup> Interest on contributions and benefit payments are assumed for one-half of period, interest on administrative expenses are assumed for the full period.

<sup>2</sup> The expected administrative expenses paid from the trust were assumed to be equal to 0.5% of the asset value at January 1, 2019. Expected administrative expenses were added to the service cost, and the interest on administrative expenses was subtracted from the expected return on assets.

<sup>3</sup> Excludes expected benefit payments for key employees.

***Unamortized Net (Gain)/Loss***

Gains and losses are changes in the obligations or assets resulting from experience different than expected or from changes in assumptions. For purposes of establishing the amount of (gain)/loss to be recognized, ASC 715-60, allows for the use of a "corridor" equal to 10% of the greater of the APBO or the market-related value of plan assets. Only the amount of (gain)/loss that exceeds the corridor is subject to amortization. The excess over the corridor, if any, is amortized on a straight-line basis and the amortization period is set equal to the average remaining service period for active plan participants expected to retire and receive benefits.

The following table summarizes the development of net (gain)/loss in Accumulated Other Comprehensive Income (AOCI) as of January 1, 2019 and the amortization of net (gains)/losses in 2019 expense.

**Development of Unamortized Net (Gain)/Loss in AOCI and Expense Amortization**

	<u>Total</u>
1. Unamortized net (gain)/loss at December 31, 2018	\$ (36,889,956)
2. Net (gain)/loss due to remeasurement at January 1, 2019	
a. APBO as of December 31, 2018	\$ 60,862,246
b. APBO as of January 1, 2019 based on updated census information	<u>60,234,631</u>
c. Net (gain)/loss due to remeasurement at January 1, 2019	\$ (627,615)
= (2)(b) - (2)(a)	
3. Net (gain)/loss at January 1, 2019 = (1) + (2)(c)	\$ (37,517,571)
4. Fair value of plan assets at current measurement	36,287,094
5. Corridor for amortization of net (gain)/loss (greater of 10% of APBO or 10% of plan assets) = (2)(b) * 10%	6,023,463
6. Net (gain)/loss in excess of corridor = (3) + (5)	\$ (31,494,108)
7. Amortization period (years)	<u>13.25</u>
8. Annual amortization of net (gain)/loss = (6) / (7)	\$ (2,376,914)

***Development of Unamortized Prior Service Cost / (Credit)***

Prior service cost is the change in the APBO resulting from a plan amendment. Prior service cost is amortized on a straight-line basis beginning on the date of the plan amendment. The amortization period is equal to the average remaining years of service until full eligibility date for those active plan participants not yet fully eligible to retire and be covered under the revised plan.

The following table presents the development of all postretirement benefits program plan amendments with unamortized prior service cost/(credit) and the amounts amortized for fiscal 2019:

**All Plan Amendments with Unamortized Prior Service Cost/(Credit)**

Valuation Year Plan Amendment	Original Plan Amendment Amount	Unamortized Prior Service Cost as of 1/1/2019	Fiscal 2019 Amortization Amount	Unamortized Prior Service Cost as of 12/31/2019
12/31/2010	\$(26,604,690)	\$ (2,140,610)	\$ (2,140,610)	\$ 0
10/3/2013	(97,440)	(43,082)	(10,366)	(32,716)
12/31/2015	(823,872)	(574,467)	(83,135)	(491,332)
10/1/2016	<u>(32,697,299)</u>	<u>(25,947,855)</u>	<u>(2,999,753)</u>	<u>(22,948,102)</u>
Total	\$ (60,233,301)	\$ (28,706,014)	\$ (5,233,864)	\$ (23,472,150)

### ***Summary of Plan Amendments***

#### **December 31, 2010 Plan Amendment**

Effective January 1, 2011, EPEC made several plan changes to the benefits provided under the postretirement medical and life program. The following plan changes were reflected in the December 31, 2010 disclosures:

- The deductible for Option A changed from \$200 to \$350 and the deductible for Option C changed from \$1,000 to \$1,500. Option B deductible remained at \$500.
- The maximum out-of-pocket limit for plan medical options changed as follows:

	<u>In-Network*</u>	<u>Out-of-Network*</u>
* Option A:	\$1,000 to \$2,000	\$3,000 to \$6,000
* Option B:	Remained at \$3,000	\$6,000 to \$9,000
* Option C:	\$5,000 to \$4,500	\$12,000 to \$13,500

\* Amounts above excluded the deductible.

- The prescription drug copayments for the plan changed as follows:

	<u>Retail Pharmacy</u>	<u>Mail Order Pharmacy</u>
* Generic:	Remained at \$10	Remained at \$20
* Preferred brand:	\$20 to \$40	\$40 to \$80
* Non-preferred brand:	\$40 to \$60	\$80 to \$120

- The post age 65 prescription drug benefits plan will be available for eligible participants through Express Scripts Prescription Drug Plan (PDP) and El Paso Electric Company will no longer apply for the Medicare Part D Subsidy from the government after 2010.

#### **October 3, 2013 Plan Amendment**

Effective October 3, 2013, EPEC capped the Company's premium contribution to the retiree medical plan at an annual average of \$10,000 per covered retiree. This cap will be adjusted annually for inflation. EPEC communicated this change to plan participants in the form of a letter dated October 3, 2013.

#### **December 31, 2015 Plan Amendment**

Effective January 1, 2016, the copayment tier for specialty medications was added for pre-65 and post-65 participants, and mail order copayments were increased for post age 65 medications. These plan changes were approved in 2015 and were communicated to participants during October 2015 through the annual enrollment brochure.

#### **October 1, 2016 Plan Amendment**

Effective January 1, 2017, certain changes were made to pre-65 and post-65 retiree medical benefits. Coverage for retirees and dependents under age 65 changed from the current \$350, \$500 and \$1,500 deductible plans to a choice of \$1,000 versus \$2,250 deductible plans. Retirees and dependents age 65 and older moved to a fully-insured Medicare Advantage plan under Humana. Administration of prescription drug benefits to Medicare-eligible participants was changed from Express Scripts to Envision Rx. These changes were approved and communicated to plan participants during October 2016, resulting in a remeasurement of the Plan as of October 1, 2016.

The significant provisions of El Paso Electric Company's postretirement medical and life insurance plans are summarized in the following pages. They are based on information provided by El Paso Electric Company personnel.

The provisions as summarized reflect PwC's understanding of the substantive plan that is reflected in the valuation results herein.

**Postretirement Medical Plan Provisions as of January 1, 2019 (Retirees - Pre Age 65)**

CARRIER	Pre-65 Retiree BCBSTX - Medical			
OPTION	OPTION 2 - PLAN A (New)		OPTION 2 - PLAN B (New)	
Benefit Plan	\$1,000 Deductible		\$2,250 Deductible	
	In-Network	Non-Network (1)	In-Network	Non-Network (1)
Lifetime Maximum	\$1,000,000		\$1,000,000	
Coinsurance	80%	60%	80%	60%
Individual Calendar Year Deductible (Individual / Family)	\$1,000 / \$3,000	\$3,000 / \$9,000	\$2,250 / \$6,750	\$6,750 / \$20,250
Medical Maximum Coinsurance Limit Maximum Out of Pocket (deductible does not apply, copayment amount are applied but will continue to be required after the benefit percentage increases to 100%) (Individual / Family)	\$4,500 / \$9,000	\$13,500 / \$27,000	\$6,850 / \$13,700	\$20,550 / \$41,100
<i>Out of Network Deductible &amp; Out of Pocket Maximum will NOT apply toward Network Deductible &amp; Out of Pocket Maximum</i>				
Hospital Inpatient	80%, no ded	60% after \$500 per admission ded	80%, no ded	60% after \$500 per admission ded
Emergency Room Facility (2)	100% after \$225 Copay		100% after \$300 Copay	
Accidental Injury & Emergency Care	80% after ded		80% after ded	
Emergency Room Physician Charges	80% after \$275 Copay		80% after \$375 Copay	
Accidental Injury & Emergency Care	80% after ded		80% after ded	
Emergency Room Facility (2)	80% after \$275 Copay		80% after \$375 Copay	
Non-Emergency Care	80% after ded		80% after ded	
Emergency Room Physician Charges	80% after ded		80% after ded	
Non-Emergency Care	80% after ded		80% after ded	
Urgent Care Center visit, including lab services (does not include X-Rays, surgical services and Certain Diagnostic Procedures)	\$50 copay	70% after ded	\$75 copay	70% after ded
X-Rays, Surgical Services and Certain Diagnostic Procedures; such as Bone Scan, Cardiac Stress Test, CT-Scan, Ultrasound, MRI, Myelogram, PET Scan, surgical procedures and all other services and supplies	80% after ded	60% after ded	80% after ded	60% after ded
Preventive Services	100% (\$0 copay)	70% after ded	100% (\$0 copay)	70% after ded
Physician Office Visit Copay including lab services (excludes X-rays, Surgery and Certain Diagnostic Procedures; such as Bone Scan, Cardiac Stress Test, CT-Scan, Ultrasound, MRI, Myelogram, PET Scan, surgical procedures and all other services and supplies) (3)	\$25 PCP / \$40 Spec	70% after ded	\$30 PCP / \$50 Spec	70% after ded
X-Rays, Surgical Services and Certain Diagnostic Procedures; such as Bone Scan, Cardiac Stress Test, CT-Scan, Ultrasound, MRI, Myelogram, PET Scan, surgical procedures and all other services and supplies	80% after ded	60% after ded	80% after ded	60% after ded
Outpatient Lab	100% (\$0 copay)	70% after ded	100% (\$0 copay)	70% after ded
CARRIER	Pre-65 Retiree Express Scripts - Pharmacy			
	In-Network	Non-Network (1)	In-Network	Non-Network (1)
Prescription Benefit -- up to 30-day supply	\$20/\$50/\$70	N/A	\$25/\$55/\$75	N/A
Mail Order Prescriptions -- up to 90-day supply	\$45/\$120/\$170	N/A	\$50/\$125/\$175	N/A
Specialty Medications -- up to 30-day supply	\$65/\$90/\$140	N/A	\$65/\$90/\$140	N/A
(1) All out-of-network benefits listed are based on the carrier's allowable charges. Charges exceeding this amount will be the member's responsibility.				
(2) Copay waived if admitted to a network hospital.				
(3) X-Rays, Surgical Services and Advanced Imaging PET, MRI, CAT, SPECT subject to deductible and coinsurance.				



<b><u>Plan Feature</u></b>	<b><u>Description</u></b>
Eligibility	Age 55 with 5 years of service, or disabled with at least age 41 and 65 years of age and service combined.
Period of coverage	Up to age 65.
Spouse/dependent coverage	Up to age 65; surviving spouses are eligible to continue medical coverage. Dependent children covered up to age 26.

***Postretirement Medical Plan Provisions as of January 1, 2019 (Retirees - Post Age 65)***

<b><u>Plan Feature</u></b>	<b><u>Description</u></b>
Eligibility	Age 55 with 5 years of service, or disabled with at least age 41 and 65 years of age and service combined.
Period of coverage	Lifetime. Coverage starts at age 65.
Spouse/dependent coverage	Lifetime. Coverage starts at age 65; surviving spouses are eligible to continue medical coverage.
Post age 65 – Medical benefits	Fully-insured Humana Medicare Advantage Plan. The 2019 monthly premium rate is \$4.49.
Post age 65 – Pharmacy benefits	Medicare Part D Plan administered by Envision Rx. The 2019 monthly premium rate is \$168.10.

Pre-65 monthly retiree contributions for 2019	<b><u>\$1,000 Deductible Plan</u></b>	<b><u>\$2,250 Deductible Plan</u></b>
Retiree Only	\$319.43	\$275.97
Retiree + Spouse	\$577.26	\$498.72
Retiree + Child(ren)	\$480.60	\$415.21
Retiree + Family	\$765.65	\$661.56

Post-65 monthly retiree contributions for 2019	<b><u>CMS Advantage Plan <sup>(1)</sup></u></b>
Individual	\$108.10
Individual + One	\$216.21
Individual + Two	\$324.31
Individual + Three	\$432.41

<sup>(1)</sup> Humana Medicare Advantage Plan and Medicare Part D Plan administered by Envision Rx.

Company Cap	Effective October 3, 2013, El Paso Electric Company capped their premium contribution to the retiree medical plan at \$10,000 (adjusted annually for inflation) per covered retiree. Costs in excess of the Company's capped premium contribution will be passed on to the plan participants as additional retiree contributions.
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***Postretirement Life Insurance Plan Provisions as of January 1, 2019***

<b><u>Plan Feature</u></b>	<b><u>Description</u></b>
Eligibility	Age 55 with 5 years of service, or disabled with at least age 41 and 65 years of age and service combined.
Life insurance benefit (retirees only)	
> Retirements prior to 1/1/2006	One times salary at retirement with coverage reduction according to age as follows: <ul style="list-style-type: none"><li>• Age 65 but less than age 70: 65%</li><li>• Age 70 but less than age 75: 50%</li><li>• Age 75 or older: 30%</li></ul>
> Retirements 1/1/2006 and after	\$10,000.

EL PASO ELECTRIC COMPANY  
2021 RATE CASE FILING  
SCHEDULE G-2.2. POSTRETIREMENT BENEFITS OTHER THAN PENSION  
SPONSOR: CYNTHIA S. PRIETO  
PREPARER: MYRNA A. ORTIZ  
FOR THE TEST YEAR ENDED DECEMBER 31, 2020

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The participant demographic data (active and retired) as of January 1, 2019 were provided by El Paso Electric Company.

The following tables summarize the demographic data provided.

**Exhibit IV-1** summarizes the number of medical plan participants as of January 1, 2019.

**Exhibit IV-2** summarizes the number of life insurance plan participants as of January 1, 2019.

**Exhibit IV-3** summarizes the January 1, 2019 active medical plan participant census by age and years of service.

**Exhibit IV-4** summarizes the January 1, 2019 retired medical plan participant census by age.

EL PASO ELECTRIC COMPANY  
2021 RATE CASE FILING  
SCHEDULE G-2.2. POSTRETIREMENT BENEFITS OTHER THAN PENSION  
SPONSOR: CYNTHIA S. PRIETO  
PREPARER: MYRNA A. ORTIZ  
FOR THE TEST YEAR ENDED DECEMBER 31, 2020

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**Exhibit IV-1**

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**Medical Plan Participants as of January 1, 2019**

	<u>Number of Lives</u>
Active employees fully eligible to retire	310
Active employees not yet fully eligible to retire	<u>780</u>
Total active employees	1,090
 Retirees	 378
Dependents of retirees	219
Surviving spouse	<u>65</u>
Total inactive lives	662

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EL PASO ELECTRIC COMPANY  
2021 RATE CASE FILING  
SCHEDULE G-2 2: POSTRETIREMENT BENEFITS OTHER THAN PENSION  
SPONSOR: CYNTHIA S. PRIETO  
PREPARER: MYRNA A. ORTIZ  
FOR THE TEST YEAR ENDED DECEMBER 31, 2020

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**Exhibit IV-2**

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**Life Insurance Plan Participants as of January 1, 2019**

	<u>Number of Lives</u>
Active employees fully eligible to retire	310
Active employees not yet fully eligible to retire	<u>780</u>
Total active employees	1,090
Retirees	516

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Exhibit IV-3

Active Employee Census as of January 1, 2019

Age	Years of Service							Total
	0-4	5-9	10-14	15-19	20-24	25-29	30+	
Under 20	0	0	0	0	0	0	0	0
20-24	37	0	0	0	0	0	0	37
25-29	63	11	0	0	0	0	0	74
30-34	72	50	8	0	0	0	0	130
35-39	49	44	29	6	0	0	0	128
40-44	38	36	28	16	7	0	0	125
45-49	22	39	25	26	11	21	0	144
50-54	8	22	22	11	17	32	21	133
55-59	6	11	10	11	18	31	66	153
60-64	3	8	8	4	10	22	57	112
65+	0	6	4	6	1	1	36	54
Total	298	227	134	80	64	107	180	1,090
Average age:								46.3
Average years of service:								15.1

**Exhibit IV-4**

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**Retiree Medical Census as of January 1, 2019**

<u>Age</u>	<u>Retirees</u>	<u>Dependents</u>	<u>Surviving Spouses</u>	<u>Total</u>
< 55	0	5	1	6
55-59	18	22	2	42
60-64	61	46	7	114
65-69	122	58	9	189
70-74	72	39	9	120
75-79	52	27	12	91
80-84	24	13	10	47
85-89	18	6	8	32
90+	11	3	7	21
Total	378	219	65	662
Average age:				70.8

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The estimation of retiree health benefit obligations is generally based on average per capita costs for a one-year period. We refer to these as "baseline costs." The components of baseline costs and the current plan population are projected into the future to estimate future benefit payments, using assumptions to estimate the effect of future trends and population changes. The medical baseline costs were developed from the PwC retiree medical claims cost database and the actual El Paso retiree medical claims experience.

Illustrative 2019 per capita costs for select ages based on the January 1, 2019 plan provisions are as follows:

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**Assumed Fiscal 2019 Per Capita Baseline Costs <sup>(1)</sup>**

<u>Age</u>	<u>\$1,000 Deductible</u>		<u>\$2,250 Deductible</u>	
	<u>Male</u>	<u>Female</u>	<u>Male</u>	<u>Female</u>
55	\$7,437	\$7,489	\$6,745	\$6,674
60	\$9,620	\$8,735	\$8,769	\$7,832
64	\$11,342	\$9,483	\$10,366	\$8,519
65 and over <sup>(2)</sup>	\$4.49 per month for Medicare Advantage, \$168.10 per month for post-65 drugs (EGWP).			

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<sup>(1)</sup> The above costs do not reflect retiree contributions and are assumed to be the same for retirees and dependents. Administrative expenses are not included in the above costs, except for the 2019 post-65 costs, which equal the fully-insured rates.

<sup>(2)</sup> Note that the Medicare Advantage premium for 2019 does not reflect the Health Insurer Fee in 2019. The fee is assumed to return in 2020.



***Demographic Assumptions as of January 1, 2019***

**Mortality** RP-2014 Headcount-Weighted Mortality Table, adjusted to 2006, with fully generational mortality projection using Scale MP-2018.

*Rationale: Given the size of the participant population, there are not enough participant deaths to develop a credible/partially credible mortality table based on participant experience, so management has adopted the newest Society of Actuaries mortality tables and projection scale to be its best estimate of mortality experience.*

**Turnover** Rates at selected ages are:

<u>Age</u>	<u>Male</u>	<u>Female</u>
25	5.0%	6.0%
30	5.0%	6.0%
35	4.0%	6.0%
40	3.0%	6.0%
45	2.0%	4.0%
50	1.0%	2.0%
55+	0.0%	0.0%

*Rationale: Turnover rates are based on historical experience and management's expectations for the future with periodic adjustment based on observed gains and losses caused by withdrawal patterns different than assumed and expectations of management. This assumption was updated at December 31, 2017 based on analysis of historical experience from 2014 to 2017.*

**Retirement** Rates are shown below:

<u>Age</u>	<u>Final Average Pay</u>		<u>Cash Balance</u>
	<u>Reduced ER</u>	<u>Unreduced ER</u>	<u>Participants</u>
55	3.0%	5.0%	10.0%
56-59	3.0%	5.0%	10.0%
60	3.0%	10.0%	10.0%
61	3.0%	10.0%	10.0%
62	20.0%	20.0%	20.0%
63	10.0%	10.0%	10.0%
64	10.0%	10.0%	10.0%
65-69	25.0%	25.0%	25.0%
70	100.0%	100.0%	100.0%

*Rationale: Retirement rates are based on historical experience and management's expectations for the future with periodic adjustment based on observed gains and losses caused by retirement patterns different than assumed and expectations of management. This assumption was updated at December 31, 2017 based on analysis of historical experience from 2014 to 2017.*

Disability rates

Rates at selected ages are:

<u>Age</u>	<u>Rate</u>
45	0.45%
55	1.19%
65+	1.93%

*Rationale: Disability rates are based on historical experience and management's expectations for the future with periodic adjustment based on observed gains and losses caused by disability patterns different than assumed and expectations of management.*

Participation

85% of future retirees are assumed to elect medical coverage at retirement. Current retired plan participants are assumed to continue coverage.

*Rationale: Participation is based on historical experience and management's expectations for the future with periodic adjustment based on observed gains and losses resulting from plan experience different than assumed and expectations of management. This assumption was updated at December 31, 2018 to reflect recent experience.*

Medical plan election

Inactive participants are based on their actual medical plan election. Future retirees are assumed to choose between the 2 plan options in proportion to the inactive plan elections. These are:

\$1,000 Plan	72%
\$2,250 Plan	28%

Dependents of future retirees

70% of future male and 40% of future female retirees who elect medical coverage are assumed to have covered spouses; actual election used for current retirees. Dependent children were not included in this valuation due to their limited duration of benefits and percentage of retirees that would elect to cover dependents other than spouses.

Spouse age difference

The exact age is used for spouses of employees who are already retired. For dependents of future retirees, male spouses are assumed to be 3 years older than female retirees, and female spouses are assumed to be 3 years younger than male retirees.

*Rationale: Percentage of retirees with dependents and spouse age difference are based on historical experience and management's expectations for the future with periodic adjustment based on observed gains and losses resulting from plan experience different than assumed and expectations of management. The dependent assumption was updated at December 31, 2017 based on an analysis of historical experience from 2014-2017.*

***Economic Assumptions***

Effective discount rate (spot-rate method)	<u>January 1, 2019</u>
Obligation	4.44%
Service cost	4.51%
Interest cost	4.15%

*Rationale: Based on the segmented spot rate approach produced by the Ryan Above Median Spot Rate Curve. This curve is management's best approximation of the strategy that would be employed if it were to individually select bonds to settle plan obligations by matching the projected cash flows, where higher yielding bonds would be targeted.*

Consumer Price Index	2.4%
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*Rationale: Consumer Price Index was developed based on a 20-year expected inflation rate as provided to management by Russell Investments.*

Year	Pre-65		Post-65	
	Medical	Drug	Medical	Drug
2019	6.00%	7.00%	4.50%	8.50%
2020	5.75%	6.75%	4.50%	8.00%
2021	5.50%	6.50%	4.50%	7.50%
2022	5.25%	6.25%	4.50%	7.00%
2023	5.00%	5.75%	4.50%	6.50%
2024	4.75%	5.25%	4.50%	5.75%
2025	4.50%	4.75%	4.50%	5.00%
2026+	4.50%	4.50%	4.50%	4.50%

*Rationale: The above rates reflect management's best estimate for future trend rates given the current health care environment.*

Expected rate of return on plan assets	6.00% after-tax return.
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*Rationale: This assumption was developed as a weighted average rate based on the target asset allocations of the plan and 20-year expected capital market forecasts as provided to management by Russell Investments. This amount assumes a 23.6% tax rate.*

Administrative expenses	BCBS pre age 65 annual administration fee of \$613.44, assumed to increase in the future at CPI. No administrative fee for fully-insured post age 65 costs, as the fees are built into the fully-insured rates.
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Administrative expenses (continued)

Beginning in 2018, assumed administrative expenses of 0.50% of plan assets will be added to the Service Cost component of expense and the expected rate of return on assets assumption was selected to be gross of administrative expenses paid from the trust.

Changes since 1/1/2018 valuation

The discount rate methodology is unchanged from the prior year. However, the yield curve was updated from the Ryan ALM Above Median Yield Curve as of December 31, 2017 to the Ryan ALM Above Median Yield Curve as of December 31, 2018.

The mortality improvement assumption was changed from MP-2017 to MP-2018 as of December 31, 2018.

The per capita costs were updated for 2019. The pre-65 rates increased by 11.2%, the same as the increases in the pre-65 COBRA. Post-65 rates were set equal to the fully insured rates, which excluded the Health Insurer Fee in 2019. The fee is assumed to return in 2020. Contribution amounts were provided by El Paso.

The expected return on assets assumption was updated from 6.12% (7.85% net of expenses with a 22% corporate tax rate) to 6.00% (7.85% gross of expenses with a 23.6% corporate tax rate) as of January 1, 2019.

The participation assumption was updated from 80% to 85% to reflect recent experience.

The post-65 drug trend rates were updated to reflect management's best estimate for future trend rates given the current health care environment. The rates in the prior year were 10.00% in 2018 grading down to 4.50% in 2026. The current trend rates are 8.50% in 2019 grading down to 4.50% in 2026.

***Patient Protection and Affordable Care Act***

Excise tax on "Cadillac Plans"

We previously analyzed the potential impact of the excise tax and estimated that the tax would not be incurred until 2060. Accordingly, the effects of the excise tax are not reflected in obligations as the amount would be immaterial. The Bipartisan Budget Act of 2015 included changes to the excise tax on "Cadillac" plans, delaying the effective date of the excise tax until 2020, and legislating that the tax is tax deductible. The Tax Cuts and Jobs Act of 2017 included changes to delay the excise tax on "Cadillac" plans until 2022. These changes will further reduce EPEC's excise tax-related costs, therefore we have continued to reflect no impact in the valuation.

***Actuarial Methods***

Discount rate methodology

Effective December 31, 2015, EPEC elected to refine the discount rate used in the annual valuation of the benefit obligation and calculation of expense from a single rate to multiple spot rates that are representative of the anticipated timing of cash flows from the Plan. For this purpose, the Ryan ALM Above Median Yield Curve as of the measurement date was used. The same methodology has been applied for the January 1, 2019 valuation of the obligation and 2019 expense.

Gain/Loss Amortization method

The amortization of net gains and losses in AOCI will be included as a component of net postretirement benefit expense only if the unrecognized net gains and losses exceed 10% of the greater of the accumulated projected benefit obligation or market-related value of assets. If amortization is required, the excess will be amortized over the expected future working lifetime of the active participants in the plan.

Actuarial cost method

The actuarial method used to determine the net periodic postretirement benefit cost under ASC 715-60 is the Projected Unit Credit cost method.

## Appendix

### Development of Service Cost

Year	Service Cost Cash Flow	Ryan ALM Above Median Spot Rates at 12/31/2018	Time Weighted Discount <sup>1</sup>	Service Cost
(a)	(b)	(c)	(d)	(e)
				= (b)×[1+(c)]×(d)
2019	104	2.8731%	0.9856	105
2020	1,067	2.8886%	0.9578	1,051
2021	3,840	3.0918%	0.9263	3,667
2022	8,672	3.2797%	0.8928	7,996
2023	14,931	3.4533%	0.8579	13,252
2024	22,871	3.6132%	0.8223	19,486
2025	30,366	3.7599%	0.7863	24,776
2026	41,531	3.8939%	0.7505	32,384
2027	54,262	4.0158%	0.7152	40,368
2028	66,638	4.1259%	0.6807	47,233
2029	81,097	4.2246%	0.6473	54,709
2030	90,729	4.3123%	0.6150	58,209
2031	97,626	4.3894%	0.5842	59,536
2032	110,425	4.4561%	0.5548	63,996
2033	121,021	4.5130%	0.5270	66,652
2034	126,822	4.5603%	0.5007	66,393
2035	134,439	4.5986%	0.4760	66,931
2036	144,030	4.6281%	0.4528	68,234
2037	150,928	4.6495%	0.4311	68,095
2038	151,305	4.6631%	0.4109	65,075
2039	155,737	4.6696%	0.3921	63,920
2040	161,653	4.6694%	0.3746	63,390
2041	164,673	4.6632%	0.3584	61,773
2042	169,732	4.6515%	0.3433	60,986
2043	174,078	4.6350%	0.3293	59,990
2044	180,196	4.6144%	0.3164	59,635
2045	184,382	4.5902%	0.3043	58,675
2046	186,467	4.5631%	0.2930	57,124
2047	193,303	4.5339%	0.2824	57,072
2048	194,568	4.5030%	0.2726	55,418
2049	195,757	4.4872%	0.2620	53,593
2050	197,780	4.4872%	0.2508	51,821
2051	196,518	4.4872%	0.2400	49,280
2052	195,776	4.4872%	0.2297	46,985

<sup>1</sup> Benefit payments are assumed to be made 51% of the way through the year, which reflects assumed decrement (mortality) timing.

## Appendix

### Development of Service Cost (Continued)

Year	Service Cost Cash Flow	Ryan ALM Above Median Spot Rates at 12/31/2018	Time Weighted Discount <sup>1</sup>	Service Cost (e) = (b)×[1+(c)]×(d)
(a)	(b)	(c)	(d)	
2053	194,254	4.4872%	0.2198	44,618
2054	192,691	4.4872%	0.2104	42,358
2055	188,831	4.4872%	0.2013	39,727
2056	186,610	4.4872%	0.1927	37,574
2057	182,692	4.4872%	0.1844	35,205
2058	180,266	4.4872%	0.1765	33,246
2059	178,140	4.4872%	0.1689	31,443
2060	173,975	4.4872%	0.1617	29,389
2061	170,225	4.4872%	0.1547	27,520
2062	166,082	4.4872%	0.1481	25,698
2063	163,036	4.4872%	0.1417	24,143
2064	158,652	4.4872%	0.1356	22,485
2065	153,949	4.4872%	0.1298	20,881
2066	150,117	4.4872%	0.1242	19,487
2067	145,859	4.4872%	0.1189	18,121
2068	141,143	4.4872%	0.1138	16,782
2069	136,092	4.4872%	0.1089	15,487
2070	130,747	4.4872%	0.1042	14,240
2071	125,159	4.4872%	0.0998	13,046
2072	119,373	4.4872%	0.0955	11,908
2073	113,436	4.4872%	0.0914	10,830
2074	107,397	4.4872%	0.0874	9,813
2075	101,295	4.4872%	0.0837	8,858
2076	95,174	4.4872%	0.0801	7,965
2077	89,068	4.4872%	0.0767	7,134
2078	83,010	4.4872%	0.0734	6,363
2079	77,035	4.4872%	0.0702	5,652
2080	71,168	4.4872%	0.0672	4,997
2081	65,438	4.4872%	0.0643	4,397
2082	59,867	4.4872%	0.0616	3,850
2083	54,478	4.4872%	0.0589	3,353
2084	49,291	4.4872%	0.0564	2,904
2085	44,328	4.4872%	0.0540	2,499

<sup>1</sup> Benefit payments are assumed to be made 51% of the way through the year, which reflects assumed decrement (mortality) timing.

## Appendix

### Development of Service Cost (Continued)

Year	Service Cost Cash Flow	Ryan ALM Above Median Spot Rates at 12/31/2018	Time Weighted Discount <sup>1</sup>	Service Cost (e) = (b) × [1 + (c)] × (d)
(a)	(b)	(c)	(d)	
2086	39,607	4.4872%	0.0516	2,137
2087	35,142	4.4872%	0.0494	1,815
2088	30,952	4.4872%	0.0473	1,530
2089	27,046	4.4872%	0.0453	1,279
2090	23,437	4.4872%	0.0433	1,061
2091	20,131	4.4872%	0.0415	872
2092	17,132	4.4872%	0.0397	710
2093	14,437	4.4872%	0.0380	573
2094	12,040	4.4872%	0.0363	457
2095	9,931	4.4872%	0.0348	361
2096	8,097	4.4872%	0.0333	282
2097	6,520	4.4872%	0.0319	217
2098	5,181	4.4872%	0.0305	165
2099	4,059	4.4872%	0.0292	124
2100	3,133	4.4872%	0.0279	91
2101	2,379	4.4872%	0.0267	66
2102	1,776	4.4872%	0.0256	47
2103	1,301	4.4872%	0.0245	33
2104	935	4.4872%	0.0234	23
2105	657	4.4872%	0.0224	15
2106	452	4.4872%	0.0215	10
2107	302	4.4872%	0.0205	6
2108	197	4.4872%	0.0197	4
2109	125	4.4872%	0.0188	2
2110	77	4.4872%	0.0180	1
2111	46	4.4872%	0.0172	1
2112	26	4.4872%	0.0165	0
2113	15	4.4872%	0.0158	0
2114	8	4.4872%	0.0151	0
2115	4	4.4872%	0.0145	0
2116	2	4.4872%	0.0138	0
2117	1	4.4872%	0.0132	0
2118	0	4.4872%	0.0127	0

**Assumed Expenses: 181,435**

**Service Cost: 2,423,100**

<sup>1</sup> Benefit payments are assumed to be made 51% of the way through the year, which reflects assumed decrement (mortality) timing.



## Appendix

### Development of Interest on Accumulated Postretirement Benefit Obligation

Year	APBO Cash Flow	Ryan ALM Above Median Spot Rates at 12/31/2018	Time Weighted Discount <sup>1</sup>	Present Value of APBO Cash Flow	Spot Rate × Discounted Cash Flow	Half Year Interest on Cash Flow	Interest Cost
(a)	(b)	(c)	(d)	(e) = (b)×(d)	(f) = (c)×(e)	(g)	(h) = (f) + (g)
2019	2,000,029	2.8731%	0.9857	1,971,413	56,641	(28,563)	28,078
2020	2,397,886	2.8886%	0.9579	2,297,044	66,353		66,353
2021	2,598,526	3.0918%	0.9265	2,407,417	74,432		74,432
2022	2,754,087	3.2797%	0.8929	2,459,248	80,656		80,656
2023	2,892,104	3.4533%	0.8581	2,481,621	85,698		85,698
2024	3,042,476	3.6132%	0.8224	2,502,133	90,406		90,406
2025	3,171,414	3.7599%	0.7864	2,494,143	93,777		93,777
2026	3,224,582	3.8939%	0.7506	2,420,479	94,252		94,252
2027	3,226,061	4.0158%	0.7153	2,307,692	92,673		92,673
2028	3,317,310	4.1259%	0.6808	2,258,515	93,185		93,185
2029	3,308,630	4.2246%	0.6474	2,141,914	90,488		90,488
2030	3,356,551	4.3123%	0.6151	2,064,777	89,040		89,040
2031	3,388,731	4.3894%	0.5843	1,980,024	86,911		86,911
2032	3,440,509	4.4561%	0.5549	1,909,189	85,076		85,076
2033	3,484,524	4.5130%	0.5271	1,836,567	82,884		82,884
2034	3,488,259	4.5603%	0.5008	1,746,834	79,661		79,661
2035	3,524,276	4.5986%	0.4761	1,677,739	77,152		77,152
2036	3,541,414	4.6281%	0.4529	1,603,822	74,227		74,227
2037	3,533,793	4.6495%	0.4312	1,523,811	70,850		70,850
2038	3,471,141	4.6631%	0.4110	1,426,658	66,527		66,527
2039	3,438,416	4.6696%	0.3922	1,348,536	62,971		62,971
2040	3,425,848	4.6694%	0.3747	1,283,710	59,942		59,942
2041	3,358,034	4.6632%	0.3585	1,203,777	56,135		56,135
2042	3,321,813	4.6515%	0.3434	1,140,725	53,061		53,061
2043	3,283,826	4.6350%	0.3294	1,081,728	50,139		50,139
2044	3,233,843	4.6144%	0.3164	1,023,218	47,215		47,215
2045	3,175,587	4.5902%	0.3043	966,371	44,358		44,358
2046	3,099,854	4.5631%	0.2930	908,366	41,450		41,450
2047	3,038,727	4.5339%	0.2825	858,417	38,919		38,919
2048	2,952,945	4.5030%	0.2726	804,981	36,249		36,249
2049	2,858,542	4.4872%	0.2621	749,117	33,615		33,615
2050	2,770,151	4.4872%	0.2508	694,777	31,176		31,176
2051	2,667,456	4.4872%	0.2400	640,289	28,731		28,731
2052	2,562,455	4.4872%	0.2297	588,670	26,415		26,415

<sup>1</sup> Benefit payments are assumed to be made 51% of the way through the year, which reflects assumed decrement (mortality) timing.

## Appendix

### Development of Interest on Accumulated Postretirement Benefit Obligation (Continued)

Year	APBO Cash Flow	Ryan ALM Above Median Spot Rates at 12/31/2018	Time Weighted Discount <sup>1</sup>	Present Value of APBO Cash Flow	Spot Rate × Discounted Cash Flow	Half Year Interest on Cash Flow	Interest Cost
(a)	(b)	(c)	(d)	(e) = (b)×(d)	(f) = (c)×(e)	(g)	(h) = (f) + (g)
2053	2,459,129	4.4872%	0.2199	540,672	24,261		24,261
2054	2,356,203	4.4872%	0.2104	495,795	22,247		22,247
2055	2,247,703	4.4872%	0.2014	452,653	20,312		20,312
2056	2,141,461	4.4872%	0.1927	412,737	18,520		18,520
2057	2,034,418	4.4872%	0.1845	375,267	16,839		16,839
2058	1,932,500	4.4872%	0.1765	341,158	15,309		15,309
2059	1,832,175	4.4872%	0.1690	309,557	13,891		13,891
2060	1,731,499	4.4872%	0.1617	279,983	12,563		12,563
2061	1,633,637	4.4872%	0.1548	252,815	11,344		11,344
2062	1,538,810	4.4872%	0.1481	227,913	10,227		10,227
2063	1,448,507	4.4872%	0.1417	205,325	9,213		9,213
2064	1,357,589	4.4872%	0.1357	184,173	8,264		8,264
2065	1,270,461	4.4872%	0.1298	164,951	7,402		7,402
2066	1,188,277	4.4872%	0.1243	147,655	6,626		6,626
2067	1,108,770	4.4872%	0.1189	131,859	5,917		5,917
2068	1,032,008	4.4872%	0.1138	117,459	5,271		5,271
2069	958,230	4.4872%	0.1089	104,379	4,684		4,684
2070	887,437	4.4872%	0.1043	92,516	4,151		4,151
2071	819,635	4.4872%	0.0998	81,778	3,670		3,670
2072	754,840	4.4872%	0.0955	72,079	3,234		3,234
2073	693,033	4.4872%	0.0914	63,335	2,842		2,842
2074	634,254	4.4872%	0.0875	55,474	2,489		2,489
2075	578,483	4.4872%	0.0837	48,423	2,173		2,173
2076	525,740	4.4872%	0.0801	42,118	1,890		1,890
2077	476,019	4.4872%	0.0767	36,497	1,638		1,638
2078	429,302	4.4872%	0.0734	31,502	1,414		1,414
2079	385,567	4.4872%	0.0702	27,078	1,215		1,215
2080	344,765	4.4872%	0.0672	23,172	1,040		1,040
2081	306,850	4.4872%	0.0643	19,738	886		886
2082	271,756	4.4872%	0.0616	16,730	751		751
2083	239,398	4.4872%	0.0589	14,105	633		633
2084	209,696	4.4872%	0.0564	11,824	531		531
2085	182,565	4.4872%	0.0540	9,852	442		442

<sup>1</sup> Benefit payments are assumed to be made 51% of the way through the year, which reflects assumed decrement (mortality) timing.

## Appendix

### Development of Interest on Accumulated Postretirement Benefit Obligation (Continued)

Year	APBO Cash Flow	Ryan ALM Above Median Spot Rates at 12/31/2018	Time Weighted Discount <sup>1</sup>	Present Value of APBO Cash Flow	Spot Rate × Discounted Cash Flow	Half Year Interest on Cash Flow	Interest Cost
(a)	(b)	(c)	(d)	(e) = (b)×(d)	(f) = (c)×(e)	(g)	(h) = (f) + (g)
2086	157,915	4.4872%	0.0516	8,156	366		366
2087	135,644	4.4872%	0.0494	6,705	301		301
2088	115,657	4.4872%	0.0473	5,472	246		246
2089	97,841	4.4872%	0.0453	4,430	199		199
2090	82,085	4.4872%	0.0433	3,557	160		160
2091	68,267	4.4872%	0.0415	2,831	127		127
2092	56,258	4.4872%	0.0397	2,233	100		100
2093	45,916	4.4872%	0.0380	1,744	78		78
2094	37,097	4.4872%	0.0364	1,349	61		61
2095	29,659	4.4872%	0.0348	1,032	46		46
2096	23,451	4.4872%	0.0333	781	35		35
2097	18,327	4.4872%	0.0319	584	26		26
2098	14,146	4.4872%	0.0305	431	19		19
2099	10,777	4.4872%	0.0292	315	14		14
2100	8,097	4.4872%	0.0279	226	10		10
2101	5,994	4.4872%	0.0267	160	7		7
2102	4,367	4.4872%	0.0256	112	5		5
2103	3,129	4.4872%	0.0245	77	3		3
2104	2,201	4.4872%	0.0234	52	2		2
2105	1,518	4.4872%	0.0224	34	2		2
2106	1,024	4.4872%	0.0215	22	1		1
2107	675	4.4872%	0.0205	14	1		1
2108	434	4.4872%	0.0197	9	0		0
2109	272	4.4872%	0.0188	5	0		0
2110	165	4.4872%	0.0180	3	0		0
2111	97	4.4872%	0.0172	2	0		0
2112	55	4.4872%	0.0165	1	0		0
2113	30	4.4872%	0.0158	0	0		0
2114	16	4.4872%	0.0151	0	0		0
2115	8	4.4872%	0.0145	0	0		0
2116	4	4.4872%	0.0138	0	0		0
2117	2	4.4872%	0.0132	0	0		0
0	0	0.0000%	0.0000	0	0		0

APBO: 60,234,631

Interest Cost: 2,456,400

<sup>1</sup> Benefit payments are assumed to be made 51% of the way through the year, which reflects assumed decrement (mortality) timing.

EL PASO ELECTRIC COMPANY  
2021 RATE CASE FILING  
SCHEDULE G-2 2: POSTRETIREMENT BENEFITS OTHER THAN PENSION  
SPONSOR: CYNTHIA S. PRIETO  
PREPARER: MYRNA A. ORTIZ  
FOR THE TEST YEAR ENDED DECEMBER 31, 2020

SCHEDULE G-2.2  
ATTACHMENT A  
PAGE 162 OF 190  
  
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**EL PASO ELECTRIC COMPANY**  
**POSTRETIREMENT BENEFIT PROGRAMS**  
**FOR EMPLOYEES OF**  
**EL PASO ELECTRIC COMPANY**

**ACTUARIAL VALUATION FOR THE**  
**THE FISCAL YEAR ENDING DECEMBER 31, 2018**

**pwc**

**Private & Confidential**

November 20, 2018

El Paso Electric Company  
100 N. Stanton  
El Paso, TX 79901-1442

Re: Postretirement Benefit Programs for Employees of El Paso Electric Company

We are pleased to present this report containing the results of the January 1, 2018 actuarial valuation of the Postretirement Benefit Programs for Employees of El Paso Electric Company ("the Plan") pursuant to our Statement of Work with El Paso Electric Company ("EPEC" or the "Company") executed on April 19, 2018.

EPEC retained PricewaterhouseCoopers LLP ("PwC") to perform a valuation of the Plan for the purpose of calculating January 1, 2018 benefit obligations and fiscal 2018 expense in accordance with Accounting Standards Codification ("ASC") 715-60.

Actuarial calculations under ASC 715-60 are for purposes of fulfilling the Company's financial accounting requirements. The calculations reported herein have been made on a basis consistent with our understanding of ASC 715-60.

ASC 715-60 requires that each significant assumption reflect the best estimate of the Plan's future experience solely with respect to that assumption. EPEC has determined and taken responsibility for the actuarial assumptions and the accounting policies and methods employed in the valuation of obligations and costs under ASC 715-60.

This report does not purport to comply with (a) generally accepted actuarial principles for funding or allocation of costs to time periods for defined benefit plans; (b) governmental requirements for reporting, funding and determining tax deductibility; or (c) actuarial standards for determination of the adequacy of available assets in the event of plan termination or for any other purposes not stated herein.

In preparing the results presented in this report, we have relied upon information provided to us by EPEC regarding plan provisions, plan participants, and unaudited plan asset information including employer contributions, plan participant contributions, benefit payments, administrative expenses and other additions to assets (such as direct subsidies, rebates and refunds, etc.). While the scope of our engagement did not call for us to perform an audit or independent verification of this information, we have reviewed this information for reasonableness but have not audited it. The accuracy of the results presented in this report is dependent upon the accuracy and completeness of the underlying information.

A range of results different from those presented in this report could be considered reasonable. Future actuarial measurements may differ significantly from the current measurement presented in this report due to a number of factors including but not limited to: plan experience differing from that anticipated by the economic and demographic assumptions; increases or decreases expected as part of the natural operation of the methods used for these measurements (such as the end of an amortization period or additional cost);

rounding conventions; and changes in plan provisions or applicable law. Due to the limited scope of this report, an analysis of the potential range of such future measurements has not been performed.

This valuation has been conducted in accordance with the required Actuarial Standards of Practice as issued by the American Academy of Actuaries. This report was prepared for the internal use of EPEC, the Plan, and their auditors in connection with our actuarial valuation of the Plan and not for reliance by any other person. PwC disclaims any contractual or other responsibility or duty of care to others based upon the services or deliverables provided in connection with this report.

This report is not intended to satisfy the requirements of any standard or to be used for any purpose other than those specifically stated herein. Significantly different results from those presented in this report may be required or applicable for other purposes.

The content of this document is limited to the matters specifically addressed herein and does not address any other potential tax consequences, or the potential application of tax penalties, to any matter other than as set forth herein. Our conclusions are not binding upon any taxing authority or the courts and there is no assurance that any relevant taxing authority will not successfully assert a contrary position. In addition, no exceptions (including the reasonable cause exception) are available for any federal or state penalties imposed if any portion of a transaction is determined to lack economic substance or fails to satisfy any similar rule of law, and our advice will not protect you from any such penalties. This document supersedes all prior written or oral advice with respect to the issues addressed in this document and all such prior communications should not be relied upon by any person for any purpose.

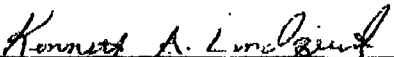
The undersigned actuaries are members of the Society of Actuaries and the American Academy of Actuaries and meet the "Qualification Standards for Actuaries Issuing Statements of Actuarial Opinion in the United States" relating to postretirement benefits plans. To the best of our knowledge, the individuals involved in this engagement have no relationship that may impair, or appear to impair, the objectivity of our work.

We appreciate this opportunity to be of service to El Paso Electric Company. We are available to answer any questions with respect to our report.

Respectfully submitted,

PricewaterhouseCoopers LLP

  
Martin Hill, F.S.A., M.A.A.A.

  
Kenneth A. Lindquist, A.S.A., M.A.A.A.

EL PASO ELECTRIC COMPANY  
2021 RATE CASE FILING  
SCHEDULE G-2.2. POSTRETIREMENT BENEFITS OTHER THAN PENSION  
SPONSOR: CYNTHIA S. PRIETO  
PREPARER: MYRNA A. ORTIZ  
FOR THE TEST YEAR ENDED DECEMBER 31, 2020

SCHEDULE G-2.2  
ATTACHMENT A  
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VOLUMINOUS

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## **HIGHLIGHTS OF THE ACTUARY'S REPORT**

This report presents the results of the actuarial valuation of the Postretirement Benefit Programs for Employees of El Paso Electric Company (EPEC) prepared in accordance with the requirements of ASC 715-60 for the fiscal year ending December 31, 2018. The valuation was performed using census data for plan participants as of January 1, 2018 furnished by EPEC as summarized in Section IV, asset information provided by Wells Fargo as of January 1, 2018, plan provisions effective January 1, 2018 as summarized in Section III, baseline medical cost determination as summarized in Section V, and the actuarial assumptions and methods as summarized in Section VI.

The 2018 expense amounts developed in this report were measured as of January 1, 2018.

Amounts for disclosure in the Company's financial statements for the fiscal year ending December 31, 2018 will be based on asset information and plan provisions as of the end of the fiscal year, and census data for plan participants as of January 1, 2018 (updated to reflect any significant changes in participant information). Disclosure information will be provided separately in an end-of-year exhibit.

### **Postretirement Benefit Expense**

The fiscal 2018 Net Periodic Postretirement Benefit Cost, or postretirement benefit expense, is an income of \$5.7 million, compared to an income of \$4.8 million for 2017. The increase in income is due to the interest cost, expected return on assets and amortization of actuarial gain having a favorable change of approximately \$0.5 million each whereas the service cost had an unfavorable change of approximately \$0.5 million.

### **Funded Status**

The Accumulated Projected Benefit Obligation ("APBO") decreased from \$73.2 million at January 1, 2017 to \$66.8 million at January 1, 2018 due primarily to gains at year end based on assumption changes made as a result of analysis performed in 2017. Specifically, changes to the retirement rates, spousal election percentage, and inflation assumptions decreased the obligation while changes to the withdrawal rates increased the obligation. The update in the mortality improvement scale, updated participant census information, and updated per capita costs and retiree premiums decreased the obligation as well. These net gains were partially offset by losses due to the decrease in the weighted average discount rate from 4.37% to 3.79% and differences between actual and expected benefit payments. The unfunded status (APBO in excess of Assets) decreased from \$34.1 million as of January 1, 2017 to \$25.9 million as of January 1, 2018.

### **Discount Rate Methodology - Spot Rate Approach**

The discount rate methodology is unchanged from the prior year. However, the yield curve was updated from the Ryan ALM Above Median Yield Curve as of December 31, 2016 to the Ryan ALM Above Median Yield curve as of December 31, 2017. The weighted average discount rate for valuing the APBO has decreased from 4.37% for 2017 to 3.79% for 2018.



**Comparative Results to Prior Valuation**

The following table compares the prior valuation results with the current valuation results. Please refer to pages 4 and 5 of this report for a summary of components of change in APBO between the measurements listed below.

<b>Postretirement Benefit Valuation Results</b>		
	<u>Valuation Results As of 1/1/2017</u>	<u>Valuation Results As of 1/1/2018</u>
APBO		
Retirees	\$ 30,327,162	\$ 27,846,912
Actives	<u>42,842,654</u>	<u>38,938,362</u>
Total	\$ 73,169,816	\$ 66,785,274
	<u>Fiscal 2017</u>	<u>Fiscal 2018</u>
Postretirement benefit expense		
Service cost	\$ 2,236,259	\$ 2,795,327
Interest cost	2,723,241	2,252,371
Expected return on plan assets	(1,906,846)	(2,435,972)
Amortization prior service cost	(6,151,264)	(6,151,264)
Amortization (gains) and losses	<u>(1,677,979)</u>	<u>(2,165,665)</u>
Postretirement benefit expense	\$ (4,776,589)	\$ (5,705,203)

***Comparative Results to Year End Disclosures***

**Reconciliation of Funded Status**

The following table summarizes the reconciliation of funded status at recent key measurement dates:

<b>Reconciliation of Funded Status</b>		
	<b><u>December 31, 2017</u></b>	<b><u>January 1, 2018</u></b>
APBO	(\$67,290,373)	(\$66,785,274)
Fair value of plan assets	<u>40,873,484</u>	<u>40,873,484</u>
Funded Status = (1) + (2)	(\$26,416,889)	(\$25,911,790)

**Amounts Recognized in Accumulated Other Comprehensive Income**

Presented below are the amounts recognized in Accumulated Other Comprehensive Income (AOCI) that have not yet been recognized as components of the Net Periodic Benefit Cost at recent key measurement dates:

<b>Amounts Recognized in Accumulated Other Comprehensive Income</b>		
	<b><u>December 31, 2017</u></b>	<b><u>January 1, 2018</u></b>
Net prior service cost/(credit)	(\$34,857,278)	(\$34,857,278)
Net loss/(gain)	<u>(35,193,340)</u>	<u>(35,698,439)</u>
Amounts recognized in AOCI	(\$70,050,618)	(\$70,555,717)

### ***Components of Change in APBO***

The table below lists the changes in APBO between the January 1, 2017 and January 1, 2018 measurements. Following the table is a discussion of each of the listed changes.

<b>Components of Change in APBO</b>	
<b>January 1, 2017 APBO</b>	<b>\$ 73,169,816</b>
➤ Expected growth during for the period 1/1/2017 through 12/31/2017	\$ 3,207,494
➤ Updated mortality assumption	(562,513)
➤ Discount rate change from 4.37% to 3.79% reflected at 12/31/2017	6,008,745
➤ Updated per capita costs and contributions at 12/31/2017	(12,014,344)
➤ Updated withdrawal rates at 12/31/2017	1,212,122
➤ Updated retirement rates at 12/31/2017	(2,447,775)
➤ Updated spousal coverage percentage at 12/31/2017	(1,149,345)
➤ Updated CPI inflation rate at 12/31/2017	<u>(133,827)</u>
Subtotal change	\$ (5,879,443)
<b>December 31, 2017 APBO</b>	<b>\$ 67,290,373</b>
➤ Demographic data changes reflected at 1/1/2018	<u>(505,099)</u>
<b>January 1, 2018 APBO</b>	<b>\$ 66,785,274</b>

### ***Expected Growth***

The APBO is expected to increase each year over time if all other factors remain unchanged. The APBO is expected to increase over time due to additional service accrued and interest on obligations less benefits paid out. This expected growth includes anticipated losses resulting from using the full Ryan ALM Median Spot Rate Curve for computing the Service Cost and Interest Cost components of expense, versus using the single discount rate for each plan that produces the same APBO at year-end.

### ***Updated Mortality Table***

The assumed mortality was updated as of December 31, 2017 to reflect a new mortality improvement scale released by the Society of Actuaries in October 2017. Specifically, the mortality assumption was changed from the RP-2014 Headcount-Weighted mortality table with projection from 2006 to 2014 using Scale MP-2014 improvement removed, then projected generationally from 2006 using Scale MP-2016, to the RP-2014 Headcount-Weighted mortality table with projection from 2006 to 2014 using Scale MP-2014 improvement removed, then projected generationally from 2006 using Scale MP-2017.

### ***Discount Rate Change***

The discount rate decreased from 4.37% as of January 1, 2017 to 3.79% as of December 31, 2017 to reflect rates in effect at that time.

#### ***Per Capita Costs and Contributions***

The per capita costs were updated for 2018. The pre-65 rates remained the same as 2017, as there have been no increases in the pre-65 COBRA rates as the result of favorable experience. Post-65 rates were set equal to the fully insured rates, which included the Health Insurer Fee. Contribution amounts were provided by El Paso. Please see Section V for a list of the current per capita costs and Section III for a list of the current contribution levels.

#### ***Updated Withdrawal Rates***

The withdrawal assumption was lowered at all ages to reflect recent experience. This assumption was updated at December 31, 2017 based on analysis of historical experience from 2014 to 2017.

#### ***Updated Retirement Rates***

The retirement assumption was updated to reflect different rates for Final Average Pay/Cash Balance participants. The retirement rates for Final Average Pay participants were decreased at most ages and the retirement rates for cash balance participants were increased at younger ages based on an analysis of recent experience. Note that the OPEB plan has the same active population as the RIP. This assumption was updated at December 31, 2017 based on analysis of historical experience from 2014 to 2017.

#### ***Updated Spousal Coverage Percentage***

The percentage of future retirees that are assumed to cover a spouse was changed to 70% for males and 40% for females, reduced from 75% for males and 45% for females used in the prior year. This assumption was changed based on retirement experience from 2012 to 2016.

#### ***Updated CPI Inflation Rate***

Administrative expenses for the pre-65 per capita costs are assumed to increase with CPI inflation. This assumption was updated from 3.50% at January 1, 2017 to 2.40% at December 31, 2017.

#### ***Demographic Data Changes***

Participant census was collected as of January 1, 2018. Changes due to new hires, plan election, actual turnover, retirement and mortality since the prior valuation are represented by demographic data changes.

***Patient Protection and Affordable Care Act***

The Patient Protection and Affordable Care Act ("ACA") has both immediate and longer-term benefit design and financial reporting ramifications for many companies. Furthermore, the Plan changes mentioned above will further reduce and delay any taxes assessed on the Plan. The health reform changes are to be reflected in the disclosures. We considered the following provisions pertaining to changes associated with health reform:

- The impact of the Cadillac Excise Tax including the underlying assumptions and methodologies utilized;
- Patient Centered Outcomes Research Institute (PCORI).

***Excise tax on "Cadillac Plans"***

We previously analyzed the potential impact of the excise tax and estimated that the tax would not be incurred until 2060. Accordingly, the effects of the excise tax are not reflected in obligations as the amount would be immaterial. The Bipartisan Budget Act of 2015 included changes to the excise tax on "Cadillac" plans, delaying the effective date of the excise tax until 2020, and legislating that the tax is tax deductible. The Tax Cuts and Jobs Act of 2017 included changes to delay the excise tax on "Cadillac" plans until 2022. These changes will further reduce EPEC's excise tax-related costs, therefore we have continued to reflect no impact in the valuation.

***Patient Centered Outcomes Research Institute (PCORI) Fee***

At the end of 2012, there was additional guidance released by the IRS and HHS indicating that health plans (including self-insured retiree-only plans) would be assessed a PCORI (Patient-Centered Outcomes Research Institute) fee. The PCORI fee in 2018 will be \$2.39 per person and will increase based on the increases in the projected per capita amount of National Health Expenditures in subsequent years. The PCORI fee is slated to end for plan years after October 2019. As such, the PCORI fee was not included in the valuation given the amount and duration of the fee.

This section outlines the fiscal 2018 valuation results of El Paso Electric Company's postretirement medical and life insurance benefit programs under the provisions of *Accounting Standard Codification ASC 715-60: Employers' Accounting for Postretirement Benefits Other Than Pensions*.

### Obligations

The expected postretirement benefit obligation (EPBO) represents the present value of all future expected postretirement benefit payments for those active and retired participants. The accumulated postretirement benefit obligation (APBO) represents the portion of the EPBO allocated to service already rendered.

The following table summarizes the postretirement benefit obligations under ASC 715-60 at recent key measurement dates:

Postretirement Benefit Obligations		
	January 1, 2017	January 1, 2018
Attributable to service rendered prior to		
Retirees and their dependents	\$ 30,327,162	\$ 27,846,912
Active employees fully eligible to retire	23,114,346	17,646,666
Active employees not yet fully eligible	<u>19,728,308</u>	<u>21,291,696</u>
Total APBO	\$ 73,169,816	\$ 66,785,274
Attributable to service after the measurement date	<u>20,691,393</u>	<u>27,291,775</u>
Total EPBO	\$ 93,861,209	\$ 94,077,049

### Expense

The following table summarizes the postretirement benefit accrual expense for fiscal 2018 under the provisions of ASC 715-60.

2018 Net Periodic Postretirement Benefit Cost			
	Health	Life	Total
Service cost	\$ 2,728,963	\$ 66,364	\$ 2,795,327
Interest cost	1,928,256	324,115	2,252,371
Expected return on plan assets	(2,085,437)	(350,535)	(2,435,972)
Amortization of amounts in AOCI:			
Net loss/(gain) <sup>(1)</sup>	\$ (2,165,665)	\$ 0	\$ (2,165,665)
Prior service cost/(credit)	<u>(6,151,264)</u>	<u>0</u>	<u>(6,151,264)</u>
Total amortization	(8,316,929)	0	(8,316,929)
Total expense	\$ (5,745,147)	\$ 39,944	\$ (5,705,203)

<sup>(1)</sup> Amortization of net loss/(gain) is determined in total with all amounts allocated to the Health Plan.

***Development of Expected Return on Plan Assets***

El Paso Electric Company funds its postretirement benefit obligations through a VEBA account. The assets are segregated and restricted to be used for postretirement benefits only, and are considered to qualify as plan assets. The value of plan assets is based on the market value of assets as of the measurement date.

The following table summarizes the expected return on plan assets during fiscal 2018 based on a 6.12% expected rate of return, net of taxes and gross of expected administrative expenses paid from the trust.

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**Development of Fiscal 2018 Expected Return on Plan Assets**

	<u>January 1, 2018</u>
1. Plan assets as of beginning of period	\$ 40,873,484
2. Interest on (1) for the period	2,501,457
3. Expected contributions for period	450,000
4. Interest on contributions for period <sup>1</sup>	13,566
5. Expected administrative expenses for period <sup>2</sup>	204,367
6. Interest on administrative expenses for period <sup>1</sup>	12,507
7. Expected benefit payments from the Trust for period <sup>3</sup>	2,207,424
8. Interest on benefit payments for period <sup>1</sup>	<u>66,544</u>
9. Expected return on plan assets for period = (2)+(4)-(6)-(8)	\$ 2,435,972

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<sup>1</sup> Interest on contributions and benefit payments are assumed for one-half of period, interest on administrative expenses are assumed for the full period.

<sup>2</sup> The expected administrative expenses paid from the trust was assumed to be equal to 0.5% of the asset value at January 1, 2018. Expected administrative expenses were added to the service cost, and the interest on administrative expenses was subtracted from the expected return on assets.

<sup>3</sup> Excludes expected benefit payments for key employees.

**Unamortized Net (Gain)/Loss**

Gains and losses are changes in the obligations or assets resulting from experience different than expected or from changes in assumptions. For purposes of establishing the amount of (gain)/loss to be recognized, ASC 715-60, allows for the use of a "corridor" equal to 10% of the greater of the APBO or the market-related value of plan assets. Only the amount of (gain)/loss that exceeds the corridor is subject to amortization. The excess over the corridor, if any, is amortized on a straight-line basis and the amortization period is set equal to the average remaining service period for active plan participants expected to retire and receive benefits.

The following table summarizes the development of net (gain)/loss in Accumulated Other Comprehensive Income (AOCI) as of January 1, 2018.

**Development of Unamortized Net (Gain)/Loss in AOCI and Expense Amortization**

	<u>Total</u>
1. Unamortized net (gain)/loss at December 31, 2017	\$ (35,193,340)
2. Net (gain)/loss due to remeasurement at January 1, 2018	
a. APBO as of December 31, 2017	\$ 67,290,373
b. APBO as of January 1, 2018 based on updated census information	<u>66,785,274</u>
c. Net (gain)/loss due to remeasurement at January 1, 2018	\$ (505,099)
= (2)(b) - (2)(a)	
3. Net (gain)/loss at January 1, 2018 = (1) + (2)(c)	\$ (35,698,439)
4. Fair value of plan assets at current measurement	40,873,484
5. Corridor for amortization of net (gain)/loss (greater of 10% of APBO or 10% of plan assets) = (2)(b) * 10%	6,678,527
6. Net (gain)/loss in excess of corridor = (3) + (5)	\$ (29,019,912)
7. Amortization period (years)	<u>13.40</u>
8. Annual amortization of net (gain)/loss = (6) / (7)	\$ (2,165,665)



***Development of Unamortized Prior Service Cost / (Credit)***

Prior service cost is the change in the APBO resulting from a plan amendment. Prior service cost is amortized on a straight-line basis beginning on the date of the plan amendment. The amortization period is equal to the average remaining years of service until full eligibility date for those active plan participants not yet fully eligible to retire and be covered under the revised plan.

The following table presents the development of all postretirement benefits program plan amendments with unamortized prior service cost/(credit) and the amounts amortized for fiscal 2018:

**All Plan Amendments with Unamortized Prior Service Cost/(Credit)**

Valuation Year Plan Amendment	Original Plan Amendment Amount	Unamortized Prior Service Cost as of 1/1/2018	Fiscal 2018 Amortization Amount	Unamortized Prior Service Cost as of 12/31/2018
12/31/2010	\$(26,604,690)	\$ (5,198,620)	\$ (3,058,010)	\$ (2,140,610)
10/3/2013	(97,440)	(53,448)	(10,366)	(43,082)
12/31/2015	(823,872)	(657,602)	(83,135)	(574,467)
10/1/2016	<u>(32,697,299)</u>	<u>(28,947,608)</u>	<u>(2,999,753)</u>	<u>(25,947,855)</u>
Total	\$ (60,233,301)	\$ (34,857,278)	\$ (6,151,264)	\$ (28,706,014)

### ***Summary of Plan Amendments***

#### **December 31, 2010 Plan Amendment**

Effective January 1, 2011, EPEC made several plan changes to the benefits provided under the postretirement medical and life program. The following plan changes were reflected in the December 31, 2010 disclosures:

- The deductible for Option A changed from \$200 to \$350 and the deductible for Option C changed from \$1,000 to \$1,500. Option B deductible remained at \$500.
- The maximum out-of-pocket limit for plan medical options changed as follows:

	<u>In-Network*</u>	<u>Out-of-Network*</u>
* Option A:	\$1,000 to \$2,000	\$3,000 to \$6,000
* Option B:	Remained at \$3,000	\$6,000 to \$9,000
* Option C:	\$5,000 to \$4,500	\$12,000 to \$13,500

\* Amounts above excluded the deductible.

- The prescription drug copayments for the plan changed as follows:

	<u>Retail Pharmacy</u>	<u>Mail Order Pharmacy</u>
* Generic:	Remained at \$10	Remained at \$20
* Preferred brand:	\$20 to \$40	\$40 to \$80
* Non-preferred brand:	\$40 to \$60	\$80 to \$120

- The post age 65 prescription drug benefits plan will be available for eligible participants through Express Scripts Prescription Drug Plan (PDP) and El Paso Electric Company will no longer apply for the Medicare Part D Subsidy from the government after 2010.

#### **October 3, 2013 Plan Amendment**

Effective October 3, 2013, EPEC capped the Company's premium contribution to the retiree medical plan at an annual average of \$10,000 per covered retiree. This cap will be adjusted annually for inflation. EPEC communicated this change to plan participants in the form of a letter dated October 3, 2013.

#### **December 31, 2015 Plan Amendment**

Effective January 1, 2016, the copayment tier for specialty medications was added for pre-65 and post-65 participants, and mail order copayments were increased for post age 65 medications. These plan changes were approved in 2015 and were communicated to participants during October 2015 through the annual enrollment brochure.

#### **October 1, 2016 Plan Amendment**

Effective January 1, 2017, certain changes were made to pre-65 and post-65 retiree medical benefits. Coverage for retirees and dependents under age 65 changed from the current \$350, \$500 and \$1,500 deductible plans to a choice of \$1,000 versus \$2,250 deductible plans. Retirees and dependents age 65 and older moved to a fully-insured Medicare Advantage plan under Humana. Administration of prescription drug benefits to Medicare-eligible participants was changed from Express Scripts to Envision Rx. These changes were approved and communicated to plan participants during October 2016, resulting in a remeasurement of the Plan as of October 1, 2016.

The significant provisions of El Paso Electric Company's postretirement medical and life insurance plans are summarized in the following pages. They are based on information provided by El Paso Electric Company personnel.

The provisions as summarized reflect PwC's understanding of the substantive plan that is reflected in the valuation results herein.

**Postretirement Medical Plan Provisions as of January 1, 2018 (Retirees - Pre Age 65)**

CARRIER	Pre-65 Retiree BCBSTX - Medical			
OPTION	OPTION 2 - PLAN A (New)		OPTION 2 - PLAN B (New)	
Benefit Plan	\$1,000 Deductible		\$2,250 Deductible	
	In-Network (1)	Non-Network (1)	In-Network (1)	Non-Network (1)
Lifetime Maximum	\$1,000,000		\$1,000,000	
Coinsurance	80%	60%	80%	60%
Individual Calendar Year Deductible (Individual / Family)	\$1,000 / \$3,000	\$3,000 / \$9,000	\$2,250 / \$6,750	\$6,750 / \$20,250
Medical Maximum Coinsurance Limit Maximum Out of Pocket (deductible does not apply, copayment amount are applied but will continue to be required after the benefit percentage increases to 100%) (Individual / Family)	\$4,500 / \$9,000	\$13,500 / \$27,000	\$6,850 / \$13,700	\$20,550 / \$41,100
Out of Network Deductible & Out of Pocket Maximum until NOT apply toward Network Deductible & Out of Pocket Maximum				
Hospital Inpatient	80%, no ded	60% after \$500 per admission ded	80%, no ded	60% after \$500 per admission ded
Emergency Room Facility (2)	100% after \$225 Copay		100% after \$300 Copay	
Accidental Injury & Emergency Care	80% after ded		80% after ded	
Emergency Room Physician Charges	80% after \$275 Copay		80% after \$375 Copay	
Accidental Injury & Emergency Care	80% after ded		80% after ded	
Emergency Room Facility (2)	60% after \$275 Copay		60% after \$375 Copay	
Non-Emergency Care	80% after ded		80% after ded	
Emergency Room Physician Charges	80% after ded		80% after ded	
Non-Emergency Care	60% after ded		60% after ded	
Urgent Care Center visit, including lab services (does not include X-Rays, surgical services and Certain Diagnostic Procedures)	\$50 copay	70% after ded	\$75 copay	70% after ded
X-Rays, Surgical Services and Certain Diagnostic Procedures; such as Bone Scan, Cardiac Stress Test, CT-Scan, Ultrasound, MRI, Myelogram, PET Scan, surgical procedures and all other services and supplies	80% after ded	60% after ded	80% after ded	60% after ded
Preventive Services	100% (\$0 copay)	70% after ded	100% (\$0 copay)	70% after ded
Physician Office Visit Copay including lab services (excludes X-rays, Surgery and Certain Diagnostic Procedures; such as Bone Scan, Cardiac Stress Test, CT-Scan, Ultrasound, MRI, Myelogram, PET Scan, surgical procedures and all other services and supplies) (3)	\$25 PCP / \$40 Spec	70% after ded	\$30 PCP / \$50 Spec	70% after ded
X-Rays, Surgical Services and Certain Diagnostic Procedures; such as Bone Scan, Cardiac Stress Test, CT-Scan, Ultrasound, MRI, Myelogram, PET Scan, surgical procedures and all other services and supplies	80% after ded	60% after ded	80% after ded	60% after ded
Outpatient Lab	100% (\$0 copay)	70% after ded	100% (\$0 copay)	70% after ded
CARRIER	Pre-65 Retiree Express Scripts - Pharmacy			
	In-Network	Non-Network (1)	In-Network	Non-Network (1)
Prescription Benefit -- up to 30-day supply	\$20/\$50/\$70	N/A	\$25/\$55/\$75	N/A
Mail Order Prescriptions -- up to 90-day supply	\$45/\$120/\$170	N/A	\$50/\$125/\$175	N/A
Specialty Medications -- up to 30-day supply	\$65/\$90/\$140	N/A	\$65/\$90/\$140	N/A
(1) All out-of-network benefits listed are based on the carrier's allowable charges. Charges exceeding this amount will be the member's responsibility. (2) Copay waived if admitted to a network hospital (3) X-Rays, Surgical Services and Advanced Imaging PET, MRI, CAT, SPECT subject to deductible and coinsurance				

<b><u>Plan Feature</u></b>	<b><u>Description</u></b>
Eligibility	Age 55 with 5 years of service, or disabled with at least age 41 and 65 years of age and service combined.
Period of coverage	Up to age 65.
Spouse/dependent coverage	Up to age 65; surviving spouses are eligible to continue medical coverage. Dependent children covered up to age 26.

***Postretirement Medical Plan Provisions as of January 1, 2018 (Retirees - Post Age 65)***

<b><u>Plan Feature</u></b>	<b><u>Description</u></b>
Eligibility	Age 55 with 5 years of service, or disabled with at least age 41 and 65 years of age and service combined.
Period of coverage	Lifetime. Coverage starts at age 65.
Spouse/dependent coverage	Lifetime. Coverage starts at age 65; surviving spouses are eligible to continue medical coverage.
Post age 65 – Medical benefits	Fully-insured Humana Medicare Advantage Plan. The 2018 monthly premium rate is \$27.56
Post age 65 – Pharmacy benefits	Medicare Part D Plan administered by Envision Rx. The 2018 monthly premium rate is \$174.01.

Pre-65 monthly retiree contributions for 2018	<b><u>\$1,000 Deductible Plan</u></b>	<b><u>\$2,250 Deductible Plan</u></b>
Retiree Only	\$287.26	\$248.18
Retiree + Spouse	\$519.12	\$448.49
Retiree + Child(ren)	\$432.20	\$373.40
Retiree + Family	\$688.62	\$594.93

Post-65 monthly retiree contributions for 2018	<b><u>CMS Advantage Plan <sup>(1)</sup></u></b>
Individual	\$105.72
Individual + One	\$211.44
Individual + Two	\$317.15
Individual + Three	\$422.87

<sup>(1)</sup> Humana Medicare Advantage Plan and Medicare Part D Plan administered by Envision Rx.

Company Cap	Effective October 3, 2013, El Paso Electric Company capped their premium contribution to the retiree medical plan at \$10,000 (adjusted annually for inflation) per covered retiree. Costs in excess of the Company's capped premium contribution will be passed on to the plan participants as additional retiree contributions.
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***Postretirement Life Insurance Plan Provisions as of January 1, 2018***

<b><u>Plan Feature</u></b>	<b><u>Description</u></b>
Eligibility	Age 55 with 5 years of service, or disabled with at least age 41 and 65 years of age and service combined.
Life insurance benefit (retirees only)	
➤ Retirements prior to 1/1/2006	One times salary at retirement with coverage reduction according to age as follows: <ul style="list-style-type: none"><li>• Age 65 but less than age 70: 65%</li><li>• Age 70 but less than age 75: 50%</li><li>• Age 75 or older: 30%</li></ul>
➤ Retirements 1/1/2006 and after	\$10,000.
Life plan changes since 1/1/2017	None.

The participant demographic data (active and retired) as of January 1, 2018 were provided by El Paso Electric Company.

The following tables summarize the demographic data provided.

**Exhibit IV-1** summarizes the number of medical plan participants as of January 1, 2018.

**Exhibit IV-2** summarizes the number of life insurance plan participants as of January 1, 2018.

**Exhibit IV-3** summarizes the January 1, 2018 active medical plan participant census by age and years of service.

**Exhibit IV-4** summarizes the January 1, 2018 retired medical plan participant census by age.

**Exhibit IV-1**

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**Medical Plan Participants as of January 1, 2018**

	<u>Number of Lives</u>
Active employees fully eligible to retire	310
Active employees not yet fully eligible to retire	<u>791</u>
Total active employees	1,101
Retirees	377
Dependents of retirees	215
Surviving spouse	<u>63</u>
Total inactive lives	655

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EL PASO ELECTRIC COMPANY  
2021 RATE CASE FILING  
SCHEDULE G-2.2: POSTRETIREMENT BENEFITS OTHER THAN PENSION  
SPONSOR CYNTHIA S. PRIETO  
PREPARER: MYRNA A. ORTIZ  
FOR THE TEST YEAR ENDED DECEMBER 31, 2020

SCHEDULE G-2.2  
ATTACHMENT A  
PAGE 182 OF 190  
  
VOLUMINOUS

**Exhibit IV-2**

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**Life Insurance Plan Participants as of January 1, 2018**

	<u>Number of Lives</u>
Active employees fully eligible to retire	310
Active employees not yet fully eligible to retire	<u>791</u>
Total active employees	1,101
Retirees	508

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**Exhibit IV-3**

**Active Employee Census as of January 1, 2018**

Age	Years of Service							Total
	0-4	5-9	10-14	15-19	20-24	25-29	30+	
Under 20	1	0	0	0	0	0	0	1
20-24	31	0	0	0	0	0	0	31
25-29	75	11	0	0	0	0	0	86
30-34	84	40	10	0	0	0	0	134
35-39	57	42	17	3	1	0	0	120
40-44	42	43	27	19	5	2	0	138
45-49	22	32	30	17	15	19	0	135
50-54	11	21	20	9	26	30	19	136
55-59	8	8	12	10	18	37	69	162
60-64	2	9	12	5	9	15	64	116
65+	0	4	2	5	0	2	29	42
Total	333	210	130	68	74	105	181	1,101
Average age:								46.2
Average years of service:								14.8

**Exhibit IV-4**

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**Retiree Medical Census as of January 1, 2018**

Age	Retirees	Dependents	Surviving Spouses	Total
< 55	0	9	1	10
55-59	19	21	3	43
60-64	78	52	8	138
65-69	108	50	9	167
70-74	60	42	8	110
75-79	53	18	11	82
80-84	31	14	8	53
85-89	17	8	10	35
90+	11	1	5	17
Total	377	215	63	655
Average age:				70.6

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The estimation of retiree health benefit obligations is generally based on average per capita costs for a one-year period. We refer to these as "baseline costs." The components of baseline costs and the current plan population are projected into the future to estimate future benefit payments, using assumptions to estimate the effect of future trends and population changes. The medical baseline costs were developed from the PwC retiree medical claims cost database and the actual El Paso retiree medical claims experience.

Illustrative 2018 per capita costs for select ages based on the January 1, 2018 plan provisions are as follows:

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**Assumed Fiscal 2018 Per Capita Baseline Costs <sup>(1)</sup>**

<u>Age</u>	<u>\$1,000 Deductible</u>		<u>\$2,250 Deductible</u>	
	<u>Male</u>	<u>Female</u>	<u>Male</u>	<u>Female</u>
55	\$6,688	\$6,735	\$6,066	\$6,002
60	\$8,651	\$7,855	\$7,886	\$7,043
64	\$10,199	\$8,528	\$9,322	\$7,661
65 and over	\$27.56 per month for Medicare Advantage, \$174.01 per month for Part D drugs.			

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- <sup>(1)</sup> The above costs do not reflect retiree contributions and are assumed to be the same for retirees and dependents. Administrative expenses are not included in the above costs, except for the 2018 post-65 costs, which equal the fully-insured rates.

***Demographic Assumptions as of January 1, 2018***

**Mortality**

RP-2014 Headcount-Weighted Mortality Table, adjusted to 2006, with fully generational mortality projection using Scale MP-2017.

*Rationale: Given the size of the participant population, there are not enough participant deaths to develop a credible/partially credible mortality table based on participant experience, so management has adopted the newest Society of Actuaries mortality tables and projection scale to be its best estimate of mortality experience.*

**Turnover**

Rates at selected ages are:

<u>Age</u>	<u>Male</u>	<u>Female</u>
25	5.0%	6.0%
30	5.0%	6.0%
35	4.0%	6.0%
40	3.0%	6.0%
45	2.0%	4.0%
50	1.0%	2.0%
55+	0.0%	0.0%

*Rationale: Turnover rates are based on historical experience and management's expectations for the future with periodic adjustment based on observed gains and losses caused by withdrawal patterns different than assumed and expectations of management. This assumption was updated at December 31, 2017 based on analysis of historical experience from 2014 to 2017.*

**Retirement**

Rates are shown below:

<u>Age</u>	<u>Final Average Pay</u>		<u>Cash Balance</u>
	<u>Reduced ER</u>	<u>Unreduced ER</u>	<u>Participants</u>
55	3.0%	5.0%	10.0%
56-59	3.0%	5.0%	10.0%
60	3.0%	10.0%	10.0%
61	3.0%	10.0%	10.0%
62	20.0%	20.0%	20.0%
63	10.0%	10.0%	10.0%
64	10.0%	10.0%	10.0%
65-69	25.0%	25.0%	25.0%
70	100.0%	100.0%	100.0%

*Rationale: Retirement rates are based on historical experience and management's expectations for the future with periodic adjustment based on observed gains and losses caused by retirement patterns different than assumed and expectations of management. This assumption was updated at December 31, 2017 based on analysis of historical experience from 2014 to 2017.*

Disability rates

Rates at selected ages are:

<u>Age</u>	<u>Rate</u>
45	0.45%
55	1.19%
65+	1.93%

*Rationale: Disability rates are based on historical experience and management's expectations for the future with periodic adjustment based on observed gains and losses caused by disability patterns different than assumed and expectations of management.*

Participation

80% of future retirees are assumed to elect medical coverage at retirement. Current retired plan participants are assumed to continue coverage.

*Rationale: Participation is based on historical experience and management's expectations for the future with periodic adjustment based on observed gains and losses resulting from plan experience different than assumed and expectations of management. This assumption was found to be consistent with 2014-2017 experience.*

Medical plan election

Inactive participants are based on their actual medical plan election. Future retirees are assumed to choose between the 2 plan options in proportion to the inactive plan elections. These are:

\$1,000 Plan	72%
\$2,250 Plan	28%

Dependents of future retirees

70% of future male and 40% of future female retirees who elect medical coverage are assumed to have covered spouses; actual election used for current retirees. Dependent children were not included in this valuation due to their limited duration of benefits and percentage of retirees that would elect to cover dependents other than spouses.

Spouse age difference

The exact age is used for spouses of employees who are already retired. For dependents of future retirees, male spouses are assumed to be 3 years older than female retirees, and female spouses are assumed to be 3 years younger than male retirees.

*Rationale: Percentage of retirees with dependents and spouse age difference are based on historical experience and management's expectations for the future with periodic adjustment based on observed gains and losses resulting from plan experience different than assumed and expectations of management. The dependent assumption was updated at December 31, 2017 based on an analysis of historical experience from 2014-2017.*

***Economic Assumptions***

Effective discount rate (spot-rate method)	<u>January 1, 2018</u>
Obligation	3.79%
Service cost	3.87%
Interest cost	3.38%

*Rationale: Based on the segmented spot rate approach produced by the Ryan Above Median Spot Rate Curve. This curve is management's best approximation of the strategy that would be employed if it were to individually select bonds to settle plan obligations by matching the projected cash flows, where higher yielding bonds would be targeted.*

Consumer Price Index	2.4%
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*Rationale: Consumer Price Index was developed based on a 20-year expected inflation rate as provided to management by Russell Investments.*

ASC 715-60 health care trend rates	<u>Pre-65</u>		<u>Post-65</u>	
	<u>Medical</u>	<u>Drug</u>	<u>Medical</u>	<u>Drug</u>
2018	6.25%	7.25%	4.50%	10.00%
2019	6.00%	7.00%	4.50%	9.50%
2020	5.75%	6.75%	4.50%	8.75%
2021	5.50%	6.50%	4.50%	8.00%
2022	5.25%	6.25%	4.50%	7.25%
2023	5.00%	5.75%	4.50%	6.50%
2024	4.75%	5.25%	4.50%	5.75%
2025	4.50%	4.75%	4.50%	5.00%
2026+	4.50%	4.50%	4.50%	4.50%

*Rationale: The above rates reflect management's best estimate for future trend rates given the current health care environment.*

Expected rate of return on plan assets	6.12% after-tax return.
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*Rationale: This assumption was developed as a weighted average rate based on the target asset allocations of the plan and 20-year expected capital market forecasts as provided to management by Russell Investments. This amount assumes a 22% tax rate.*

Administrative expenses	BCBS pre age 65 annual administration fee of \$580.32, assumed to increase in the future at CPI. No administrative fee for fully-insured post age 65 costs, as the fees are built into the fully-insured rates.
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Administrative expenses (continued)

Beginning in 2018, assumed administrative expenses of 0.50% of plan assets will be added to the Service Cost component of expense and the expected rate of return on assets assumption was selected to be gross of administrative expenses paid from the trust.

Changes since 1/1/2017 valuation

The discount rate methodology is unchanged from the prior year. However, the yield curve was updated from the Ryan ALM Above Median Yield Curve as of December 31, 2016 to the Ryan ALM Above Median Yield Curve as of December 31, 2017.

The mortality assumption was updated from the RP-2014 Headcount Weighted Mortality Tables adjusted to 2006, with Fully Generational mortality projection using Scale MP-2016, as of December 31, 2016 to the RP-2014 Headcount Weighted Mortality Tables adjusted to 2006, with Fully Generational mortality projection using Scale MP-2017, as of December 31, 2017.

The per capita costs were updated for 2018. The pre-65 rates remained the same as 2017, as there have been no increases in the pre-65 COBRA rates as the result of favorable experience. Post-65 rates were set equal to the fully insured rates, which included the Health Insurer Fee. Contribution amounts were provided by El Paso.

The expected return on assets assumption was updated from 4.875% (7.50% net of expenses with a 35% corporate tax rate) to 6.12% (7.85% gross of expenses with a 22% corporate tax rate) as of January 1, 2018.

The withdrawal assumption was lowered at all ages to reflect recent experience.

The retirement assumption was updated to reflect different rates for Final Average Pay/Cash Balance participants. The retirement rates for Final Average Pay participants were decreased at most ages and the retirement rates for cash balance participants were increased at younger ages based on an analysis of recent experience. Note that the OPEB plan has the same active population as the RIP.

The percentage of future retirees that are assumed to cover a spouse was changed to 70% for males and 40% for females, reduced from 75% for males and 45% for females used in the prior year. This assumption was changed based on recent retirement experience.

The Consumer Price Index assumption was updated to 2.40% from 3.50%.

***Actuarial Methods***

Discount rate methodology

Effective December 31, 2015, EPEC elected to refine the discount rate used in the annual valuation of the benefit obligation and calculation of expense from a single rate to multiple spot rates that are representative of the anticipated timing of cash flows from the Plan. For this purpose, the Ryan ALM Above Median Yield Curve as of the measurement date was used. The same methodology has been applied for the January 1, 2018 valuation of the obligation and 2018 expense.

Gain/Loss Amortization method

The amortization of net gains and losses in AOCI will be included as a component of net postretirement benefit expense only if the unrecognized net gains and losses exceed 10% of the greater of the accumulated projected benefit obligation or market-related value of assets. If amortization is required, the excess will be amortized over the expected future working lifetime of the active participants in the plan.

Actuarial cost method

The actuarial method used to determine the net periodic postretirement benefit cost under ASC 715-60 is the Projected Unit Credit cost method.



EL PASO ELECTRIC COMPANY  
2021 TEXAS RATE CASE FILING  
SCHEDULE G-2.3: ADMINISTRATION FEES  
SPONSOR: CYNTHIA S. PRIETO  
PREPARER: MYRNA A. ORTIZ  
FOR THE TEST YEAR ENDED DECEMBER 31, 2020

SCHEDULE G-2.3  
PAGE 1 OF 1

Item 1.

Refer to Schedule G-2, page 5 and 6 Question No. 4 line 9, for the monthly administration fees paid for "Active Health Care" to Blue Cross Blue Shield and Express Scripts for the administration of the Company's medical and dental plan for active employees. Effective January 1, 2020, Express Scripts replaced Envision RX.

Item 2.

Refer to Workpaper G-2.3 A, pages 1 to 32, for a copy of the administration contract and the related detail for the monthly administration fees with Blue Cross Blue Shield for 2020 which is being filed as Confidential Protected Materials in this proceeding pursuant to a Protective Order.

Refer to Workpaper G-2.3 B, pages 1 to 72, for a copy of the administration contract and the monthly invoices with Express Scripts for 2020, which is being filed as Highly Sensitive Protected Materials in this proceeding pursuant to a Protective Order.

EL PASO ELECTRIC COMPANY  
2021 TEXAS RATE CASE FILING  
SCHEDULE G-3: BAD DEBT EXPENSE  
SPONSOR: CYNTHIA S. PRIETO  
PREPARER: MAYTE LUNA  
FOR THE TEST YEAR ENDED DECEMBER 31, 2020

SCHEDULE G-3  
PAGE 1 OF 2

Item 1. Company policy regarding the write-off of bad debts.

EPE policy provides that customer accounts are deemed uncollectible 61 days after the due date on final bills rendered to inactive customers (customers who are no longer taking electric service from the system). EPE's Customer Care & Billing ("CC&B") system is programmed to write off these customer account balances to FERC account 144, "Accumulated Provision for Uncollectible Accounts", within 90 to 120 days after the final bill has been rendered and no payment has been received. EPE continues to pursue settlement of these unpaid accounts through various collection methods. If payments are received from inactive customers after the account is written off, the amount of the payment is credited to the accumulated provision for uncollectible accounts.

Item 2. Methodology for computing bad debt expense.

The general ledger account balance for FERC account 144, "Accumulated Provision for Uncollectible Accounts", is monitored each month by EPE's Revenue Collection section and adjusted to reflect the total of the customer account balances, and accounts having other collection related trends. An aging report is prepared using data from CC&B which groups accounts receivable by aging category (0-30 days, 31-60 days, 61-90 days and over 90 days) and by customer type (residential, commercial and industrial and public authority) for both active and inactive accounts. A risk rate for each aging category for active accounts is maintained by the Company on a three-year average basis. This risk rate is applied to the aged accounts receivable balances and then totaled for the balance of the Accumulated Provision for Uncollectible Accounts on a monthly basis. This balance is compared to the prior month balance, as adjusted for amount of actual write-offs and collections, and the difference results in the amount of the bad debt expense for the current month.

Item 3. The monthly amount of revenues, the corresponding uncollectible expense, and the amount of net bad debts actually written off for the three years prior to the test year and the test year.

Please refer to Schedule G-3, page 2.

Item 4. Monthly fluctuations of bad debt expense and net write-offs greater than 3%.

There will be normal monthly variations in bad debt expense and net write-offs that are larger than 3% due to the seasonality of EPE's electric sales, with higher kWh sales and revenues during the summer cooling season. Explanations of unusually large write-offs are footnoted on the attached schedule of bad debt expense.

	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)
Line No	----- 2017 -----				----- 2018 -----			----- 2019 -----		
	Month	Revenue (A)	Uncollectible Expense	Net Bad Debt Write-Off	Revenue (A)	Uncollectible Expense	Net Bad Debt Write-Off	Revenue (A)	Uncollectible Expense	Net Bad Debt Write-Off
1	Jan	\$ 55,697,727	\$ 117,000 (E)	\$ 412,888	\$ 56,638,018	\$ 233,000 (E)	\$ 434,340	\$ 49,909,212	\$ 111,000 (E)	\$ 354,341
2	Feb	52,210,735	122,000 (E)	256,549	52,356,260	86,000 (E)	354,973	47,805,788	65,000 (E)	239,301
3	Mar	53,559,060	167,869 (E)	177,418	48,686,023	200,859 (E)	247,866	44,972,003	40,851 (E)	179,615
4	Apr	52,062,696	140,000 (E)	143,781	49,424,819	173,000 (E)	200,541	41,965,443	139,000 (E)	110,228
5	May	66,187,626	194,000 (E)	224,008	60,254,554	158,000 (E)	290,874	56,852,509	231,851 (E)	282,412
6	Jun	89,661,284	210,869 (E)	210,839	81,021,820	166,859 (E)	173,247	71,094,469	107,000 (E)	128,832
7	Jul	102,231,307	358,000 (E)	217,066	93,780,316	287,000 (E)	180,953	85,759,603	197,000 (E)	133,263
8	Aug	94,775,657	445,869 (E)	136,286	90,939,400	330,859 (E)	126,674	90,464,930	176,000 (E)	84,433
9	Sep	89,283,484	505,000 (E)	205,556	87,568,760	489,000 (E)	177,167	94,846,728	404,851 (E)	161,033
10	Oct	74,302,323	299,000 (E)	217,759	68,968,297	289,000 (E)	237,879	71,440,029	287,000 (E)	152,761
11	Nov	50,035,481	298,000 (E)	370,717	44,633,248	203,000 (E)	338,763	45,031,719	194,000 (E)	266,995
12	Dec	49,982,027	288,475 (E)	423,923	48,141,012	210,606 (E)	321,268	45,499,654	242,486 (E)	369,155
13	Total	\$829,989,407	\$3,146,083	\$2,996,790	\$ 782,412,526	\$ 2,827,184	\$ 3,084,544	\$ 745,642,089	\$ 2,196,040	\$ 2,462,369

TEST YEAR (2020)						
Month	Revenue (A)	Total Uncollectible Expense (B)	Amount Charged to Regulatory Asset (C)	Net Uncollectible Expense (D)	Net Bad Debt Write-Off	
14	Jan	\$ 52,754,506	\$ 163,000 (E)	\$ -	\$ 163,000	\$ 363,764
15	Feb	47,833,940	79,000 (E)	-	79,000	181,849
16	Mar	44,660,552	433,848 (F)	275,000	158,848	252,478
17	Apr	43,085,622	280,000 (F)	152,110	127,890	54,896
18	May	58,775,498	195,000 (F)	(55,000)	250,000	184,537
19	Jun	78,090,405	353,000 (F)	152,800	200,200	105,924
20	Jul	100,019,260	683,000 (F)	272,000	411,000	52,578
21	Aug	98,763,446	1,149,000 (F)	684,800	464,200	37,334
22	Sep	92,191,457	1,204,869 (F)	916,800	288,069	97,982
23	Oct	81,029,111	238,137 (F)	201,710	36,427	170,450
24	Nov	35,324,396	1,029,000 (F)	485,600	543,400	248,460
25	Dec	46,363,475	254,422 (F)	147,200	107,222	282,592
26	Total	\$ 778,891,657	\$ 6,062,276	\$ 3,213,020	\$ 2,849,255	\$ 2,032,845

Note: Amounts may not add or tie to other schedules due to rounding

- (A) Revenues reflect actual billed revenues via CC&B and does not include deferred fuel, unbilled revenue, or provision for refunds
- (B) Uncollectible Expense includes expense recorded to the Regulatory Asset attributable to COVID-19
- (C) These amounts were attributed to COVID-19 are not included in the Per Book Test Year uncollectible expense, but were instead charged to a regulatory asset. See discussion in testimony of EPE witness Cynthia Prieto regarding proposed tariff on COVID-19 expenses.
- (D) In WP A-3, Adj No 7, the Per Book Test Year uncollectible expense was further reduced by \$803,227 for amounts related to COVID-19. See WP A-3, Adj No for calculation and amount of uncollectible expense in Adjusted Test Year
- Variances
- (E) Monthly variations due to the seasonality of EPE's electric sales
- (F) Variance partially due to increases in the aging of accounts receivable, primarily attributable to COVID-19. See further discussion in the testimony of EPE Witness Cynthia S Prieto

EL PASO ELECTRIC COMPANY  
2021 TEXAS RATE CASE FILING  
SCHEDULE G-4: SUMMARY OF ADVERTISING, CONTRIBUTIONS & DONATIONS  
SPONSOR: JENNIFER I. BORDEN/CYNTHIA S. PRIETO  
PREPARER: DENISE PEREZ  
FOR THE TEST YEAR ENDED DECEMBER 31, 2020

SCHEDULE G-4  
PAGE 1 OF 1

Line No.	FERC Account (A)	Category	Schedule No.	Test Year Amount	Other Reference
1	Advertising		G-4.1	1,637,980	
2	Contributions/Donations		G-4.2	<u>1,312,437</u>	
3	Total Test Year Expenses Subject to 0.3% Limitation			<u>\$ 2,950,417</u>	
<u>TEST PURSUANT TO 16 TAC § 25.231 (b)(1)(E).</u>					
ADVERTISING, CONTRIBUTION & DONATION LIMITATION					
4	Applicable Test Year Revenues			\$ 967,939,397	
5	% Limitation		x	<u>0.003</u>	
6	Dollar Limitation		a)	\$ 2,903,818	
7	Total Test Year Advertising Expense, above		b)	<u>1,637,980</u>	
8	Allowable amount of Contributions and Donations			1,265,838	
9	Revenue Requirement Adjustment			<u>(5,118)</u>	
10	Contributions and Donations included in Cost of Service			<u>\$ 1,260,720</u>	(B)

Notes:

- (A) Refer to corresponding schedules  
(B)

Since the contributions and donations test year expense was lower than the allowable amount (line 8), only the actual test year expense of \$1,260,720 was included in cost of service. See adjustment No. 23.

Amounts may not add or tie to other schedules due to rounding.

EL PASO ELECTRIC COMPANY  
2021 TEXAS RATE CASE FILING  
SCHEDULE G-4.1: SUMMARY OF GENERAL ADVERTISING EXPENSE  
SPONSOR: CYNTHIA S. PRIETO  
PREPARER: ALEJANDRA GUEVARA  
FOR THE TEST YEAR ENDED DECEMBER 31, 2020

SCHEDULE G-4.1  
PAGE 1 OF 1

Line No.	FERC Account	Category	Schedule No.	Test Year Amount
1	909	Informational/Instructional	G-4.1a	\$ 118,674
2	930 1	Informational/Instructional	G-4 1a	1,490,870
3	913	Promote and Retain Usage	G-4 1b	0
4	930.1	General Advertising Expense	G-4 1c	28,436
5	N/A	Capitalized Advertising Expense	G-4.1d	<u>0</u>
6	Total Test Year Advertising Expense Subject to Limitation			<u>\$ 1,637,980</u>
				G-4

Amounts may not add or tie to other schedules due to rounding.

EL PASO ELECTRIC COMPANY  
2021 TEXAS RATE CASE FILING  
SCHEDULE G-4.1b SUMMARY OF ADVERTISING TO PROMOTE & RETAIN USAGE  
SPONSOR: CYNTHIA S. PRIETO  
PREPARER: ALEJANDRA GUEVARA  
FOR THE TEST YEAR ENDED DECEMBER 31, 2020

SCHEDULE G-4.1b  
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There are no advertising expenses recorded to FERC account 913 for the test year ended December 31, 2020.

EL PASO ELECTRIC COMPANY  
2021 TEXAS RATE CASE FILING  
SCHEDULE G-4.1c: SUMMARY OF GENERAL ADVERTISING EXPENSE  
SPONSOR: CYNTHIA S. PRIETO  
PREPARER: ALEJANDRA GUEVARA  
FOR THE TEST YEAR ENDED DECEMBER 31, 2020

SCHEDULE G-4.1c  
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Line No.	FERC Account	Description	Test Year Total
1	930.1	FACEBOOK	\$ 19,306
2	930.1	TWITTER	9,130
3		Total General Advertising	<u>\$ 28,436</u>

EL PASO ELECTRIC COMPANY  
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SCHEDULE G-4.1d: CAPITALIZED ADVERTISING EXPENSE  
SPONSOR: CYNTHIA S. PRIETO  
PREPARER: ALEJANDRA GUEVARA  
FOR THE TEST YEAR ENDED DECEMBER 31, 2020

SCHEDULE G-4.1d  
PAGE 1 OF 1

There were no advertising activities capitalized since rates were last set.



EL PASO ELECTRIC COMPANY  
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SCHEDULE G-4.2: SUMMARY OF CONTRIBUTION AND DONATION EXPENSE  
SPONSOR: CYNTHIA S. PRIETO  
PREPARER: ALEJANDRA GUEVARA  
FOR THE TEST YEAR ENDED DECEMBER 31, 2020

SCHEDULE G-4.2  
PAGE 1 OF 1

Line No.	FERC Account	Description	Schedule No.	Test Year Amount	
1	426.1	Educational	G-4.2a	\$ 277,029	*
2	426.1	Community Service	G-4.2b	870,429	*
3	426.1	Economic Development	G-4.2c	<u>164,979</u>	*
		Total Test Year Contributions and Donations Subject to			
4		Limitation		<u>\$ 1,312,437</u>	**
				G-4	

\* Refer to Schedule G-4 and Schedule A-3 Adjustment No. 26 for the calculation pursuant to 16 Texas Administrative Code § 25.231(b)(1)(E) for the amount of contribution and donation expense included in the cost of service.

\*\* These expenses do not include the Company's share of Palo Verde contributions.

Amounts may not add or tie to other schedules due to rounding.

EL PASO ELECTRIC COMPANY  
 2021 TEXAS RATE CASE FILING  
 SCHEDULE G-4 2a: SUMMARY OF EDUCATIONAL CONTRIBUTIONS AND DONATIONS  
 SPONSOR CYNTHIA S PRIETO  
 PREPARER ALEJANDRA GUEVARA  
 FOR THE TEST YEAR ENDED DECEMBER 31, 2020

SCHEDULE G-4 2a  
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Line No	FERC Account	Description	Test Year Amount	Brief Purpose of Organization*
1	426 1	BOOKS ARE GEMS	\$ 15,000	Organization that helps enhance literacy by allowing youth to read books at no cost
2	426 1	CHILDRENS READING ALLIANCE	5,000	Foundation focused on advancing children's literacy
3	426 1	CREATIVE KIDS INC	5,000	Organization that provides visual art education to disadvantaged youth, children battling cancer, and children with disabilities
4	426.1	DONA ANA COMMUNITY COLLEGE	25,904	Public community college with several campuses in Dona Ana County
5	426 1	EL PASO CENTER FOR CHILDREN	5,000	Organization that provides homes and specialized care for children of families in need
6	426 1	EL PASO CHILD GUIDANCE CENTER	7,500	Organization that provides mental health services for children
7	426 1	EL PASO CHILDREN'S HOSPITAL FOUNDATION	5,000	Foundation provides support for the tools, the resources, the equipment and the care for El Paso Children's Hospital
8	426 1	EL PASO COMMUNITY COLLEGE	2,500	Public community college district headquartered in El Paso, TX that operates five campuses in the Greater El Paso area, as well as courses offered at Fort Bliss
9	426 1	EL PASO YOUTH JAZZ ENSEMBLE INC.	2,000	Organization that enhances the musical education of high school-aged musicians
10	426 1	EPISD EDUCATION FOUNDATION	5,000	Foundation that provides scholarships to graduating seniors in the El Paso Independent School District
11	426 1	FOUNDATION FOR EL PASO COMMUNITY COLLEGE	10,000	Foundation that provides El Paso Community College students scholarships
12	426.1	HATCH VALLEY PUBLIC SCHOOLS	3,650	Public school district located in Hatch, New Mexico
13	426 1	JENNIFER ANNS GROUP	1,500	Organization that works with youth to prevent teen dating violence through awareness, education and advocacy
14	426 1	JUNIOR ACHIEVEMENT OF DESERT SOUTHWEST INC.	7,500	Social advocacy organization in El Paso that provides 8th grade students with meaningful experiences as they begin considering their future careers
15	426.1	JUNIOR LEADERSHIP EL PASO	5,000	Youth organization aiming at grooming potential city leaders for the future of the City of El Paso
16	426 1	LAS CRUCES ACADEMY INC	750	Academy in Las Cruces that empowers gifted, advanced and talented children by providing academic challenge, individual attention, and a nurturing environment
17	426.1	LAS CRUCES CATHOLIC SCHOOL	1,500	Private, Roman Catholic elementary and middle school in Las Cruces, New Mexico
18	426 1	LORETTO ACADEMY	600	Private, Roman Catholic school in El Paso, Texas
19	426 1	MAKE A WISH FOUNDATION OF NORTH TEXAS	5,025	Organization that creates life-changing wishes for children with critical illnesses
20	426.1	MAKE A WISH NEW MEXICO	4,000	Organization that creates life-changing wishes for children with critical illnesses
21	426 1	MESILLA VALLEY CASA INC	7,000	Organization that advocates for children in foster care to ensure that every child has a home
22	426 1	MOVIES4KIDS	12,000	Organization dedicated to help the underprivileged and less fortunate children of El Paso by providing character building activities and mentorship
23	426 1	NEW MEXICO LIONS OPERATION KIDSIGHT INC	1,000	Organization that provides annual eye screenings and follow-up exams and treatment for children ages 3 to 7 years

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 SCHEDULE G-4 2a SUMMARY OF EDUCATIONAL CONTRIBUTIONS AND DONATIONS  
 SPONSOR: CYNTHIA S. PRIETO  
 PREPARER: ALEJANDRA GUEVARA  
 FOR THE TEST YEAR ENDED DECEMBER 31, 2020

SCHEDULE G-4 2a  
 PAGE 2 OF 2

Line No	FERC Account	Description	Test Year Amount	Brief Purpose of Organization*
24	426.1	NEW MEXICO STATE UNIVERSITY FOUNDATION	65,000	Foundation that is dedicated to building relationships and generating support for New Mexico State University's students, teaching, research and public service missions
25	426.1	NEW MEXICO STATE UNIVERSITY	800	Public land-grant research university with its main campus in Las Cruces, New Mexico
26	426.1	SISD FOUNDATION FOR EXCELLENCE	2,500	Foundation that raises funds for student scholarships
27	426.1	SOCORRO INDEPENDENT SCHOOL DISTRICT	3,000	Second largest school district in El Paso that serves East El Paso, Horizon City and the City of Socorro
28	426.1	STTE FOUNDATION	35,000	Foundation committed to enhancing the regional economy through educational programs
29	426.1	THE UNIVERSITY OF TEXAS AT EL PASO	8,225	Public research university in El Paso, Texas
30	426.1	YMCA	725	Nonsectarian, nonpolitical international organization that promotes the spiritual, intellectual, social and physical welfare of youth
31	426.1	YOUTH OPERA OF EL PASO	5,000	Organization dedicated to providing young singers in the community "hands on" experience in opera and its related genres
32	426.1	YSLETA EDUCATION FOUNDATION	19,350	Foundation that provides financial assistance to graduating seniors from the Ysleta Independent School District
33		Total Test Year Educational Contributions and Donations	<u>\$ 277,029</u> **	

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\* If not indicated in the title or FERC account description.

\*\* Refer to Schedule G-4 and Schedule A-3 Adjustment No. 26 for the calculation pursuant to the Substantive Rule 25.231(b)(1)(E) for the amount of contribution and donation expense included in the cost of service.  
 Amounts may not add or tie to other schedules due to rounding.

EL PASO ELECTRIC COMPANY  
 2021 TEXAS RATE CASE FILING  
 SCHEDULE G-4.2b SUMMARY OF COMMUNITY SERVICE CONTRIBUTIONS AND DONATIONS  
 SPONSOR: CYNTHIA S PRIETO  
 PREPARER: ALEJANDRA GUEVARA  
 FOR THE TEST YEAR ENDED DECEMBER 31, 2020

SCHEDULE G-4.2b  
 PAGE 1 OF 6

Line No	FERC Account	Description	Test Year Amount	Brief Purpose of Organization*
1	426 1	ALZHEIMERS ASSOCIATION	\$ 5,185	Non-profit organization that provides Alzheimers care, support and research
2	426 1	AMERICAN CANCER SOCIETY	66	Organization dedicated to eliminating cancer
3	426.1	AMERICAN RED CROSS	5,500	Organization the provides emergency assistance, disaster relief, and disaster preparedness education
4	426 1	AMERICAN SOCIETY OF CIVIL ENGINEERS	2,000	Organization who's purpose is the advancement of the science and profession of Civil engineering
5	426.1	AMISTAD FAMILY SERVICES INC.	5,000	Organization the provides professional counseling services to individuals, children and families
6	426.1	ANIMAL RESCUE LEAGUE OF EL PASO	1,250	Non-profit animal shelter
7	426.1	BIG BEND COMMUNITY ACTION COMMITTEE INC.	583	Impact poverty by helping low income families with job training, health care, housing, and economic development
8	426 1	BIG BROTHERS BIG SISTERS MOUNTAIN REGION	1,500	Organization that provides mentorship programs to children
9	426 1	BIG BROTHERS BIG SISTERS OF EL PASO	8,425	Organization that provides mentorship programs to children
10	426.1	BORDER AIDS PARTNERSHIP	5,000	Organization that provides funding for HIV/AIDS education and prevention activities
11	426 1	BOY SCOUTS OF AMERICA	11,000	Organization that teaches leadership skills to youths
12	426 1	BOYS & GIRLS CLUBS OF EL PASO	4,500	Organization of local chapters which provide voluntary after-school programs for young people
13	426 1	CANDLELIGHTERS WEST TEXAS SOUTHERN NEW MEXICCC	5,000	Organization that serves families of children with cancer
14	426.1	CASA DE PEREGRINOS INC	15,000	Organization that provides food for residents that live below the poverty level
15	426.1	CASA OF EL PASO INC	5,000	Help abused and neglected children and their families
16	426.1	CENTER AGAINST FAMILY VIOLENCE	11,000	Organization that provides confidential assistance and educational programs to victims of domestic violence and sexual assault
17	426 1	CHILD CRISIS CENTER OF EL PASO	11,500	Organization that provides shelter, advocacy and family support services to protect children from abuse and neglect
18	426.1	CHILDRENS GRIEF CENTER OF EL PASO	6,000	Non-profit organization that specializes in and provides grief support services to children in the El Paso area
19	426 1	CHILDRENS MIRACLE NETWORK	5,000	Non-profit organization that raises funds for children's hospitals in the US and Canada
20	426.1	CIELO VISTA NEIGHBORHOOD ASSOCIATION	600	Association that promotes a better neighborhood and community through group action
21	426 1	COMMUNITY EN ACCION	10,000	Organization that addresses the issues impacting the El Paso community by providing solutions to promote the culture, education, social and economic well-being of the Latino Community

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PREPARER: ALEJANDRA GUEVARA  
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SCHEDULE G-4 2b  
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Line No	FERC Account	Description	Test Year Amount	Brief Purpose of Organization*
22	426 1	COMMUNITY FOUNDATION OF SOUTHERN NEW MEXICO	15,250	A foundation to improve the quality of life, feed the hungry, expand literacy, provide scholarships, and improve health
23	426 1	DYSLEXIA INSTITUTE OF SOUTHERN NEW MEXICO	1,000	Organization that teaches and provides therapy for students with difficulties in reading and/or math
24	426.1	EL PASO CHAPTER TEXAS SOCIETY CPAS	2,500	Society that empowers members to lead and succeed by promoting professional excellence, advocating on behalf of CPAs, and supporting a community and connection among its members
25	426.1	EL PASO CHORAL SOCIETY	2,500	Organization that brings musical talents together to enrich the community and encourage future professional musical endeavors in the El Paso/Juarez/Las Cruces region
26	426 1	EL PASO COMMUNITY FOUNDATION	25,000	Foundation that provides a wide-range of philanthropic services in the region as a grant maker, convener, and leadership organization to the community
27	426 1	EL PASO DIABETES ASSOCIATION	5,600	Association that provides support groups for children, teens and adults with diabetes
28	426 1	EL PASO DOWNTOWN LIONS CLUB	1,000	A community service humanitarian organization
29	426 1	EL PASO HOLOCAUST MUSEUM	6,170	Museum & study center that educates the public about the Nazi Holocaust, and honors those who perished and those who survived
30	426 1	EL PASO MARATHON FOUNDATION	6,020	Civic organization that promotes health and fitness in the community by hosting run events
31	426 1	EL PASO MATTERS INC.	10,000	Nonpartisan media organization that uses journalism to expand civic capacity in the region
32	426 1	EL PASO OPERA INC	5,000	Opera company
33	426 1	EL PASO PARALEGAL ASSOCIATION	1,000	Non-profit organization that assists its members' in the development and advancement of the legal profession
34	426 1	EL PASO PRO MUSICA	2,000	Organization devoted to making the art of chamber music available to the community
35	426 1	EL PASO SYMPHONY ORCHESTRA ASSOCIATION	12,067	Non-profit organization that assures music is made available to entertain and educate the community
36	426 1	EL PASO VILLA MARIA INC	5,000	Serves as a parish home for poor and abandoned elderly women
37	426 1	EL PASO ZOOLOGICAL SOCIETY	10,000	Not-for-profit organization that helps provide funding for the care of the animal-residents at the El Paso Zoo
38	426 1	EL PASOANS FIGHTING HUNGER	56,995	Organization that combats the hunger crisis in the region
39	426.1	EXECUTIVE FORUM	4,000	Women executives and community leaders who are dedicated to the economic, civic and cultural development of the El Paso region

EL PASO ELECTRIC COMPANY  
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SCHEDULE G-4 2b  
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Line No	FERC Account	Description	Test Year Amount	Brief Purpose of Organization*
40	426 1	FAB LAB EL PASO	20,000	Non-profit organization that aims to provide accessible educational experiences for students and professionals to support the development of more ingenious and resourceful products and businesses in our region and enrich our local communities
41	426 1	FAMILIAS TRIUNFADORAS INC.	2,000	Non-profit organization that empowers women and families through job creation, worker-owned cooperatives and micro-enterprise development
42	426 1	FRIENDS OF THOMAS BRANIGAN MEMORIAL LIBRARY	750	Non-profit, educational and charitable organization that serves Las Cruces and Doña Ana County
43	426.1	FRONTERA LAND ALLIANCE	6,000	Local non-profit that works to conserve and be stewards of water and land in the region
44	426.1	GECU FOUNDATION	200	Foundation that provides funding and support to several charitable causes
45	426.1	GIGIS PLAYHOUSE EL PASO	2,500	Organization that provides educational, therapeutic-based and career development programs for individuals with Down syndrome, their families and community
46	426.1	GIRL SCOUTS OF THE DESERT SOUTHWEST	17,751	Youth organization for girls
47	426 1	GREATER EL PASO FOOTBALL SHOWCASE	15,000	Organization that helps and highlights El Paso County High School seniors who excel in both academics and extracurricular activities
48	426 1	GUARDIANS OF THE CHILDREN CITY OF CROSSES	3,000	Non-profit organization that educates and increases awareness of the ramifications and effects of child abuse to children and their families
49	426 1	HABITAT FOR HUMANITY EL PASO	6,000	Non-profit housing organization
50	426 1	HOSPICE OF EL PASO	5,000	Organization that provides patient care services
51	426.1	HUMANE SOCIETY OF EL PASO INC.	100	Non-profit animal shelter
52	426 1	INSIGHTS EL PASO SCIENCE CENTER INC	5,000	Not-for-profit organization that promotes STEAM (Science, Technology, Engineering, Arts and Math) education through exploratory and interactive learning
53	426 1	JLV MEMORIAL FUND	340	Organization for Men's Cancer Awareness
54	426 1	JUNIOR LEAGUE OF EL PASO INC.	7,000	Organization of women committed to promoting voluntarism, developing the potential of women and improving the community
55	426 1	KELLY MEMORIAL FOOD PANTY	11,413	Center for hunger relief assisting El Pasoans facing hunger and works against food insecurity
56	426.1	KERN PLACE ASSOCIATION INC	1,500	Association that helps maintain and improve the Kern Place neighborhood
57	426.1	KEYSTONE HERITAGE PARK INC	5,000	Organization that performs water resource, wetlands conservation and management
58	426 1	LAS CRUCES INTERNATIONAL MARIACHI CONFERENCE	1,000	Conference that brings students from across the country and beyond to the New Mexico State University campus to participate in music and dance workshops
59	426 1	LEAGUE OF WOMAN VOTERS OF SOUTHERN NEW MEXICO	400	A nonpartisan group that works to improve local, state and national government and strengthen the community through citizen education and action

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SCHEDULE G-4.2b  
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Line No	FERC Account	Description	Test Year Amount	Brief Purpose of Organization*
60	426.1	LEE & BEULAH MOORE CHILDRENS HOME	7,500	Supports El Paso children and families who are experiencing difficulty in their lives by providing a nurturing, positive environment and teaching self-respect, respect for others, and the importance of taking responsibility for one's own decisions and actions
61	426.1	LOS PAISANOS DE EL CHAMIZAL	5,000	Group of volunteers who build financial and material support for the programs of the National Park Service at the Chamizal National Memorial
62	426.1	LULAC IN CARE OF PROJECT AMISTAD	5,000	Organization that helps advancing the economic condition, educational attainment, political influence, health, and civil rights of the Hispanic population in the United States
63	426.1	MOTHERS AGAINST DRUNK DRIVING	1,600	Non-profit organization that seeks to stop drunk driving, support those affected by drunk driving, prevent underage drinking and strive for stricter impaired driving policies
64	426.1	MUSCULAR DYSTROPHY ASSOCIATION INC	5,000	Association that funds research, provides medical and community services and educates health professionals and the general public on muscular dystrophy diseases of the nervous system and muscular system
65	426.1	NAMI EL PASO INC	5,000	National Alliance on Mental Illness foundation
66	426.1	NATURE CONSERVANCY	5,000	Non-profit global environmental organization working to create a world where people and nature can thrive
67	426.1	OPERATION NOEL	5,125	Organization that provides new winter coats for children in the region
68	426.1	OPPORTUNITY CENTER FOR THE HOMELESS	6,440	Organization that provides emergency and permanent housing options and solution-focused support services to the homeless individuals
69	426.1	PASO DEL NORTE CENTER FOR HOPE	10,000	Organization that protects victims of human trafficking and modern day slavery and provides outreach, education and victim centered services
70	426.1	PASO DEL NORTE FOUNDATION	46,674	Organization that promotes health and prevents disease through leadership in health education, research, and advocacy
71	426.1	PBS EL PASO	7,500	American public broadcaster and television program distributor
72	426.1	PROJECT CARE EL PASO COUNTY	14,221	Assist families to pay their electric bill in case of an emergency
73	426.1	RACE ADVENTURES UNLIMITED	4,590	Provides race/race director services in the El Paso area
74	426.1	RACE EL PASO	500	Organizes high-quality running and multisport events for experienced and aspiring athletes in the border region
75	426.1	REBUILDING TOGETHER EL PASO INC.	15,000	Non-profit organization with the goal of preserving affordable homeownership and revitalizing neighborhoods through free home repairs and modifications for neighbors in need

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SCHEDULE G-4 2b  
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Line No	FERC Account	Description	Test Year Amount	Brief Purpose of Organization*
76	426.1	REYNOLDS HOUSE NON PROFIT CORPORATION	10,235	Provides shelter to homeless women and children, provides case management to residents to empower them to better themselves
77	426 1	RONALD MCDONALD HOUSE CHARITIES	9,810	Non-profit organization whose stated mission is to create, find, and support programs that directly improve the health and well-being of children
78	426 1	SALVATION ARMY OF LAS CRUCES	7,329	An international charitable organization that offers emergency financial assistance, food, and shelter, has programs for transitional housing, rehabilitation, older adults, and youth
79	426 1	SANTA TERESA CHARITABLE FOUNDATION	10,000	Non-profit that works to give youth in the Santa Teresa/Sunland Park region the tools they need to achieve success
80	426 1	SPECIAL OLYMPICS TEXAS INC	5,000	Provide year-round sports training and athletic competition in a variety of Olympic-type sports for children and adults with intellectual disabilities
81	426 1	STARS SCHOLARSHIP FUND	10,000	Organization that awards scholarships annually to academically talented and highly motivated students who intend to pursue full time undergraduate, graduate or doctoral degrees
82	426.1	STICK HOUSE SANCTUARY	3,380	Organization that provides wildlife rehabilitation
83	426 1	TEXAS LYCEUM ASSOCIATION INC	2,500	Non-profit, nonpartisan organization that seeks to identify and develop the next generation of top leadership in the State of Texas
84	426 1	TEXAS TECH FOUNDATION INC.	60,000	Non-profit organization that supports and promotes colleges, schools, campuses and programs, as well as receives, holds, invests, and administers property for the institutions and make expenditures to benefit the institution
85	426 1	TOM LEA INSTITUTE	7,000	Non-profit organization dedicated to documenting, presenting, teaching and exhibiting the works of Tom Lea
86	426 1	TOWN OF MESILLA	4,500	A historic town in Doña Ana County with art galleries, entertaining events, rich history and unique shops
87	426 1	UNITED WAY OF EL PASO	117,139	Non-profit organization that connects El Paso children and families to resources in the areas of education, health, financial stability and basic needs that help residents thrive
88	426 1	UNITED WAY OF SOUTHWEST NEW MEXICO	30,640	A local, independent, volunteer driven, non-profit organization, bringing people and resources together to build communities in and around Grant, Doña Ana, Sierra, Luna, and Hidalgo counties
89	426 1	USO EL PASO	5,000	Non-profit charitable corporation that provides live entertainment, social facilities and other programs to members of the United States Armed Forces and their families



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SCHEDULE G-4.2b  
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Line No	FERC Account	Description	Test Year Amount	Brief Purpose of Organization*
90	426 1	VETERANS OF FOREIGN WARS POST 812	2,000	A Veterans Service organization that is affiliated with the Veterans of Foreign Wars National Organization
91	426 1	VILLAGE OF VINTON	5,000	Village in El Paso County
92	426.1	VOLUNTEER SERVICES COUNCIL	2,000	El Paso state center that enhances and contributes to the quality of life of the residents with developmental disabilities
93	426 1	WISE LATINA INTERNATIONAL	2,000	Non-profit corporation that empowers, mentors and educates women of all ages
94	426.1	YWCA	32,581	Non-profit organization dedicated to eliminating racism, empowering women, and promoting peace, justice, freedom, and dignity for all
95	Total Test Year Community Service Contributions and Donations		<u>\$ 870,429</u>	**
			<u>G-4 2</u>	

\* If not indicated in the title or FERC account description

\*\* Refer to Schedule G-4 and Schedule A-3 Adjustment No. 26 for the calculation pursuant to 16 TAC § 25.231(b)(1)(E) for the amount of contribution and donation expense included in the cost of service

Amounts may not add or tie to other schedules due to rounding.

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SCHEDULE G-4.2c. SUMMARY OF ECONOMIC DEVELOPMENT CONTRIBUTIONS AND DONATIONS  
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SCHEDULE G-4.2c  
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Line No.	FERC Account	Organization	Test Year Amount	Brief Purpose of Organization *
1	426.1	ALLIANCE FOR REGIONAL MILITARY SUPPORT	\$ 5,000	Coalition between the Greater Las Cruces Chamber of Commerce, Alamogordo Chamber of Commerce and the Greater El Paso Chamber of Commerce to support the three military bases in the region
2	426.1	BETTER BUSINESS BUREAU FOUNDATION OF EL PASO	10,000	Nonprofit organization that focuses on advancing marketplace trust
3	426.1	BIOMEDICAL MANUFACTURING ON THE BORDER	5,000	Improves the region's global competitiveness and quality of healthcare and provide a platform for enhancing the El Paso/Juarez biomedical ecosystem
4	426.1	BRIDGE OF SOUTHERN NEW MEXICO	10,000	Links educational success for students with a stronger future workforce and the ultimate goal of long-term economic development
5	426.1	CITY OF EL PASO	7,000	*** Economic development and City Representative community events
6	426.1	COMMUNITY ACTION AGENCY OF SOUTHERN NM INC	4,250	Organization that focuses on high-impact strategies that enhance sustainability through asset-building programs
7	426.1	DREAMSPRING	2,000	Provides access to credit, makes loans and community support to help entrepreneurs realize their dreams
8	426.1	GREATER EL PASO CHAMBER OF COMMERCE	1,500	*** Organization that represents business and economic interests in every business area and for organizations ranging from small to medium enterprises to Fortune 500 companies
9	426.1	EL PASO DOWNTOWN MANAGEMENT DISTRICT	5,000	Municipal government focused on and delivers economic development-driven initiatives, projects programs and services that create a more vibrant, welcoming environment
10	426.1	EL PASO HISPANIC CHAMBER OF COMMERCE	20,000	*** Organization that supports the development and growth of member businesses through initiatives that encourage and promote growth and economic development
11	426.1	GREATER EL PASO CHAMBER OF COMMERCE FOUNDATION	5,000	*** Non-profit organization that operates exclusively for charitable, educational, scientific, and literary purposes relating to the City of El Paso
12	426.1	LIFTFUND INC	15,000	Organization that finances startups and entrepreneurs
13	426.1	LOS ALAMOS NATIONAL LABORATORY FOUNDATION	5,000	Foundation that invests in education, learning and human potential in Northern New Mexico

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 SCHEDULE G-4.2c: SUMMARY OF ECONOMIC DEVELOPMENT CONTRIBUTIONS AND DONATIONS  
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SCHEDULE G-4.2c  
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Line No.	FERC Account	Organization	Test Year Amount	Brief Purpose of Organization *
14	426.1	MEDICAL CENTER OF THE AMERICAS FOUNDATION	50,000	Focused on the health care needs and biomedical industries in the region
15	426.1	PROJECT ARRIBA	10,229	An economic and workforce development initiative
16	426.1	PROJECT VIDA	10,000	Focused on community-based structures and programs
17		Total Test Year Economic Development Contributions and Donations	<u>\$ 164,979</u> **	
			G-4.2	

\* If not indicated in the title or FERC account description.

\*\* Refer to Schedule G-4 and Schedule A-3 Adjustment No.26 for the calculation pursuant to 16 TAC § 25.231(b)(1)(E) for the amount of contribution and donation expense included in the cost of service.

\*\*\* The amounts donated were not used to lobby, support, or promote any political candidate, movement or cause.

Amounts may not add or tie to other schedules due to rounding

EL PASO ELECTRIC COMPANY  
 2021 TEXAS RATE CASE FILING  
 SCHEDULE G-4.3: SUMMARY OF MEMBERSHIP DUES EXPENSE  
 SPONSOR: CYNTHIA S. PRIETO  
 PREPARER: ALEJANDRA GUEVARA  
 FOR THE TEST YEAR ENDED DECEMBER 31, 2020

SCHEDULE G-4.3  
 PAGE 1 OF 1

Line No.	FERC Account *	Category	Schedule No.	Test Year Amount **
1		Industry Organizations	G-4.3a	\$ 1,209,554
2		Business / Economic Organizations	G-4.3b	128,923
3		Professional Organizations	G-4.3c	88,401
4		Social/Recreational/Religious	G-4.3d	17,615
5		Political	G-4.3e	<u>44,977</u>
6		Total Test Year Membership Dues		<u>\$ 1,489,470</u>

\* There are multiple FERC accounts for each category. Please refer to corresponding schedules.

\*\* These expenses do not include the Company's Share of Palo Verde membership dues.  
 See exclusions to the Company's cost of service on WP/G-4.3.

Amounts may not add or tie to other schedules due to rounding.

EL PASO ELECTRIC COMPANY  
2021 TEXAS RATE CASE FILING  
SCHEDULE G-4 3a: SUMMARY OF INDUSTRY ORGANIZATION DUES  
SPONSOR: CYNTHIA S. PRIETO  
PREPARER: ALEJANDRA GUEVARA  
FOR THE TEST YEAR ENDED DECEMBER 31, 2020

SCHEDULE G-4 3a  
PAGE 1 OF 2

Line No.	FERC Account	Description	Test Year Amount	Brief Purpose of Organization *
1	930.2	EDISON ELECTRIC INSTITUTE	\$ 321,516	Association that represents all U.S. investor-owned electric companies. EEI provides public policy leadership, strategic business intelligence, and essential conferences and forums.
2	935	EDISON ELECTRIC INSTITUTE	2,500	
3	588	ELECTRIC UTILITY MANAGEMENT PROGRAM	30,000	New Mexico State University's electric utility-specific program established to provide a link between the electric utility industry and the university. The program is designed to prepare students for a future engineering management position in the electric utility industry.
4	921	INFORMA BUSINESS MEDIA INC.	15,990	Organization that explores data analytics in the utility space.
5	921	GULF COAST POWER ASSOCIATION	225	** A regional electric power trade organization dedicated to promoting an improved understanding of the issues and opportunities impacting contemporary power markets.
6	930.2	NEW MEXICO UTILITY SHAREHOLDERS ALLIANCE	5,000	**
7	566	PEAK RELIABILITY	(138,483)	*** Peak Reliability monitors and directs the reliable operation of the Bulk Electric System within the Western Interconnection. It retains registration for, and fulfills the duties of, the Reliability Coordinator, as defined by the NERC, and as delegated by the WECC.
8	921	ROCKY MOUNTAIN ELECTRIC LEAGUE	21,995	A not-for-profit energy trade association that has served the electric utility industry with a variety of education and networking services, dedicated to fostering a thriving community of electric energy professionals.

EL PASO ELECTRIC COMPANY  
 2021 TEXAS RATE CASE FILING  
 SCHEDULE G-4.3a SUMMARY OF INDUSTRY ORGANIZATION DUES  
 SPONSOR CYNTHIA S. PRIETO  
 PREPARER ALEJANDRA GUEVARA  
 FOR THE TEST YEAR ENDED DECEMBER 31, 2020

SCHEDULE G-4.3a  
 PAGE 2 OF 2

Line No.	FERC Account	Description	Test Year Amount	Brief Purpose of Organization *
9	566	SOUTHWEST POWER POOL INC.	485,458	One of nine independent system operators/regional transmission organizations, mandated by FERC to oversee the bulk electric grid and ensure reliable supplies of power, adequate transmission infrastructure and competitive wholesale prices of electricity
10	566	WESTERN ELECTRICITY COORDINATING COUNCIL	404,494	The Regional Entity responsible for compliance monitoring and enforcement and overseeing reliability planning and assessments in the Western Interconnection. In addition, WECC provides an environment for the development of Reliability Standards and the coordination of the operating and planning activities of its members as set forth in the WECC bylaws
11	560	XENICUS, LLC	34,587	Management consulting and service company that acts as the third-party administrator for the WestConnect Planning Committee of which El Paso Electric is a member. Serves as the financial interface between the WestConnect regional planning organization members
12	562	XENICUS, LLC	4,061	
13	566	Z GLOBAL INC	22,211	Third-party administrator for the Southwest Reserve Sharing Group, of which El Paso Electric is a member. Z Global, Inc also provides support for the Reserve Scheduling System software necessary to conduct reserve sharing transactions
14		Total Test Year Industry Organization Dues	<u>\$ 1,209,554</u> G-4.3	

\* If not indicated in the title or FERC account description.

\*\* These expenses are not included in the Company's cost of service.

\*\*\*This is a one-time refund. EPE had paid Peak RC for the the entire year of 2019. Peak RC ceased operations on 12/3/19. Therefore this is a pro-rated refund for dues paid. The Southwest Power Pool is now performing this function for the Company. Amounts may not add or tie to other schedules due to rounding.

EL PASO ELECTRIC COMPANY  
2021 TEXAS RATE CASE FILING  
SCHEDULE G-4.3b: SUMMARY OF BUSINESS/ ECONOMIC DUES  
SPONSOR: CYNTHIA S. PRIETO  
PREPARER: ALEJANDRA GUEVARA  
FOR THE TEST YEAR ENDED DECEMBER 31, 2020

SCHEDULE G-4.3b  
PAGE 1 OF 1

Line No.	FERC Account	Description	Test Year Amount	Brief Purpose of Organization *
1	930.2	BETTER BUSINESS BUREAU	\$ 2,393	Nonprofit membership organization that focuses on advancing marketplace trust
2	921	COMMUNITY EN ACCION	1,000	Hispanic leadership organization
3	588	DONA ANA COUNTY	60	Annual Business Registration
4	930.2	EL PASO HISPANIC CHAMBER OF COMMERCE	35,000	Organization that supports the development and growth of member businesses through initiatives that encourage and promote growth and economic development. Verified non-partisan organization, therefore, no lobbying expenses associated with membership
5	930.2	GREATER EL PASO CHAMBER OF COMMERCE	67,100	** Organization that represents business and economic interests in every business area and for organizations ranging from small to medium enterprises to Fortune 500 companies. Verified lobbying portion of membership paid is 5%
6	930.2	GREATER LAS CRUCES CHAMBER OF COMMERCE	17,770	** Principal advocate for businesses in Las Cruces and Doña Ana county that assists businesses in enhancing and sustaining the economy in the region. Verified lobbying portion of membership paid is 10%
7	588	LAS CRUCES FORUM	400	Civic leagues, social welfare organizations and local associations of employees, created to promote community welfare for charitable, educational or recreational purposes
8	930.2	LAS CRUCES FORUM	200	
9	930.2	LAS CRUCES HISPANIC CHAMBER OF COMMERCE	5,000	Organization that provides leadership for the advancement of economic prosperity for the region. Verified non-partisan organization, therefore, no lobbying expenses associated with membership
10		Total Test Year Business/Economic Dues	<u>\$ 128,923</u> ** G-4.3	

\* If not indicated in the title or FERC account description

\*\* The unallowable portion of these expenses are not included in the Company's cost of service.  
Amounts may not add or tie to other schedules due to rounding.

EL PASO ELECTRIC COMPANY  
 2021 TEXAS RATE CASE FILING  
 SCHEDULE G-4 3c SUMMARY OF PROFESSIONAL DUES  
 SPONSOR: CYNTHIA S. PRIETO  
 PREPARER: ALEJANDRA GUEVARA  
 FOR THE TEST YEAR ENDED DECEMBER 31, 2020

SCHEDULE G-4 3c  
 PAGE 1 OF 4

Line No	FERC Account	Description	Test Year Amount	Brief Purpose of Organization *
1	905	AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS	\$ 570	Non-profit organization of certified public accountants in the United States
2	921	AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS	6,488	
3	921	AMERICAN PLANNING ASSOCIATION	586	Professional organization that provides leadership in development of vital communities for all by advocating planning excellence, promoting education and resident empowerment
4	921	AMERICAN SOCIETY FOR INDUSTRIAL SECURITY	820	Organization for security management professionals
5	921	AMERICAN SOCIETY OF HEATING, REFRIGERATING AND AIR-CONDITIONING	510	Professional association seeking to advance heating, ventilation, air conditioning and refrigeration systems design and construction
6	921	AMERICAN SOCIETY OF SAFETY ENGINEERS	425	Association for occupational safety and health professionals
7	925	AMERICAN SOCIETY OF SAFETY ENGINEERS	205	
8	921	ASSOCIATION FOR FINANCIAL PROFESSIONALS	990	Association of treasury and finance professionals, providing members with breaking news, economic research and data on the evolving world of treasury and finance, as well as world-class certification programs
9	921	ASSOCIATION FOR TALENT DEVELOPMENT	777	Non-profit association serving those who develop talent in organizations. It provides learning opportunities, set standards, identify best practices, and allows members to network with other professionals who share their interests
10	905	ASSOCIATION OF ENERGY ENGINEERS	495	Non-profit professional society that promotes the scientific and educational interests of those engaged in the energy industry and to foster action for sustainable development
11	921	ASSOCIATION OF ENERGY ENGINEERS	1,665	
12	921	BOARD CERTIFIED SAFETY PROFESSIONALS	780	Organization that offers professional safety credentials for the safety practitioner
13	921	ENERGY BAR ASSOCIATION	525	Non-profit association of attorneys, energy professionals, and students active in all areas of energy law



EL PASO ELECTRIC COMPANY  
 2021 TEXAS RATE CASE FILING  
 SCHEDULE G-4 3c SUMMARY OF PROFESSIONAL DUES  
 SPONSOR CYNTHIA S PRIETO  
 PREPARER ALEJANDRA GUEVARA  
 FOR THE TEST YEAR ENDED DECEMBER 31, 2020

SCHEDULE G-4 3c  
 PAGE 2 OF 4

Line No	FERC Account	Description	Test Year Amount	Brief Purpose of Organization *
14	566	ENERGY SECTOR SECURITY CONSORTIUM	3,200	Non-profit corporation that supports energy sector organizations with the security of their critical technology infrastructures
15	921	GLOBAL CPE	1,341	Provider of continuing education offering courses that are always current with all the latest developments in the tax and accounting industry
16	921	INFORMATION SECURITY MANAGEMENT	574	Anti-fraud organization and premier provider of anti-fraud training and education
17	506	INSTITUTE OF ELECTRICAL AND ELECTRONICS ENGINEERS	208	Professional association for electronic engineering and electrical engineering
18	566	INSTITUTE OF ELECTRICAL AND ELECTRONICS ENGINEERS	484	Organization which advocates, provides educational conferences, and develops standards, guidance, and certifications for the internal audit profession
19	588	INSTITUTE OF ELECTRICAL AND ELECTRONICS ENGINEERS	891	
20	921	INSTITUTE OF ELECTRICAL AND ELECTRONICS ENGINEERS	460	
21	921	INSTITUTE OF INTERNAL AUDITORS	1,088	
22	921	INTERNATIONAL RIGHT OF WAY ASSOCIATIONS	1,085	Professional association that is the central authority of right of way educational and professional services worldwide
23	566	NERC PERSONNEL CERTIFICATION GOVERNANCE COMMITTEE	6,775	The Personnel Certification Governance Committee is a NERC standing committee that provides oversight to the policies and processes used to implement and maintain the integrity and independence of the NERC System Operator Certification program
24	921	NERC PERSONNEL CERTIFICATION GOVERNANCE COMMITTEE	2,450	The State Bar of New Mexico is the integrated (mandatory) bar association of the U S state of New Mexico
25	921	NEW MEXICO STATE BAR	2,134	
26	500	NEW MEXICO STATE BOARD OF LICENSURE FOR PROFESSIONAL ENGINEERS AND PROFESSIONAL SURVEYORS	159	State agency of New Mexico that regulates and licenses the practices of engineering and land surveying in the state
27	506	NEW MEXICO STATE BOARD OF LICENSURE FOR PROFESSIONAL ENGINEERS AND PROFESSIONAL SURVEYORS	159	
28	566	NEW MEXICO STATE BOARD OF LICENSURE FOR PROFESSIONAL ENGINEERS AND PROFESSIONAL SURVEYORS	636	
29	588	NEW MEXICO STATE BOARD OF LICENSURE FOR PROFESSIONAL ENGINEERS AND PROFESSIONAL SURVEYORS	159	
30	921	NEW MEXICO STATE BOARD OF LICENSURE FOR PROFESSIONAL ENGINEERS AND PROFESSIONAL SURVEYORS	636	

EL PASO ELECTRIC COMPANY  
 2021 TEXAS RATE CASE FILING  
 SCHEDULE G-4 3c. SUMMARY OF PROFESSIONAL DUES  
 SPONSOR CYNTHIA S PRIETO  
 PREPARER, ALEJANDRA GUEVARA  
 FOR THE TEST YEAR ENDED DECEMBER 31, 2020

SCHEDULE G-4 3c  
 PAGE 3 OF 4

Line No	FERC Account	Description	Test Year Amount	Brief Purpose of Organization *
31	921	NORTH AMERICAN POWER CREDIT ORGANIZATION	750	A forum for credit and risk professionals to network and provide education relating to current credit issues in the energy industry
32	500	PROJECT MANAGEMENT INSTITUTE	163	Non-profit professional organization for project management
33	506	PROJECT MANAGEMENT INSTITUTE	716	
34	568	PROJECT MANAGEMENT INSTITUTE	1,338	
35	588	PROJECT MANAGEMENT INSTITUTE	214	
36	903	PROJECT MANAGEMENT INSTITUTE	788	
37	905	PROJECT MANAGEMENT INSTITUTE	138	
38	921	PROJECT MANAGEMENT INSTITUTE	4,466	
39	928	PROJECT MANAGEMENT INSTITUTE	129	
40	921	PUBLIC RELATIONS SOCIETY OF AMERICA	1,745	Non-profit trade association for public relations professionals
41	921	RISK INSURANCE MANAGEMENT SOCIETY	650	Professional association dedicated to advancing the practice of risk management
42	921	SHARED ASSESSMENTS	11,000	Organization that provides third party vendors risk assurance
43	921	SOCIETY OF CORPORATE COMPLIANCE AND ETHICS	765	Member based association, that provides resources for the compliance and ethics profession to develop and maintain a compliance program within an organization
44	921	SOCIETY OF CORPORATE GOVERNANCE	705	Non-profit organization comprised principally of corporate secretaries and business executives in governance, ethics and compliance functions at public, private and not-for-profit organizations
45	921	SOUTHWEST MINORITY SUPPLIER DEVELOPMENT COUNCIL	5,000	Non-profit organization committed to advocating and building relationships for mutually beneficial business opportunities for Corporate Members and Minority Business Enterprises
46	921	STATE BAR OF TEXAS	1,295	A mandatory bar and an agency of the judiciary under the administrative control of the Texas Supreme Court. The Texas Bar is responsible for assisting the Texas Supreme Court in overseeing all attorneys licensed to practice law in Texas
47	506	TEXAS BOARD OF PROFESSIONAL ENGINEERS	55	State agency of Texas that regulates and licenses the practices of engineering and land surveying in the state
48	566	TEXAS BOARD OF PROFESSIONAL ENGINEERS	160	

EL PASO ELECTRIC COMPANY  
 2021 TEXAS RATE CASE FILING  
 SCHEDULE G-4 3c SUMMARY OF PROFESSIONAL DUES  
 SPONSOR CYNTHIA S. PRIETO  
 PREPARER ALEJANDRA GUEVARA  
 FOR THE TEST YEAR ENDED DECEMBER 31, 2020

SCHEDULE G-4 3c  
 PAGE 4 OF 4

Line No	FERC Account	Description	Test Year Amount	Brief Purpose of Organization *
49	588	TEXAS BOARD OF PROFESSIONAL ENGINEERS	160	
50	921	TEXAS BOARD OF PROFESSIONAL ENGINEERS	240	
51	905	TEXAS BOARD OF PUBLIC ACCOUNTANCY	75	
52	921	TEXAS BOARD OF PUBLIC ACCOUNTANCY	2,107	
53	905	TEXAS SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS	730	Association for accounting and finance professionals in Texas
54	921	TEXAS SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS	7,848	
55	921	UTILITY SAFETY AND OPERATIONS LEADERSHIP NETWORK	820	Not-for-profit organization that provides members exclusive access to utility safety technical expertise, professional development events and networking with other industry professionals
56	Various	VENDOR TOTALS UNDER \$500	9,109	
57		Total Test Year Professional Dues	<u>\$ 88,401</u>	
			G-4,3	

\* If not indicated in the title or FERC account description

\*\* These expenses are not included in the Company's cost of service  
 Amounts may not add or tie to other schedules due to rounding

EL PASO ELECTRIC COMPANY  
 2021 TEXAS RATE CASE FILING  
 SCHEDULE G-4.3d: SUMMARY OF SOCIAL, RECREATIONAL,  
 FRATERNAL, RELIGIOUS EXPENSES  
 SPONSOR: CYNTHIA S. PRIETO  
 PREPARER: ALEJANDRA GUEVARA  
 FOR THE TEST YEAR ENDED DECEMBER 31, 2020

SCHEDULE G-4.3d  
 PAGE 1 OF 1

Line No.	FERC Account	Description	Test Year Amount	Brief Purpose of Organization *
1	426.4	BARTON CREEK MEMBERSHIP	\$ 10,358	Country Club
2	921	EL PASO CLUB	2,305	Facility and services for professional meetings and private parties
3	930.2	PROGRESS321	3,000	Leadership group for young professionals
4	426.4	THE AUSTIN CLUB	1,952	Facility and services for professional meetings and private parties
5		Total Test Year Social, Recreational, Fraternal or Religious Expenses	<u>\$ 17,615</u> G-4.3	**

\* If not indicated in the title or FERC account description.

\*\* None of the items on Schedule G-4.3d are included in the Company's cost of service  
 Amounts may not add or tie to other schedules due to rounding.

EL PASO ELECTRIC COMPANY  
2021 TEXAS RATE CASE FILING  
SCHEDULE G-4.3e SUMMARY OF POLITICAL ORGANIZATIONS EXPENSE  
SPONSOR: CYNTHIA S PRIETO  
PREPARER ALEJANDRA GUEVARA  
FOR THE TEST YEAR ENDED DECEMBER 31, 2020

SCHEDULE G-4.3e  
PAGE 1 OF 1

Line No	FERC Account	Description	Test Year Amount	Brief Purpose of Organization *
1	426 4	ARIZONA TAX RESEARCH ASSOCIATION	\$ 16,173	Organization that provides independent and accurate source of public finance and tax policy information ATRA represents taxpayers before policy makers at the state and local level Verified lobbying percentage of membership paid is 15%
2	426 4	OFFICE OF THE NEW MEXICO SECRETARY OF STATE	52	Administer elections and government ethics in accordance with state and federal law
3	921	TEXAS BUSINESS LEADERSHIP COUNCIL	12,000	A statewide network of CEOs and senior business executives who advance a long-term vision of a prosperous Texas in a globally competitive business environment
4	426 4	TEXAS ETHICS COMMISSION	767	Provide guidance on various public ethics laws within the state of Texas
5	921	TEXAS ETHICS COMMISSION	767	
6	921	TEXAS TAXPAYERS & RESEARCH ASSOCIATION	5,500	Association that focuses on state and local fiscal policy
7	921	UTILITIES TECHNOLOGY COUNCIL	9,718	Global trade association representing electric, water, and natural gas utilities in telecommunications for delivery of utility services
8		Total Test Year Political Organizations Expense	\$ 44,977 **	
			G-4 3	

\* If not indicated in the title or FERC account description

\*\* Test Year amounts in A&G accounts were adjusted out of the Company's cost of service in Adjustment No. 24.  
Amounts may not add or tie to other schedules due to rounding

EL PASO ELECTRIC COMPANY  
2021 TEXAS RATE CASE FILING  
SCHEDULE G-5: SUMMARY OF EXCLUSIONS FROM TEST YEAR EXPENSE  
SPONSOR: CYNTHIA S. PRIETO  
PREPARER: MELODY BOISSELIER  
FOR THE TEST YEAR ENDED DECEMBER 31, 2020

SCHEDULE G-5  
PAGE 1 OF 1

Line No.	Description	Schedule No	Test Year Amount
1	Legislative Advocacy Expense	G-5.1	\$ 715,822
2	Penalties And Fines	G-5.2	754
3	Other Exclusions	G-5.3	27,649
4	Social/Recreational/Religious	G-4.3d	17,615
5	Political	G-4.3e	<u>44,977</u>
6	Total Test Year Exclusions		<u>\$ 806,817</u>

Amounts may not add or tie to other schedules due to rounding.

PUBLIC

Line No	FERC Account	Individual or Category	Title or Description	Test Year Amount	Method	% of Salary
<u>El Paso Electric Company Employees</u>						
1	426.4	Ricardo F Gonzales	Director-New Mexico Governmental Affairs ***	REDACTED (1)	* Direct	REDACTED (1)
2	920	Ricardo F Gonzales	Director-New Mexico Governmental Affairs ***		* Allocated **	
3	426.4	Patrick V. Reinhart	Vice President Governmental Affairs		* Direct	
4	920	Patrick V. Reinhart	Vice President Governmental Affairs		* Allocated **	
5	426.4	Alejandra Chavira	Specialist Governmental Affairs		* Direct	
6	920	Alejandra Chavira	Specialist Governmental Affairs		* Allocated **	
7			Subtotal, Payroll Expenses	<u>66,956</u>		
8	426.4	Business Meals and Entertainment	Business Meals and Entertainment related to legislative advocacy	\$ 2,573	* Direct	
9	426.4	Travel, Transportation and Lodging	Travel, Transportation and Lodging related to legislative advocacy	553	* Direct	
10	426.4	Professional, Association and Industry Dues	Professional, Association and Industry Dues related to legislative advocacy	187,282	* Direct	
11	426.4	Consulting Services	Consulting services related to legislative advocacy	<u>458,458</u>	* Direct	
12			Subtotal, Miscellaneous Expenses	<u>648,866</u>		
13			Total Test Year Legislative Advocacy Expense	<u>\$ 715,822</u> G-5		

Note 1: This information is confidential

\* These items are not included in the Company's cost of service

\*\* Allocation is based on the time spent on lobbying activities during the test year

\*\*\* Ricardo F Gonzales left the Company in August 2020 and was re-hired in February 2021 as Regional Vice President

Amounts may not add or tie to other schedules due to rounding

PUBLIC

EL PASO ELECTRIC COMPANY  
 2021 TEXAS RATE CASE FILING  
 SCHEDULE G-5.1a: PAYMENTS TO REGISTERED LOBBYISTS  
 SPONSOR: CYNTHIA S. PRIETO / JAMES SCHICHTL  
 PREPARER: ALEJANDRA GUEVARA  
 FOR THE TEST YEAR ENDED DECEMBER 31, 2020

SCHEDULE G-5.1a  
 PAGE 1 OF 1  
 PUBLIC

Line No.	FERC Account	Individual or Description	Date Registered	Test Year Total Included in G-5.1*
<b>El Paso Electric Company Employees</b>				
1	426 4	Ricardo F. Gonzales, Director-New Mexico Governmental Affairs <sup>3</sup>	01/01/20 - 12/31/20 <sup>2</sup>	REDACTED (1)
2	920	Ricardo F. Gonzales, Director-New Mexico Governmental Affairs <sup>3</sup>	01/01/20 - 12/31/20 <sup>2</sup>	
3	426 4	Patrick V. Reinhart, Vice President Governmental Affairs	01/01/20 - 12/31/20 <sup>2</sup>	
4	920	Patrick V. Reinhart, Vice President Governmental Affairs	01/01/20 - 12/31/20 <sup>2</sup>	
5	426 4	Alejandra Chavira, Specialist, Governmental Affairs	01/01/20 - 12/31/20	
6	920	Alejandra Chavira, Specialist, Governmental Affairs	01/01/20 - 12/31/20	
7		Subtotal Payroll Costs		66,956
<b>Other Registered Lobbyists</b>				
		<b>Individual</b>	<b>Company</b>	
8	426 4	Shane Doucet	Doucet Consulting Solutions LLC	\$ 72,000
9	426 4	T.J. Trujillo	Emissary Group LLC <sup>4</sup>	80,244
10	426 4	Steve Ortega	Law Office of Steve Ortega PLLC	22,500
11	426 4	Leo Aguirre	Lena Guerrero & Associates	69,000
12	426 4	Thomas R. Ratliff	Ratliff and Company	63,250
13	426 4	Texas Legislative Service	Texas Legislative Service	2,464
14	426 4	Michael Toomey	Texas Lobby Group	35,000
15	426 4	Michael Toomey	Self-employed, Texas	42,000
16	426 4	Michelle Wittenburg	Self-employed, Texas	72,000
17		Subtotal Other Registered Lobbyists Costs		458,458
18		Total Payments to Registered Lobbyists		<u>\$ 525,414</u>

Note 1: This information is confidential.

Note 2: Lobbying registration fees are paid annually. These employees resigned from the Company in 2020.

Note 3: Ricardo F. Gonzales left the Company in August 2020 and was employed at Strategies360, formerly Emissary Group LLC. He was re-hired by the Company in February 2021 as Regional Vice President.

Note 4: Emissary Group LLC changed its name to Strategies360 in 2020.

\* These items are not included in the Company's cost of service.

Amounts may not add or tie to other schedules due to rounding.

SCHEDULE G-5.1a  
 PAGE 1 OF 1  
 PUBLIC



EL PASO ELECTRIC COMPANY  
2021 TEXAS RATE CASE FILING  
SCHEDULE G-5.1b: PAYMENTS FOR MONITORING LEGISLATION  
SPONSOR: CYNTHIA S. PRIETO/JAMES SCHICHTL  
PREPARER: ALEJANDRA GUEVARA  
FOR THE TEST YEAR ENDED DECEMBER 31, 2020

SCHEDULE G-5.1b  
PAGE 1 OF 1

Please refer to Schedule G-5.1a. All individuals and firms who monitored legislation for El Paso Electric Company during the test year are included in Schedule G-5.1a.

EL PASO ELECTRIC COMPANY  
2021 TEXAS RATE CASE FILING  
SCHEDULE G-5.2: SUMMARY OF PENALTIES AND FINES  
SPONSOR: CYNTHIA S. PRIETO  
PREPARER: ALEJANDRA GUEVARA  
FOR THE TEST YEAR ENDED DECEMBER 31, 2020

SCHEDULE G-5.2  
PAGE 1 OF 1

Line No.	FERC Account	Description or Title	Test Year Amount*	Amount in Cost of Service
1	426.3	City of El Paso Tax Office (property taxes)	\$ 424	\$ 0
2	426.3	Dona Ana County Treasurer (property taxes)	71	0
3	426.3	Texas State Comptroller (Margin taxes)	259	0
4		Total Test Year Penalties and Fines	<u>\$ 754</u>	<u>\$ 0</u>

\*These expenses are not included in the Company's requested Cost of Service.

Amounts may not add or tie to other schedules due to rounding.

EL PASO ELECTRIC COMPANY  
2021 TEXAS RATE CASE FILING  
SCHEDULE G-5.3: OTHER EXCLUSIONS  
SPONSOR: JENNIFER I. BORDEN  
PREPARER: MELODY BOISSELIER  
FOR THE TEST YEAR ENDED DECEMBER 31, 2020

SCHEDULE G-5.3  
PAGE 1 OF 1

Line No.	FERC Account	Description or Title	Test Year Amount	Amount In Cost of Service*
1	426.59	Arizona Public Service Company (A)	\$ 31,126	\$ 0
2	426.59	Individual Amounts less than \$1,000	(3,477)	0
3		Total Test Year Other Exclusions	<u>\$ 27,649</u>	<u>\$ 0</u>

(A) - Represents requests for funds submitted to EPE for reimbursement by APS, the Operating Agent for Palo Verde.

\*These expenses are not included in the Company's cost of service.

Amounts may not add or tie to other schedules due to rounding.

EL PASO ELECTRIC COMPANY  
2021 TEXAS RATE CASE FILING  
SCHEDULE G-5.4: ANALYSIS OF PRIOR RATE CASE EXCLUSIONS  
SPONSOR: JENNIFER I. BORDEN  
PREPARER: ALEJANDRA MONTALVO  
FOR THE TEST YEAR ENDED DECEMBER 31, 2020

SCHEDULE G-5.4  
PAGE 1 OF 1

This schedule is not applicable to El Paso Electric Company because the Company's most recent rate case, Docket No. 46831, Test Year Ended September 30, 2016, was resolved by settlement.

EL PASO ELECTRIC COMPANY  
2021 TEXAS RATE CASE FILING  
SCHEDULE G-5.5: COMPARISON OF PRIOR RATE CASE  
EXCLUSIONS TO CURRENT  
SPONSOR: JENNIFER I. BORDEN  
PREPARER: ALEJANDRA MONTALVO  
FOR THE TEST YEAR ENDED DECEMBER 31, 2020

SCHEDULE G-5.5  
PAGE 1 OF 1

Schedule G-5.5 is not applicable for El Paso Electric Company. Refer to Schedule G-5.4.

EL PASO ELECTRIC COMPANY  
2021 TEXAS RATE CASE FILING  
SCHEDULE G-6: SUMMARY OF TEST YEAR AFFILIATE TRANSACTIONS  
SPONSOR: CYNTHIA S. PRIETO  
PREPARER: MYRNA A. ORTIZ  
FOR THE TEST YEAR ENDED DECEMBER 31, 2020

SCHEDULE G-6  
PAGE 1 OF 1

Description	Schedule No.		Amount
Test Year Expense by Affiliate	G-6.1	(A) \$	502,105
Adjustments to Test Year Expense by Affiliate	G-6.2	\$	-
Total Requested Expense from Affiliates		\$	<u>502,105</u>

(A) JP Morgan Chase is listed as an affiliate to ensure compliance with commitments made by EPE in Docket No. 49849, paragraph 70(b). These transactions were arms-length and negotiated prior to the merger.

EL PASO ELECTRIC COMPANY  
 2021 TEXAS RATE CASE FILING  
 SCHEDULE G-6.1: SUMMARY OF TEST YEAR EXPENSE BY AFFILIATE  
 SPONSOR: CYNTHIA S. PRIETO  
 PREPARER: MYRNA A. ORTIZ  
 FOR THE TEST YEAR ENDED DECEMBER 31, 2020

SCHEDULE G-6.1  
 PAGE 1 OF 1

FERC ACCT	Affiliate (A)	Service	Amount
921000	JP Morgan Chase	Financial and Bank Services	\$ 214,450
903000	JP Morgan Chase	Bill Payment Processing	287,655
Total Test Year Expense by Affiliates			<u>\$ 502,105</u>
			G-6

(A) JP Morgan Chase is listed as an affiliate to ensure compliance with commitments made by EPE in Docket No. 49849, paragraph 70(b). These transactions were arms-length and negotiated prior to the merger.

EL PASO ELECTRIC COMPANY  
 2021 TEXAS RATE CASE FILING  
 SCHEDULE G-6.2: SUMMARY OF ADJUSTMENTS TO TEST YEAR EXPENSE BY AFFILIATE  
 SPONSOR: CYNTHIA S. PRIETO  
 PREPARER: MYRNA A. ORTIZ  
 FOR THE TEST YEAR ENDED DECEMBER 31, 2020

SCHEDULE G-6.2  
 PAGE 1 OF 1

FERC ACCT	Affiliate	Reason for Adjustment	Amount
			\$ -
Total Adjustments			(A) \$ -
			G-6

(A) There were no adjustments to Test Year Expense for affiliate transactions.



EL PASO ELECTRIC COMPANY  
2021 TEXAS RATE CASE FILING  
SCHEDULE G-7 1. RECONCILIATION OF TEST YEAR  
BOOK NET INCOME TO TAXABLE NET INCOME  
SPONSOR: SEAN M IHORN  
PREPARER: TAMMY HENDERSON  
FOR THE TEST YEAR ENDED DECEMBER 31, 2020

SCHEDULE G-7.1  
PAGE 1 OF 3

Line No.	(a) Description	(b) Twelve Months Ended		(c)
		December 31, 2019 (Per Return) (A)	December 31, 2020 (Per Books) (B)	
1	Net Income Per Books	\$ 77,129,004	\$ 78,030,765	
2	Federal Income Tax Expense	32,713,861	21,032,452	
	Taxable Income Not Recorded on Books:			
3	Contributions in Aid of Construction	6,195,310	3,732,366	(C)
4	Capitalized Construction Interest	18,303,373	12,327,255	(D)
5	Decommissioning Trust Interest Net of Fees	523,876	(37,278,295)	(E)
6	Other	(959,917)	2,407,116	(F)
	Expenses on Books Not Deducted on Return			
7	Coal Reclamation	1,450,876	1,450,876	(G)
8	Deferred Fuel	7,370,558	(29,763,804)	(H)
9	Meals and Entertainment	85,676	50,270	(I)
10	Lobbying	763,874	683,281	(J)
11	Debt Issuance Costs	(485,854)	(977,010)	(K)
12	Non-Deductible Transaction Costs	5,640,442	18,380,346	(L)
13	SFAS 143 Asset Retirement Obligation	8,997,914	9,773,153	(M)
14	State Income Taxes	(1,255,563)	575,744	(N)
15	Taxes Other Than Federal	(279,968)	3,876,154	(O)
16	Subtotal	156,193,462	84,300,669	
	Income on Books Not Included in Return:			
17	Allowance for Funds Used During Construction	4,009,234	(2,331,305)	(P)
18	Unbilled Revenue	936,962	394,441	(Q)
	Deductions in Return Not Charged Against Books:			
19	Depreciation and Amortization Differences	21,733,703	29,438,800	(R)
20	Employee Benefits	9,138,070	16,618,713	(S)
21	Decommissioning Costs	5,800,655	4,492,675	(E)
22	Repair Allowance	13,804,074	2,131,161	(T)
23	Section 174 R&D	4,494,407	9,009,288	(U)
24	Taxable Income (Loss)	\$ 96,276,357	\$ 24,546,896	

- (A) Amounts in this column were taken from the 2019 Federal income tax return (calendar year) and compared to the twelve months of the test year, January 2020 to December 2020 (B).
- (B) Amounts in this column include both operating and non-operating activities of the Company during the twelve months of the test year, January 2020 through December 2020
- (C) Contributions in Aid of Construction - Line 3  
Upon receipt of CIAC, a credit to plant assets is recorded for books and recognized as income for tax purposes. Reversal occurs through tax depreciation equal to income previously recognized.
- (D) Capitalized Construction Interest - Line 4  
Interest is capitalized to the tax basis of plant during the construction period. The interest is computed under different rules than the amount capitalized to the book basis of plant.
- (E) Decommissioning Trust Interest Net of Fees and Decommissioning Costs - Lines 5 and 21  
Decommissioning Trust unrealized gains / losses are recognized in net income per books but not included or deducted for tax purposes until the underlying investment is sold and the actual gain / loss is realized. Qualified Trust funding amounts that are deductible for tax purposes are determined periodically by the IRS through Private Letter Rulings.
- (F) Other - Line 6  
Pertains to permanent and temporary differences that are not reported as taxable income for book purposes
- (G) Coal Reclamation Costs - Line 7  
Certain book accruals and other book expenses are not deductible for tax purposes until economic performance is met.
- (H) Deferred Fuel Costs - Lines 8  
Represents the book accrual for the over / under collection of deferred fuel costs which are recognized in per books net income. For tax purposes, fuel costs are recognized in the period the service is billed.
- (I) Meals and Entertainment - Line 9  
Represents the 50% of meals and entertainment expenses that are not allowed as a deduction for tax purposes.
- (J) Lobbying - Line 10  
Represents lobbying expenses not deductible for tax purposes.
- (K) Debt issuance costs - Line 11  
Represents differences between book and tax amortization of costs associated with the Company's debt.
- (L) Non-Deductible Transaction Costs - Line 12  
Represents non-deductible strategic transaction costs related to the merger with Sun Jupiter, LLC
- (M) SFAS 143 Asset Retirement Obligation - Line 13  
For book purposes, GAAP requires the initial measurement of the asset retirement obligation liability to be recorded at fair value and the use of an allocation approach for subsequent changes in the measurement of the liability. For tax purposes, this liability is not deductible until paid
- (N) State Income Taxes - Line 14  
Pertains to the calculation of deferred state income taxes based on timing differences and differences between payments and accruals for book and tax purposes.

EL PASO ELECTRIC COMPANY  
2021 TEXAS RATE CASE FILING  
SCHEDULE G-7.1: RECONCILIATION OF TEST YEAR  
BOOK NET INCOME TO TAXABLE NET INCOME  
SPONSOR: SEAN M IHORN  
PREPARER: TAMMY HENDERSON  
FOR THE TEST YEAR ENDED DECEMBER 31, 2020

SCHEDULE G-7 1  
PAGE 3 OF 3

- (O) Taxes Other Than Income Taxes - Line 15  
Certain book accruals and other book expenses are not deductible for tax purposes until economic performance is met
- (P) Allowance for Funds Used During Construction - Line 17  
Represents the depreciation of Allowance for Equity Funds Used During Construction (AEFUDC) and Allowance for Borrowed Funds Used During Construction (ABFUDC) that is not deductible for tax purposes. Allowance for Equity Funds Used During Construction (AEFUDC) - CWIP and Allowance for Borrowed Funds Used During Construction (ABFUDC) - CWIP pertains to the accrual and capitalization of interest for book purposes which are not recognized for tax purposes.
- (Q) Unbilled Revenues - Line 18  
For tax purposes, unbilled revenues represents fuel revenues for services provided within the calendar year but not yet billed to customers
- (R) Depreciation and Amortization Differences - Line 19  
Represents differences in depreciation expense on the books and amounts deducted as depreciation on the tax return.
- (S) Employee Benefits - Line 20  
Certain employee benefit costs are not deductible for tax purposes until paid. These include book accruals for vacation and benefit plan accruals that are not yet funded
- (T) Repair Allowance - Line 22  
Pertains to an accelerated repair deduction that is allowed to be taken for tax purposes, but capitalized and depreciated over the assets life for book purposes.
- (U) Section 174 R&D - Line 23  
For tax purposes, IRC Section 174 allows the taxpayer to elect to treat qualified research and experimental costs as a deduction from income in the year incurred. The guidelines for what constitutes a "qualified expenditure" can be referenced in IRC Section 174 and Treasury Regulation 1.174-1 through 1.174-3

EL PASO ELECTRIC COMPANY  
 2021 TEXAS RATE CASE FILING  
 SCHEDULE G-7.1a: RECONCILIATION OF TIMING DIFFERENCES  
 SPONSOR: SEAN M. IHORN  
 PREPARER: TAMMY HENDERSON  
 FOR THE TEST YEAR ENDED DECEMBER 31, 2020

SCHEDULE G-7.1a  
 PAGE 1 OF 2

Line No.	(a) Description	(b) Twelve Months Ended December 31, 2020	
1	Net Income Per Books	\$ 78,030,765	(A)
2	Federal Income Tax Expense	<u>21,032,452</u>	(B)
3	Pretax Book Income	99,063,217	
4	Federal Tax Rate	<u>21%</u>	
5	Federal Income Tax at Statutory Rate	20,803,276	
6	(Decreases) Increases Due To:		
7	Amortization of Investment Tax Credit Net of Deferred Taxes	(1,279,516)	(C)
8	Amortization of Excess Deferred Taxes	952,499	(D)
9	Other Permanent Differences	462,054	(E)
10	Amortization of Regulatory Assets	(340,124)	(F)
11	Allowance for Equity Funds Used During Construction	434,263	(G)
12	Federal Income Tax Expense	<u>\$ 21,032,452</u>	(H)

FOOTNOTE EXPLANATIONS:

- (A) Agrees to Schedule G-07.01, page 1, column (c), line 1.
- (B) Agrees to Schedule G-07.01, page 1, column (c), line 2.
- (C) Amortization of Investment Tax Credit - This amount includes ITC net of deferred taxes recorded in account 411 4.
- (D) Amortization of Excess Deferred Taxes - Amortization of federal and state deferred taxes not previously recovered. For further analysis, see Schedule G-07.09.
- (E) Pertains to permanent differences that are not deductible for tax purposes such as lobbying, 50% of meals and entertainment expenses, penalties, and nondeductible merger transaction costs and officer compensation.
- (F) Amortization of Regulatory Assets - This amount includes the tax effect of ITC recorded in account 411.4.