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**EL PASO ELECTRIC COMPANY
NOTES TO FINANCIAL STATEMENTS**

	December 31,			
	2020		2019	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
Pollution Control Bonds	\$ 158,035	\$ 172,766	\$ 157,965	\$ 167,256
Senior Notes	1,118,850	1,403,655	1,118,371	1,398,645
RGRT Senior Notes (1)	64,708	72,215	109,614	114,270
RCF (1)	192,260	192,260	113,801	113,801
Total	<u>\$ 1,533,853</u>	<u>\$ 1,840,896</u>	<u>\$ 1,499,751</u>	<u>\$ 1,793,972</u>

(1) Nuclear fuel financing, as of December 31, 2020 and December 31, 2019, is funded through \$65.0 million and \$110 million RGRT Senior Notes and \$71.3 million and \$29.8 million, respectively, under the RCF. As of December 31, 2020 and December 31, 2019, \$121.0 million and \$84.0 million was outstanding under the RCF for working capital or general corporate purposes, respectively. The interest rate on the Company's borrowings under the RCF is reset throughout the quarter reflecting current market rates. Consequently, the carrying value approximates fair value. On August 17, 2020, the Company repaid in full at maturity \$45.0 million aggregate principal amount of the 5.04% RGRT Senior Notes.

Treasury Rate Locks. The Company entered into treasury rate lock agreements in 2005 to hedge against potential movements in the treasury reference interest rate pending the issuance of the 6% Senior Notes. The treasury rate lock agreements met the criteria for hedge accounting and were designated as a cash flow hedge. In accordance with cash flow hedge accounting, the Company recorded the loss associated with the fair value of the cash flow hedge, net of tax, as a component of accumulated other comprehensive loss and amortizes the accumulated comprehensive loss to earnings as interest expense over the life of the 6% Senior Notes. As of December 31, 2020, the unamortized loss associated with the fair value of the cash flow hedge was \$15.9 million. In 2021, approximately \$0.7 million of this accumulated other comprehensive loss item will be reclassified to interest expense.

Contracts and Derivative Accounting. The Company uses commodity contracts to manage its exposure to price and availability risks for fuel purchases and power sales and purchases and these contracts generally have the characteristics of derivatives. The Company does not trade or use these instruments with the objective of earning financial gains on the commodity price fluctuations. The Company has determined that all such contracts outstanding at December 31, 2020, except for certain natural gas commodity contracts with optionality features, that had the characteristics of derivatives met the "normal purchases and normal sales" exception provided in the FASB guidance for accounting for derivative instruments and hedging activities, and, as such, were not required to be accounted for as derivatives.

Marketable Securities. The Company's marketable securities, included in the NDT in the balance sheets, are reported at fair value, which was \$371.4 million and \$326.0 million at December 31, 2020 and 2019, respectively.

The investments in the NDT are classified as equity securities and temporary cash and cash equivalents restricted solely for investment in the NDT. These investments are recorded at their estimated fair value in accordance with FASB guidance for certain investments in equity securities which requires entities to recognize changes in fair value for these securities in net income as reported in the Company's Statement of Operations.

During September 2019, the Company sold all of the fixed income securities classified as available for sale held in the NDT, which approximated 450 individual securities. The proceeds were reinvested in three exchange traded funds that hold similar securities. The exchange traded funds meet the definition of equity securities with readily determinable fair values and therefore are not classified as available for sale beginning in September 2019.

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**EL PASO ELECTRIC COMPANY
NOTES TO FINANCIAL STATEMENTS**

The Company's available for sale securities in the NDT were sold from time to time and the Company used the specific identification basis to determine the amount to reclassify from AOCI into net income. The proceeds from the sale of these securities during the years ended December 31, 2020 and 2019 and the related effects on pre-tax income are as follows (in thousands):

	2020	2019
Proceeds from sales or maturities of available-for-sale securities	\$ —	\$ 168,177
Gross realized gains included in pre-tax income	\$ —	\$ 4,815
Gross realized losses included in pre-tax income	—	(2,583)
Net gains included in pre-tax income	\$ —	\$ 2,232

The Company records changes in fair market value for equity securities held in the NDT in the Company's Statements of Operations. The unrealized gains and losses recognized during the years ended December 31, 2020 and 2019 and related effects on pre-tax income are as follows (in thousands):

	2020	2019
Net gains recognized on equity securities	\$ 38,463	\$ 36,282
Less: Net gains recognized on equity securities sold	376	430
Unrealized gains recognized on equity securities still held at reporting date	\$ 38,087	\$ 35,852

Fair Value Measurements The fair value of the NDT and investments in debt securities at December 31, 2020 and 2019, and the level within the three levels of the fair value hierarchy defined by the FASB guidance are presented in the table below (in thousands):

Description of Securities	Fair Value as of December 31, 2020	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Trading Securities:				
Investments in Debt Securities	\$ 1,587	\$ —	\$ —	\$ 1,587
Equity Securities:				
Domestic (a)	\$ 338,039	\$ 338,039	\$ —	\$ —
International	30,843	30,843	—	—
Total Equity Securities	368,882	368,882	—	—
Cash and Cash Equivalents	2,566	2,566	—	—
Total	\$ 371,448	\$ 371,448	\$ —	\$ —

Description of Securities	Fair Value as of December 31, 2019	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Trading Securities:				
Investments in Debt Securities	\$ 1,587	\$ —	\$ —	\$ 1,587
Equity Securities:				
Domestic (a)	\$ 295,065	\$ 295,065	\$ —	\$ —
International	29,202	29,202	—	—
Total Equity Securities	324,267	324,267	—	—
Cash and Cash Equivalents	1,731	1,731	—	—
Total	\$ 325,998	\$ 325,998	\$ —	\$ —

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**EL PASO ELECTRIC COMPANY
NOTES TO FINANCIAL STATEMENTS**

(a) Includes \$158.0 million and 148.1 million, as of December 31, 2020 and December 31, 2019, respectively, held in exchange traded funds with underlying investments in debt securities that meet the definition of equity securities with readily determinable fair values

Below is a reconciliation of the beginning and ending balance of the fair value of the investment in debt securities classified as trading securities (in thousands)

	2020	2019
Balance at January 1	\$ 1,587	\$ 1,656
Net unrealized losses in fair value recognized in income (a)	—	(69)
Balance at December 31	<u>\$ 1,587</u>	<u>\$ 1,587</u>

(a) These amounts are reflected in the Company's Statements of Operations as investment and interest income

There were no purchases, sales, issuances and settlements related to the assets in the Level 3 fair value measurement category during the year ended December 31, 2020

M. Supplemental Statements of Cash Flows Disclosures

	Years Ended December 31,	
	2020	2019
	(In thousands)	
Cash paid (refunded) for		
Interest on long-term debt and borrowing under the revolving credit facility	\$ 72,428	\$ 70,997
Income tax paid (refunded), net	14,214	(1,451)
Non-cash investing and financing activities		
Changes in accrued plant additions	8,809	2,912
Grants of restricted shares of common stock	589	1,393
Issuance of performance shares	2,937	2,520
Non-cash operating activities		
Operating lease liabilities arising from obtaining ROU assets	—	5,550

N. Merger

On June 1, 2019, the Company entered into the Merger Agreement, by and among the Company, Parent and Merger Sub. On July 22, 2020, the Company received the final required regulatory approval under the Merger Agreement by the FERC. The Company received approvals required to consummate the Merger from the NMPRC, the NRC, the PUCT, the City of El Paso, Texas, the Federal Trade Commission, and the Antitrust Division of the Department of Justice. The Merger closed on July 29, 2020.

On July 29, 2020, pursuant to the Merger Agreement, Merger Sub merged with and into the Company, with the Company continuing as the surviving corporation in the Merger and becoming a wholly owned subsidiary of Parent. Parent is owned by IIF US 2, a master holding partnership of IIF.

On July 29, 2020, each share of common stock of the Company including outstanding and unvested restricted stock and unvested performance stock of the Company was cancelled and converted into the right to receive \$68.25 in cash, without interest. Parent's acquisition of all the issued and outstanding shares of Company common stock for \$68.25 per share in cash represents a total equity value of approximately \$2.8 billion.

On July 29, 2020, in connection with the closing of the Merger, the Company notified the New York Stock Exchange ("NYSE") that the Merger had been consummated and requested that the NYSE delist shares of Company common stock and file with the U.S. Securities and Exchange Commission ("SEC") a notification on Form 25 to report the delisting of shares of Company common stock from the NYSE and to deregister shares of Company common stock under Section 12(b) of the

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**EL PASO ELECTRIC COMPANY
NOTES TO FINANCIAL STATEMENTS**

Securities Exchange Act of 1934, as amended (the "Exchange Act") Trading of the Company's common stock on the NYSE ceased after the market closed on July 29, 2020, and on July 31, 2020, the NYSE filed a Form 25 with the SEC

Upon closing of the Merger on July 29, 2020, the Company's certificate of formation was amended and restated to conform to the certificate of formation of Merger Sub, as in effect immediately prior to the closing of the Merger The total number of shares of common stock the Company is authorized to issue is One Thousand (1,000) The par value of each of the authorized shares of common stock is \$0.01 per share

On August 10, 2020, the Company filed a Form 15 with the SEC to terminate the registration of its common stock under the Exchange Act and to suspend its reporting obligations under Sections 12(g) and 15(d) of the Exchange Act

On September 24, 2020, Parent made an equity infusion into the Company in the amount of \$125.0 million The Company filed the Notice of Equity Infusion in NMPRC Case No. 20-00104-UT

The Company, Parent and IIF US 2 have agreed to numerous regulatory commitments in connection with the Merger under the agreements with the PUCT, the NMPRC, and the City of El Paso discussed above Among the commitments that apply to the Company as of the closing of the Merger are the issuance of rate credits to its Texas customers in a total aggregate amount of \$21.0 million and to New Mexico customers of \$8.7 million Both rate credits will be distributed among customers in 36 monthly installments The Company was required to make tariff filings to implement the rate credits no later than 45 days after the issuance of the PUCT final order approving the Merger in Docket No. 49849, which occurred on January 28, 2020, in Texas, and 7 days after the closing of the Merger, which occurred on July 29, 2020, in New Mexico The Company made its required tariff filing in Texas under PUCT Docket No. 50477 on March 13, 2020, which was approved on June 30, 2020 The Company made its required tariff filing in New Mexico through an Advice Notice filed in NMPRC Case No. 19-00234-UT on July 27, 2020 The Merger rate credits became effective in Texas and New Mexico on August 1, 2020, and August 5, 2020, respectively, following the closing of the Merger The Company has agreed not to attempt to recover the value of these rate credits in future rate cases

In connection with the Merger, the Company recorded \$71.7 million of strategic transaction costs in the year ended December 31, 2020 The strategic transaction costs include \$29.7 million in rate credits as discussed above, \$4.3 million related to accelerated stock compensation, expenses for legal, and other consulting costs, which are reflected in Other income (deductions) - Strategic transaction costs in the Company's Statements of Operations The Company will not attempt to recover strategic transaction costs in future rate cases The Company reflected any non-deductible amounts in the effective tax rate at the Merger closing date

On July 28, 2020, the Board of Directors declared a "stub period" dividend in an amount equal to \$0.004505 per share of Company common stock (which reflected the regular quarterly common stock dividend rate of \$0.41 per share, divided by 91 days), multiplied by the number of days from and including June 17, 2020, the day after the record date for the most recent regular quarterly common stock dividend, to and including the Merger closing date of July 29, 2020 The "stub period" dividend was payable to the holders of record of Company common stock as of the close of business on the last day that Company common stock were traded on the NYSE

On August 14, 2020, the Company adopted a dividend policy which provides that no later than 45 days following the end of each quarter, the Company shall distribute to its sole shareholder, Parent, an amount equal to the Company's net income for such calendar quarter, provided that if the Company's net income for a quarter is below zero, no dividend shall be paid On October 29, 2020, the Company's Board of Directors declared out of the surplus of the Company, a cash dividend to Parent in the amount of \$17.4 million, which was paid on October 30, 2020

Long-Term Incentive Plan

Prior to the consummation of the Merger, the Company had a stock based long-term incentive plan ("LTIP") which awarded restricted stock with either service conditions or performance conditions All outstanding awards vested at the closing of the Merger, and subsequently the LTIP was terminated.

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**EL PASO ELECTRIC COMPANY
NOTES TO FINANCIAL STATEMENTS**

The expense, deferred tax benefit, and current tax benefit recognized related to the LTIP in 2020 and 2019 is presented below (in thousands)

	<u>2020</u>	<u>2019</u>
Expense (a)	\$ 2,292	\$ 2,473
Deferred tax benefit	481	519
Current tax benefit recognized on restricted stock	211	112

(a) Any capitalized costs related to these expenses on is less than \$0.3 million for all years

O. Subsequent Events

The Company has evaluated subsequent events through March 30, 2021, the date at which the financial statements were available to be issued, and determined there are no other items to disclose.

EL PASO ELECTRIC COMPANY
2021 TEXAS RATE CASE FILING
SCHEDULE J-1: RECONCILIATION- TOTAL COMPANY TO TOTAL ELECTRIC
(PREPARED IN ACCORDANCE WITH REGULATORY ACCOUNTING PRINCIPLES)
SPONSOR CYNTHIA S. PRIETO
PREPARER MYRNA A. ORTIZ
FOR THE TEST YEAR ENDED DECEMBER 31, 2020

SCHEDULE J-1
PAGE 1 OF 3

BALANCE SHEET

ASSETS AND OTHER DEBITS				
	(a)	(b)	(c)	(d)
Line		Total		Total
No.	Description	Company		Electric
		December 31		December 31
		2020	Adjustments(*)	2020
UTILITY PLANT				
1	Utility Plant	\$ 5,521,706,608	\$ -	\$ 5,521,706,608
2	Construction Work In Progress	214,062,220	-	214,062,220
3	Total Utility Plant	5,735,768,828	-	5,735,768,828
4	Accum Prov for Depr Amort, Depl	(2,468,590,939)	-	(2,468,590,939)
5	Net Utility Plant	3,267,177,889	-	3,267,177,889
6	Nuclear Fuel Under Capital Leases	198,356,451	-	198,356,451
7	Accum Prov for Amort of Nucl Fuel Assemblies	(72,680,258)	-	(72,680,258)
8	Net Nuclear Fuel	125,676,193	-	125,676,193
9	Net Utility Plant	3,392,854,082	-	3,392,854,082
10	Utility Plant Adjustments	-	-	-
OTHER PROPERTY AND INVESTMENTS				
11	Nonutility Property	613,325	-	613,325
12	Investment in Subsidiary Companies	-	-	-
13	Other Investments	1,609,180	-	1,609,180
14	Other Special Funds	374,674,197	-	374,674,197
15	Total Other Property and Investments	376,896,702	-	376,896,702
CURRENT AND ACCRUED ASSETS				
16	Cash	8,062,530	-	8,062,530
17	Working Fund	909,123	-	909,123
18	Temporary Cash Investments	403,784	-	403,784
19	Customer Accounts Receivable	57,141,331	-	57,141,331
20	Other Accounts Receivable	14,977,427	-	14,977,427
21	Accum Prov for Uncollectible Acct -Credit	(5,919,568)	-	(5,919,568)
22	Fuel Stock	1,731,080	-	1,731,080
23	Plant Materials and Operating Supplies	65,517,426	-	65,517,426
24	Allowances	28,533	-	28,533
25	Stores Expense Undistributed	(4,548)	-	(4,548)
26	Prepayments	18,997,423	-	18,997,423
27	Interest and Dividends Receivable	849	-	849
28	Accrued Utility Revenues	25,187,000	-	25,187,000
29	Miscellaneous Current and Accrued Assets	88,547	-	88,547
30	Total Current and Accrued Assets	187,120,937	-	187,120,937
DEFERRED DEBITS				
31	Unamortized Debt Expenses	12,709,792	-	12,709,792
32	Other Regulatory Assets	89,075,845	-	89,075,845
33	Preliminary Survey and Investigation Charges	3,141,095	-	3,141,095
34	Clearing Accounts	(31,456)	-	(31,456)
35	Miscellaneous Deferred Debits	6,697,300	-	6,697,300
36	Unamortized Loss on Reacquired Debt	14,261,495	-	14,261,495
37	Accumulated Deferred Income Taxes	178,281,619	-	178,281,619
38	Total Deferred Debits	304,135,690	-	304,135,690
39	Total Assets	\$ 4,261,007,411	\$ -	\$ 4,261,007,411

40 * The Company has no adjustments to reconcile Total Company to Total Electric.

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

EL PASO ELECTRIC COMPANY
2021 TEXAS RATE CASE FILING
SCHEDULE J-1 RECONCILIATION- TOTAL COMPANY TO TOTAL ELECTRIC
(PREPARED IN ACCORDANCE WITH REGULATORY ACCOUNTING PRINCIPLES)
SPONSOR CYNTHIA S. PRIETO
PREPARER: MYRNA A. ORTIZ
FOR THE TEST YEAR ENDED DECEMBER 31, 2020

SCHEDULE J-1
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BALANCE SHEET

LIABILITIES AND OTHER CREDITS			
(a)		(b)	(c)
		Total	
		Company	
		December 31	
		2020	Adjustments(*)
Line	Description		
No.			
PROPRIETARY CAPITAL			
1	Common Stock Issued	\$ 10	\$ -
2	Premium on Capital Stock	125,000,000	-
3	Other Paid-In Capital	-	-
4	Capital Stock Expense	-	-
5	Retained Earnings	1,310,993,031	-
6	Unappropriated Undistributed Subsidiary Earnings	-	-
7	Reacquired Capital Stock	-	-
8	Accumulated Other Comprehensive Income	(38,805,402)	-
9	Total Proprietary Capital	1,397,187,639	-
LONG-TERM DEBT			
10	Bonds	159,835,000	-
11	Other Long-Term Debt	1,125,000,000	-
12	Unamortized Discount on Long-Term Debt	6,410,857	-
13	Unamortized Discount on Long-Term Debt	(3,228,179)	-
14	Total Long-Term Debt	1,288,017,678	-
OTHER NONCURRENT LIABILITIES			
15	Obligations Under Capital Leases - Noncurrent	69,654,265	-
16	Accumulated Provision for Pensions and Benefits	100,873,256	-
17	Accumulated Provision for Rate Refunds	-	-
18	Asset Retirement Obligations	118,918,957	-
19	Total Other Noncurrent Liabilities	289,446,478	-
CURRENT AND ACCRUED LIABILITIES			
20	Notes Payable	121,000,000	-
21	Accounts Payable	85,472,005	-
22	Customer Deposits	8,321,654	-
23	Taxes Accrued	40,678,091	-
24	Interest Accrued	12,248,892	-
25	Tax Collections Payable	1,448,813	-
26	Miscellaneous Current and Accrued Liabilities	27,971,437	-
27	Obligations Under Capital Leases - Current	72,758,235	-
28	Total Current and Accrued Liabilities	369,899,127	-
DEFERRED CREDITS			
29	Customer Advances for Construction	31,754,536	-
30	Accumulated Deferred Investment Tax Credits	19,339,718	-
31	Other Deferred Credits	7,024,635	-
32	Other Regulatory Liabilities	316,379,149	-
33	Accumulated Deferred Income Taxes - Other Property	499,156,703	-
34	Accumulated Deferred Income Taxes - Other	42,801,748	-
35	Total Deferred Credits	916,456,489	-
36	Total Liabilities and Stockholder Equity	\$ 4,261,007,411	\$ -

37 * The Company has no adjustments to reconcile Total Company to Total Electric

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

EL PASO ELECTRIC COMPANY
2021 TEXAS RATE CASE FILING
SCHEDULE J-1 FINANCIAL STATEMENTS
RECONCILIATION - TOTAL COMPANY TO TOTAL ELECTRIC
(PREPARED IN ACCORDANCE WITH REGULATORY ACCOUNTING PRINCIPLES)
SPONSOR: CYNTHIA S. PRIETO
PREPARER: MYRNA A. ORTIZ
FOR THE TEST YEAR ENDED DECEMBER 31, 2020

SCHEDULE J-1
PAGE 3 OF 3

STATEMENT OF OPERATIONS

	(a)	(b)	(c)	(d)
		Twelve Months Ended December 31, 2020		
Line No	Description	Total Company	Adjustment(*)	Total Electric
UTILITY OPERATING INCOME				
1	Operating Revenues	\$ 917,510,145	-	\$ 917,510,145
Operating Expenses				
2	Operation Expenses	451,470,233	-	451,470,233
3	Maintenance Expenses	77,160,828	-	77,160,828
4	Depreciation Expense	98,661,265	-	98,661,265
5	Depreciation Expense for Asset Retirement Cost	(1,327,619)	-	(1,327,619)
6	Amortization of Utility Plant	9,139,703	-	9,139,703
7	Regulatory Debits	2,238,525	-	2,238,525
8	Regulatory Credits	-	-	-
8	Taxes Other Than Income Taxes	74,646,716	-	74,646,716
9	Income Taxes - Federal	13,269,005	-	13,269,005
10	Income Taxes - Other	1,969,464	-	1,969,464
11	Provision for Deferred Income Taxes	74,241,492	-	74,241,492
12	Provision for Deferred Income Taxes - Credit	(61,561,935)	-	(61,561,935)
13	Investment Tax Credit Adjustment - Net	(1,619,640)	-	(1,619,640)
14	Gains from Disposition of Allowances	-	-	-
15	Accretion Expense	9,847,576	-	9,847,576
16	Total Utility Operating Expenses	748,135,613	-	748,135,613
17	Net Utility Operating Income	169,374,532	-	169,374,532
OTHER INCOME AND DEDUCTIONS				
Other Income				
Nonutility Operating Income				
18	Revenues from Merchandising, Jobbing and Contract Work	1,635,425	-	1,635,425
19	Costs and Expenses of Merchandising, Jobbing and Contract Work	(1,737,720)	-	(1,737,720)
20	Equity in Earnings of Subsidiary Companies	-	-	-
21	Interest and Dividend Income	6,408,085	-	6,408,085
22	Allowance for Other Funds Used During Construction	2,603,186	-	2,603,186
23	Miscellaneous Nonoperating Income	43,623,180	-	43,623,180
24	Gain on Disposition of Property	674,690	-	674,690
25	Total Other Income	53,206,846	-	53,206,846
Other Income Deductions				
26	Loss on Disposition of Property	(17,043)	-	(17,043)
27	Miscellaneous Amortization	-	-	-
28	Donations	1,474,400	-	1,474,400
29	Life Insurance	441,744	-	441,744
30	Penalties	753	-	753
31	Expense for Certain Civic, Political & Related Activities	724,753	-	724,753
32	Other Deductions	71,998,200	-	71,998,200
33	Total Other Income Deductions	74,622,807	-	74,622,807
Taxes Applicable to Other Income and Deductions				
34	Taxes Other Than Income Taxes	6,059	-	6,059
35	Income Taxes - Federal	(8,045,196)	-	(8,045,196)
36	Income Taxes - Other	(762,173)	-	(762,173)
37	Provision for Deferred Income Taxes	18,302,816	-	18,302,816
38	Provision for Deferred Income Taxes - Credit	(12,978,346)	-	(12,978,346)
39	Investment Tax Credits	-	-	-
40	Total Taxes on Other Income and Deductions	(3,476,840)	-	(3,476,840)
41	Net Other Income and Deductions	(17,939,121)	-	(17,939,121)
INTEREST CHARGES				
42	Interest on Long-Term Debt	72,293,195	-	72,293,195
43	Amortization of Debt Discount and Expense	1,053,566	-	1,053,566
44	Amortization of Loss on Recaptured Debt	950,256	-	950,256
45	Amort. of Premium on Debt-Credit	(140,496)	-	(140,496)
46	Other Interest Expense	3,048,045	-	3,048,045
47	Allowance for Borrowed Funds Used During Construction - Credit	(3,799,920)	-	(3,799,920)
48	Net Interest Charges	73,404,646	-	73,404,646
49	Net Income	\$ 78,030,765	-	\$ 78,030,765

50 * The Company has no adjustments to reconcile Total Company to Total Electric.

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

EL PASO ELECTRIC COMPANY
2021 TEXAS RATE CASE FILING
SCHEDULE J-2: CONSOLIDATED FINANCIAL STATEMENTS
SPONSOR: JAMES SCHICHTL
PREPARER: MYRNA A. ORTIZ
FOR THE TEST YEAR ENDED DECEMBER 31, 2020

SCHEDULE J-2
PAGE 1 OF 1

Not Applicable. Schedule J instructions explain that the utility is required to present "all financial statements currently considered necessary for fair presentation of the utility's financial position in accordance with generally accepted accounting principles as applicable to regulated utilities." Because of the extensive ring-fencing and the purposeful isolation of EPE from other Infrastructure Investment Fund companies, EPE is not a member or division of a group of companies or another company such that consolidated financial statements are necessary for the fair presentation of the utility's financial position.

EL PASO ELECTRIC COMPANY
2021 TEXAS RATE CASE FILING
SCHEDULE K-1: WEIGHTED AVERAGE COST OF CAPITAL
SPONSOR: LISA D. BUDTKE
PREPARER: RICHARD GONZALEZ
FOR THE BASE YEAR ENDED DECEMBER 31, 2020

SCHEDULE K-1
PAGE 1 OF 1

	(a)	(b)	(c)	(d)	(e)
HISTORICAL:					
LINE NO	DESCRIPTION	BALANCE AS OF DECEMBER 31, 2020	PERCENT OF TOTAL	COST OF CAPITAL	WEIGHTED AVERAGE COST OF CAPITAL
1	Common Equity	\$1,397,187,639	52.511%	5.585% (1)(2)	2.933%
2	Preferred Equity	\$0	0.000%	0.000%	0.000%
3	Long-Term Debt	<u>\$1,263,573,544</u>	<u>47.489%</u>	5.576%	<u>2.648%</u>
4	Total Capitalization	\$2,660,761,183	100.000%		5.581%

AS REQUESTED:

LINE NO	DESCRIPTION	BALANCE AS OF DECEMBER 31, 2020	PERCENT OF TOTAL	COST OF CAPITAL	WEIGHTED AVERAGE COST OF CAPITAL
5	Common Equity		51.000% (3)	10.300%	5.253%
6	Preferred Equity		0.000%	0.000%	0.000%
7	Long-Term Debt		<u>49.000%</u>	5.576%	<u>2.732%</u>
8	Total Requested Capitalization		100.000%		7.985%

Notes:

- (1) Please refer to WP K-01.
(2) Includes the pre-tax impact of (a) \$71.7 million of strategic transaction costs and (b) \$38.5 million of gains from EPE's Palo Verde nuclear decommissioning trusts, which were recorded in the year ended December 31, 2020.
(3) 51% equity ratio reflects long-term need to maintain investment grade credit ratings.

EL PASO ELECTRIC COMPANY
2021 TEXAS RATE CASE FILING

SCHEDULE K-2
PAGE 1 OF 1

SCHEDULE K-2: WEIGHTED AVERAGE COST OF PREFERRED STOCK

SPONSOR: LISA D. BUDTKE

PREPARER: RICHARD GONZALEZ

FOR THE TEST YEAR ENDED DECEMBER 31, 2020

This schedule is not applicable to El Paso Electric Company as there was no Preferred Stock outstanding during the test year.

EL PASO ELECTRIC COMPANY
2021 TEXAS RATE CASE FILING
SCHEDULE K-3 WEIGHTED AVERAGE COST OF L-T DEBT
SPONSOR: LISA D BUDTKE
PREPARER: RICHARD GONZALEZ
FOR THE TEST YEAR ENDED DECEMBER 31, 2020

SCHEDULE K-3
PAGE 1 OF 2

	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l, p 2)	(l)	(m)	(n)
Line	Series Description	Issuance Date (1)	Maturity Date	Coupon Rate	Sinking Fund Requirement	Principal Amount at Issuance	Premium or (Discount)	Underwriting Fees and Issuance Expenses (4)	Gain or (Loss) on Recquired Debt	Net Proceeds At Issuance	Net Proceeds As % of Par	Book Value Excl Scheduled Maturities	Issue as % of Total Book Value	Cost of Debt	Weighted Average Cost
1	6 0% Senior Notes	5/17/2005	5/15/2035	6 000%	No	\$400,000,000	(\$2,312,000)	\$27,679,089	(\$25,146,719)	\$344,862,192	86 216%	\$383,137,210	30 322%	7 118%	2 158%
2	7 5% Senior Notes	6/3/2008	3/15/2038	7 500%	No	\$150,000,000	(\$1,281,000)	\$1,714,035	\$0	\$147,004,965	98 003%	\$147,568,578	11 679%	7 673%	0 896%
3	3 3% Senior Notes	12/6/2012	12/15/2022	3 300%	No	\$150,000,000	(\$318,000)	\$1,338,657	\$0	\$148,343,343	98 896%	\$149,622,115	11 841%	3 431%	0 406%
4	5 0% Senior Notes	12/1/2014	12/1/2044	5 000%	No	\$150,000,000	(\$532,500)	\$1,787,396	\$0	\$147,680,104	98 453%	\$147,915,638	11 706%	5 101%	0 597%
5	5 0% Senior Notes	3/24/2016	12/1/2044	5 000%	No	\$150,000,000	\$7,051,500	\$1,762,201	\$0	\$155,289,299	103 526%	\$154,808,755	12 252%	4 773%	0 585%
6	4 22% Senior Notes	6/28/2018	8/15/2028	4 220%	No	\$125,000,000	\$0	\$893,476	\$0	\$124,106,524	99 285%	\$124,282,405	9 836%	4 307%	0 424%
7	Mancopa Ser 2009 A (3)	5/22/2019	2/1/2040	3 600%	No	\$63,500,000	\$0	\$755,357	(\$1,182,414)	\$61,562,229	96 948%	\$61,874,510	4 897%	3 815%	0 187%
8	Mancopa Ser 2012 A (2)	8/28/2012	8/1/2042	4 500%	No	\$59,235,000	\$0	\$896,854	(\$372,998)	\$57,965,148	97 856%	\$58,334,198	4 617%	4 633%	0 214%
9	Maricopa Ser 2009 B (3)	5/22/2019	4/1/2040	3 600%	No	\$37,100,000	\$0	\$470,463	(\$800,165)	\$35,829,372	96 575%	\$36,030,135	2 851%	3 840%	0 109%
10	Total											<u>\$1,263,573,544</u>	<u>100 000%</u>		<u>5 576%</u>

Notes

- (1) \$150 million of the 5 0% Senior Notes issued on March 24, 2016 constitute an additional issuance of the 5 0% Senior Notes dues on December 1, 2044, of which \$150 million was previously issued on December 1, 2014, for a total principal amount outstanding of \$300 million
- (2) The Mancopa Series 2012 A bonds were refunded on 8/28/12
- (3) The Maricopa Series 2009 A & B bonds were reoffered and sold on May 22, 2019, with a fixed interest rate of 3 60% .
- (4) Includes interest rate lock cost of \$22,439,203

SCHEDULE K-3
PAGE 1 OF 2

EL PASO ELECTRIC COMPANY
2021 TEXAS RATE CASE FILING
SCHEDULE K-3: WEIGHTED AVERAGE COST OF L-T DEBT
SPONSOR: LISA D BUDTKE
PREPARER: RICHARD GONZALEZ
FOR THE TEST YEAR ENDED DECEMBER 31, 2020

SCHEDULE K-3
PAGE 2 OF 2

	(a, p 1)	(o)	(p)	(q)	(r)	(s)	(t)
	Series	Principal	Principal	Unamortized	Unamortized	Unamortized	Book Value
	Description	Amount	Excl. Scheduled	Premium or	Fees and	Gain (Loss) on	Excl. Scheduled
Line		Outstanding	Maturities	(Discount)	Expenses	Reacquired Debt (1)	Maturities
							Par
1	6% Senior Notes	\$400,000,000	\$400,000,000	(\$1,637,271)	\$3,710,721	(\$11,514,798)	\$383,137,210
2	7.5% Senior Notes	\$150,000,000	\$150,000,000	(\$1,039,924)	\$1,391,498	\$0	\$147,568,578
3	3 3% Senior Notes	\$150,000,000	\$150,000,000	(\$72,541)	\$305,344	\$0	\$149,622,115
4	5 0% Senior Notes	\$150,000,000	\$150,000,000	(\$478,443)	\$1,605,919	\$0	\$147,915,638
5	5 0% Senior Notes	\$150,000,000	\$150,000,000	\$6,410,857	\$1,602,102	\$0	\$154,808,755
6	4.22% Senior Notes	\$125,000,000	\$125,000,000	\$0	\$717,595	\$0	\$124,282,405
7	Marcopa Ser 2009 A	\$63,500,000	\$63,500,000	\$0	\$709,955	(\$915,535)	\$61,874,510
8	Marcopa Ser 2012 A	\$59,235,000	\$59,235,000	\$0	\$644,910	(\$255,892)	\$58,334,198
9	Marcopa Ser. 2009 B	\$37,100,000	\$37,100,000	\$0	\$444,851	(\$625,014)	\$36,030,135
10	Total			\$3,182,678	\$11,132,895	(\$13,311,239)	\$1,263,573,544

Notes:

(1) Does not include the interest rate lock cost of \$22,439,203 for the 6% Senior Note, but includes the unamortized losses related to the repurchase of the Company's First Mortgage Bonds.

SCHEDULE K-3
PAGE 2 OF 2

EL PASO ELECTRIC COMPANY
2021 TEXAS RATE CASE FILING
SCHEDULE K-4 PUBLIC: NOTES PAYABLE
SPONSOR: LISA D. BUDTKE
PREPARER: RICHARD GONZALEZ / GREGORY SHEARMAN
FOR THE TEST YEAR ENDED DECEMBER 31, 2020

SCHEDULE K-4
PAGE 1 OF 1
PUBLIC

Notes Payable Outstanding as of December 31, 2020

Obligation Description (1)	Maturity Date	Principal Amount	% of Total Principal	Interest Rate (2)	Weighted Average Cost
RCF ABR Loan	N/A	\$3,000,000	3%	0.077%	0.002%
RCF Eurodollar Loan	1/4/2021	\$56,000,000	46%	0.023%	0.011%
RCF Eurodollar Loan	1/8/2021	\$62,000,000	51%	0.030%	0.015%
Total		<u>\$121,000,000</u>			

Notes Payable Outstanding During the Last Two Years:

Quarter Ending September 30, 2020	\$61,000,000
Quarter Ending June 30, 2020	\$256,000,000
Quarter Ending March 31, 2020	\$207,000,000
Quarter Ending December 31, 2019	\$84,000,000
Quarter Ending September 30, 2019	\$77,000,000
Quarter Ending June 30, 2019	\$133,500,000
Quarter Ending March 31, 2019	\$173,000,000
Quarter Ending December 31, 2018	\$23,000,000

Anticipated changes in Notes Payable during the twelve months following the test year: (3)

Month	Monthly Change	Ending Balance
January 2021	REDACTED	REDACTED
February 2021	REDACTED	REDACTED
March 2021	REDACTED	REDACTED
April 2021	REDACTED	REDACTED
May 2021	REDACTED	REDACTED
June 2021	REDACTED	REDACTED
July 2021	REDACTED	REDACTED
August 2021	REDACTED	REDACTED
September 2021	REDACTED	REDACTED
October 2021	REDACTED	REDACTED
November 2021	REDACTED	REDACTED
December 2021	REDACTED	REDACTED

Notes:

(1) The Company currently has a \$400 million revolving credit facility (RCF). The RCF is available for nuclear fuel borrowings and for general corporate purposes. The borrowings identified on Schedule K-4 are for general corporate purposes and exclude nuclear fuel borrowings.

(2) Interest rate reflects the weighted interest rate on a one week Eurodollar loan and not the annual percentage rate.

(3) Refer to Schedule K-4 CONFIDENTIAL, for anticipated changes in the projected period, which is being filed as Confidential Protected Materials in this proceeding pursuant to a Protective Order.

EL PASO ELECTRIC COMPANY
 2021 TEXAS RATE CASE FILING
 SCHEDULE K-5 PUBLIC: SECURITY ISSUANCE RESTRICTIONS
 SPONSOR: LISA D. BUDTKE
 PREPARER: RICHARD GONZALEZ / GREGORY SHEARMAN
 FOR THE BASE YEAR ENDED DECEMBER 31, 2020

SCHEDULE K-5
 PAGE 1 OF 2
 PUBLIC

<u>Line</u>	<u>(a)</u> <u>Document</u>	<u>(b)</u> <u>Section/Article</u>	<u>(c)</u> <u>Title of Section</u>	<u>(d)</u> <u>Restriction</u>
1	Articles of Incorporation as amended	IV	Capital Stock	The total number of shares the Company is authorized to issue is One Thousand 1,000
2	Credit Agreement	6.09	Debt to Capitalization Ratio	Total Consolidated Debt to Total Consolidated Capital as of the last day of any fiscal quarter cannot be in excess of 65 to 1.00. (1)
3	FMB Indenture	4.01	Requirements for Issuance	The Company may issue up to 75% of any Retired Initial Series Bonds, other than collateral bonds.

Note.

(1) The Company's nuclear fuel financing trust, Rio Grande Resources Trust II (RGRT), is included in the financial statements of the Company.

SCHEDULE K-5
 PAGE 1 OF 2
 PUBLIC

EL PASO ELECTRIC COMPANY
2021 TEXAS RATE CASE FILING
SCHEDULE K-5 PUBLIC SECURITY ISSUANCE RESTRICTIONS
SPONSOR LISA D. BUDTKE
PREPARER: RICHARD GONZALEZ / GREGORY SHEARMAN
FOR THE BASE YEAR ENDED DECEMBER 31, 2020

SCHEDULE K-5
PAGE 2 OF 2
PUBLIC

	Year End <u>2019</u>	Base Year Ended <u>12/31/2020</u>		<u>Projected Information (3)</u>		
				Year End <u>2021</u>	Year End <u>2022</u>	Year End <u>2023</u>
<u>Excluding Rate Relief</u>						
Articles of Incorporation						
Shares issued & outstanding	40,732,426	1,000 (1)		REDACTED	REDACTED	REDACTED
Credit Agreement.						
Debt to Capitalization Ratio - not to exceed 0.65 to 1.00	55.37%	52.83%		REDACTED	REDACTED	REDACTED
FMB Indenture						
FMB's issued - limited to 75% of retired bonds (2)	N/A	N/A		N/A	N/A	N/A

Including Rate Relief

Articles of Incorporation:					
Shares issued & outstanding			REDACTED	REDACTED	REDACTED
Credit Agreement.					
Debt to Capitalization Ratio - not to exceed 0.65 to 1.00			REDACTED	REDACTED	REDACTED
FMB Indenture					
FMB's issued - limited to 75% of retired bonds (2)			N/A	N/A	N/A

Note:

(1) Prior to EPE's Merger, EPE was authorized to issue 100,000,000 shares of common stock and 2,000,000 shares of preferred stock. No preferred stock was issued or outstanding at year end 2019. Upon consumation of the Merger, EPE's articles of incorporation were amended to authorize EPE authority to issue 1,000 shares.

(2) No FMB's are currently outstanding or projected to be outstanding.

(3) Refer to Schedule K-5 CONFIDENTIAL, for anticipated changes in the projected period, which is being filed as Confidential Protected Materials in this proceeding pursuant to a Protective Order.

SCHEDULE K-5
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PUBLIC

EL PASO ELECTRIC COMPANY
 2021 TEXAS RATE CASE FILING
 SCHEDULE K-6: FINANCIAL RATIOS
 SPONSOR LISA BUDTKE
 PREPARER MYRNA A. ORTIZ / GREGORY SHEARMAN
 FOR THE TEST YEAR ENDED DECEMBER 31, 2020

SCHEDULE K - 6
 PAGE 1 OF 7
PUBLIC

Line No		(1)	(2)	(3)	(4)	(5)	(6)	(7)
		Total Debt % of Capital	Total CWIP % of Net Plant	Construction Expend % Avg. Capital	Pre-Tax Interest Coverage	Pre-Tax Interest Coverage Excluding AFUDC and Deferrals	Fixed Charge Coverage	Fixed Charge Coverage Excluding AFUDC and Deferrals
	Actual:							
1	Fiscal Year 2015	55.29%	10.86%	14.45%	2.74	2.40	2.71	2.38
2	Fiscal Year 2016	55.72%	5.46%	11.21%	3.07	2.83	3.05	2.82
3	Fiscal Year 2017	54.36%	4.97%	9.52%	2.99	2.84	2.97	2.83
4	Fiscal Year 2018	55.06%	5.47%	10.76%	2.39	2.23	2.38	2.22
5	Fiscal Year 2019	55.04%	4.87%	9.68%	2.96	2.81	2.95	2.79
	Test Year:							
6	12/31/2020	52.53%	6.31%	9.94%	2.31	2.16	2.30	2.15
	Projected: (1)	R E D A C T E D						
7	Fiscal Year 2021							
8	Fiscal Year 2022							
9	Fiscal Year 2023							
		(8)	(9)	(10)	(11)	(12)	(13)	
		Cash Interest Coverage	Internal Cash % Construction Expenditures	Cash Covg Of Common Dividends	AFUDC % Net Income for Common	Internal Cash % Average Total Debt	Return on Equity	
	Actual:							
10	Fiscal Year 2015	4.42	58.35%	5.01	20.90%	15.45%	8.28%	
11	Fiscal Year 2016	4.17	69.10%	4.73	12.26%	13.95%	9.22%	
12	Fiscal Year 2017	4.63	94.03%	5.20	6.08%	18.26%	8.76%	
13	Fiscal Year 2018	4.34	78.82%	4.72	8.31%	15.10%	7.26%	
14	Fiscal Year 2019	4.15	75.65%	4.19	5.30%	13.30%	10.23%	
	Test Year:							
15	12/31/2020	3.47	48.71%	3.39	8.21%	9.01%	5.93%	
	Projected: (1)	R E D A C T E D						
16	Fiscal Year 2021							
17	Fiscal Year 2022							
18	Fiscal Year 2023							

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

(1) Refer to Schedule K-6 CONFIDENTIAL, for anticipated changes in the projected period, which is being filed as Confidential Protected Materials in this proceeding pursuant to a Protective Order.

SCHEDULE K - 6
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PUBLIC

EL PASO ELECTRIC COMPANY
 2021 TEXAS RATE CASE FILING
 SCHEDULE K-6 FINANCIAL RATIOS
 SPONSOR LISA BUDTKE
 PREPARER MYRNA A. ORTIZ / GREGORY SHEARMAN
 FOR THE TEST YEAR ENDED DECEMBER 31, 2020

SCHEDULE K - 6
 PAGE 2 OF 7
PUBLIC

	PROJECTED (in thousands)			ACTUAL (in whole dollars)					
	2023	2022	2021	2020	2019	2018	2017	2016	2015
(1) TOTAL DEBT AS A PERCENT OF TOTAL CAPITAL									
Notes Payable				121,000,000	84,000,000	23,000,000	85,000,000	44,000,000	108,000,000
Long-Term Debt				1,288,017,678	1,288,018,879	1,288,021,378	1,163,025,101	1,196,329,881	1,039,284,083
Capital Lease (Non-Current)				65,000,000	65,000,000	110,000,000	45,000,000	45,000,000	95,000,000
Capital Lease (Current)				72,259,899	76,657,581	28,408,157	89,389,759	89,274,728	35,439,067
Total Debt				1,546,277,577	1,513,676,460	1,449,429,533	1,382,414,860	1,374,604,609	1,277,723,150
Preferred Stock				-	-	-	-	-	-
Common Stock Equity				1,397,187,639	1,236,463,123	1,183,128,311	1,160,566,445	1,092,354,723	1,033,308,261
Total Capital				2,943,465,216	2,750,139,583	2,632,557,844	2,542,981,305	2,466,959,332	2,311,031,411
Numerator				1,546,277,577	1,513,676,460	1,449,429,533	1,382,414,860	1,374,604,609	1,277,723,150
Denominator				2,943,465,216	2,750,139,583	2,632,557,844	2,542,981,305	2,466,959,332	2,311,031,411
Total Debt as a Percent of Total Capital				52.53%	55.04%	55.06%	54.36%	55.72%	55.29%
(2) TOTAL CWIP AS A PERCENT OF NET PLANT									
Construction Work in Progress				214,062,220	157,850,999	169,327,229	146,057,827	154,738,506	293,796,089
Net Utility Plant				3,392,854,082	3,238,659,159	3,095,687,180	2,939,357,931	2,833,207,734	2,706,074,105
Numerator				214,062,220	157,850,999	169,327,229	146,057,827	154,738,506	293,796,089
Denominator				3,392,854,082	3,238,659,159	3,095,687,180	2,939,357,931	2,833,207,734	2,706,074,105
Total CWIP as a Percent of Net Plant				6.31%	4.87%	5.47%	4.97%	5.46%	10.86%

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

SCHEDULE K - 6
 PAGE 2 OF 7
PUBLIC

	PROJECTED (in thousands)			ACTUAL (in whole dollars)					
	2023	2022	2021	2020	2019	2018	2017	2016	2015
(3) CONSTRUCTION EXPENDITURES AS A PERCENT OF AVERAGE TOTAL CAPITAL									
Gross Additions to Utility Plant Excluding AFUDC				249,874,966	223,597,649	240,021,401	199,896,774	225,361,491	281,458,334
Gross Additions to Nuclear Fuel Excluding Capitalized Int				32,994,217	36,800,287	38,354,233	38,479,968	42,382,790	41,966,119
Cash Construction Expenditures				<u>282,869,183</u>	<u>260,397,936</u>	<u>278,375,634</u>	<u>238,376,742</u>	<u>267,744,281</u>	<u>323,424,453</u>
Beginning Capital				2,750,139,583	2,632,557,844	2,542,981,305	2,466,959,332	2,311,031,411	2,164,469,087
Ending Capital (from (1) above)				<u>2,943,465,216</u>	<u>2,750,139,583</u>	<u>2,632,557,844</u>	<u>2,542,981,305</u>	<u>2,466,959,332</u>	<u>2,311,031,411</u>
Average Total Capital				<u>2,846,802,400</u>	<u>2,691,348,714</u>	<u>2,587,769,575</u>	<u>2,504,970,319</u>	<u>2,388,995,372</u>	<u>2,237,750,239</u>
Numerator				282,869,183	260,397,936	278,375,634	238,376,742	267,744,281	323,424,453
Denominator				<u>2,846,802,400</u>	<u>2,691,348,714</u>	<u>2,587,769,575</u>	<u>2,504,970,319</u>	<u>2,388,995,372</u>	<u>2,237,750,239</u>
Construction Expenditures as a Percent of Average Total Capital				<u>9.94%</u>	<u>9.68%</u>	<u>10.76%</u>	<u>9.52%</u>	<u>11.21%</u>	<u>14.45%</u>
(4) PRE-TAX INTEREST COVERAGE									
Income from Continuing Operations				78,030,765	123,715,379	85,050,298	98,703,869	97,956,132	84,093,567
+/- Non-Recurring Items (before tax)				-	-	-	-	-	-
+/- Extraordinary Items (net of tax)				-	-	-	-	-	-
+ Income Taxes				22,815,487	32,260,348	24,606,481	50,665,934	52,953,225	32,803,788
+ Interest Incurred (before ABFUDC and capitalized interest)				<u>77,204,566</u>	<u>79,453,280</u>	<u>78,743,152</u>	<u>75,207,748</u>	<u>72,977,419</u>	<u>67,373,754</u>
Total Pre-Tax Coverage				<u>178,050,818</u>	<u>235,429,007</u>	<u>188,399,931</u>	<u>224,577,551</u>	<u>223,886,776</u>	<u>184,271,109</u>
Interest Incurred				<u>77,204,566</u>	<u>79,453,280</u>	<u>78,743,152</u>	<u>75,207,748</u>	<u>72,977,419</u>	<u>67,373,754</u>
Numerator				178,050,818	235,429,007	188,399,931	224,577,551	223,886,776	184,271,109
Denominator				<u>77,204,566</u>	<u>79,453,280</u>	<u>78,743,152</u>	<u>75,207,748</u>	<u>72,977,419</u>	<u>67,373,754</u>
Pretax Interest Coverage				<u>2.31</u>	<u>2.96</u>	<u>2.39</u>	<u>2.99</u>	<u>3.07</u>	<u>2.74</u>

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

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	PROJECTED (in thousands)			ACTUAL (in whole dollars)					
	2023	2022	2021	2020	2019	2018	2017	2016	2015
(5) PRE-TAX INTEREST COVERAGE (EXCLUDING AFUDC & DEFERRALS)									
Total Pre-Tax Coverage (from (4) above)				178,050,818	235,429,007	188,399,931	224,577,551	223,886,776	184,271,109
- AEFUDC and ABFUDC				6,403,106	6,560,290	7,064,997	5,999,197	12,005,420	17,576,168
- Interest Capitalized and Deferred				4,936,544	5,987,751	5,714,086	5,225,676	5,168,256	5,206,934
- Deferred Carrying Costs				-	-	-	-	-	-
- Deferred Expenses				-	-	-	-	-	-
- Mirror CWIP Amortization				-	-	-	-	-	-
Total Pre-Tax Coverage (Excluding AFUDC and Deferrals)				166,711,168	222,880,966	175,620,848	213,352,678	206,713,100	161,488,007
Interest Incurred (from (4) above)				77,204,566	79,453,280	78,743,152	75,207,748	72,977,419	67,373,754
Numerator				166,711,168	222,880,966	175,620,848	213,352,678	206,713,100	161,488,007
Denominator				77,204,566	79,453,280	78,743,152	75,207,748	72,977,419	67,373,754
Pre-Tax Interest Coverage (Excluding AFUDC and Deferrals)				2.16	2.81	2.23	2.84	2.83	2.40
(6) FIXED CHARGE COVERAGE									
Total Pre-Tax Coverage (from (4) above)				178,050,818	235,429,007	188,399,931	224,577,551	223,886,776	184,271,109
+ Fixed Charges (= 1/3 of Rental Expenses)				570,483	526,746	445,196	443,402	607,346	856,583
Total Fixed Charge Coverage				178,621,301	235,955,753	188,845,127	225,020,953	224,494,122	185,127,692
Interest Incurred (from (4) above)				77,204,566	79,453,280	78,743,152	75,207,748	72,977,419	67,373,754
+ 1/3 Rental Expenses				570,483	526,746	445,196	443,402	607,346	856,583
Total Interest and Fixed Charges				77,775,049	79,980,026	79,188,348	75,651,150	73,584,765	68,230,337
Numerator				178,621,301	235,955,753	188,845,127	225,020,953	224,494,122	185,127,692
Denominator				77,775,049	79,980,026	79,188,348	75,651,150	73,584,765	68,230,337
Fixed Charge Coverage				2.30	2.95	2.38	2.97	3.05	2.71

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

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	PROJECTED (in thousands)			ACTUAL (in whole dollars)					
	2023	2022	2021	2020	2019	2018	2017	2016	2015
(7) FIXED CHARGE COVERAGE RATIO (EXCLUDING AFUDC & DEFERRALS)									
Total Pre-Tax Coverage (from (5) above)				166,711,168	222,880,966	175,620,848	213,352,678	206,713,100	161,488,007
+ 1/3 Rental Expenses				570,483	526,746	445,196	443,402	607,346	856,583
Total Fixed Charge Coverage				167,281,651	223,407,712	176,066,044	213,796,080	207,320,446	162,344,590
Interest Incurred (from (4) above)				77,204,566	79,453,280	78,743,152	75,207,748	72,977,419	67,373,754
+ 1/3 Rental Expenses				570,483	526,746	445,196	443,402	607,346	856,583
Total Interest and Fixed Charges				77,775,049	79,980,026	79,188,348	75,651,150	73,584,765	68,230,337
Numerator				167,281,651	223,407,712	176,066,044	213,796,080	207,320,446	162,344,590
Denominator				77,775,049	79,980,026	79,188,348	75,651,150	73,584,765	68,230,337
Total Fixed Charge Coverage Ratio (Excluding AFUDC & Deferrals)				2.15	2.79	2.22	2.83	2.82	2.38
(8) CASH INTEREST COVERAGE									
Cash Flow From Operations				188,363,973	276,754,841	285,629,593	288,763,575	232,275,730	246,910,199
- Net (Increase) Decrease in Receivables				(16,058,671)	(144,823)	5,712,325	(137,824)	(17,510,667)	4,838,535
- Net (Increase) Decrease in Inventory				(5,054,019)	(5,512,759)	(4,101,092)	(3,059,832)	293,057	(2,836,127)
- Net (Increase) Decrease in Allowances Inventory				27,551	558	(16,082)	(12,737)	(27,693)	(22,410)
- Net (Increase) Decrease in Prepayments & Other				(9,422,065)	(757,201)	(4,418,921)	(682,304)	(1,183,644)	(3,984,042)
- Net (Increase) Decrease in Payables & Accrued Expenses				12,459,762	12,321,429	5,611,399	3,201,811	1,414,303	(3,555,339)
ABFUDC				(3,799,920)	(4,015,109)	(3,612,047)	(2,974,276)	(4,982,916)	(6,936,605)
Interest Capitalized on Nuclear Fuel				(4,936,544)	(5,987,751)	(5,714,086)	(5,225,676)	(5,168,256)	(5,206,934)
Decommissioning Fund Contributions				(2,132,186)	(2,132,186)	(2,132,186)	(3,786,209)	(4,535,300)	(4,535,303)
Cash Flow From Operations Before Working Capital Changes				195,542,765	258,712,591	271,383,645	277,478,300	234,603,902	235,790,740
Cash Interest Paid				72,428,169	70,996,750	70,015,846	70,523,395	69,989,790	62,297,290
Total Cash Coverage				267,970,934	329,709,341	341,399,491	348,001,695	304,593,692	298,088,030
Interest Incurred (from (4) above)				77,204,566	79,453,280	78,743,152	75,207,748	72,977,419	67,373,754
Numerator				267,970,934	329,709,341	341,399,491	348,001,695	304,593,692	298,088,030
Denominator				77,204,566	79,453,280	78,743,152	75,207,748	72,977,419	67,373,754
Cash Interest Coverage				3.47	4.15	4.34	4.63	4.17	4.42

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

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	PROJECTED (in thousands)			ACTUAL (in whole dollars)					
	2023	2022	2021	2020	2019	2018	2017	2016	2015
(9) INTERNAL CASH AS A PERCENTAGE OF CONSTRUCTION EXPENDITURES									
Cash Flow From Operations Before Working Capital Changes (from (8) above)				195,542,765	258,712,591	271,383,645	277,478,300	234,603,902	235,790,740
- Preferred Dividends				-	-	-	-	-	-
- Common Dividends				(57,757,671)	(61,718,056)	(57,539,118)	(53,337,470)	(49,602,666)	(47,058,573)
Net Internal Cash Flow				137,785,094	196,994,535	213,844,527	224,140,830	185,001,236	188,732,167
Cash Construction Expenditures (from (3) above)				282,869,183	260,397,936	278,375,634	238,376,742	267,744,281	323,424,453
Numerator				137,785,094	196,994,535	213,844,527	224,140,830	185,001,236	188,732,167
Denominator				282,869,183	260,397,936	278,375,634	238,376,742	267,744,281	323,424,453
Internal Cash as a Percentage of Construction Expenditures				48.71%	75.65%	76.82%	94.03%	69.10%	58.35%
(10) CASH COVERAGE OF COMMON DIVIDENDS									
Cash Flow From Operations Before Working Capital Changes (from (8) above)				195,542,765	258,712,591	271,383,645	277,478,300	234,603,902	235,790,740
- Preferred Dividends				-	-	-	-	-	-
Cash Flow Available for Common				195,542,765	258,712,591	271,383,645	277,478,300	234,603,902	235,790,740
Common Dividends				57,757,671	61,718,056	57,539,118	53,337,470	49,602,666	47,058,573
Cash Coverage of Common Dividends				3.39	4.19	4.72	5.20	4.73	5.01
(11) AFUDC AS A PERCENTAGE OF NET INCOME FOR COMMON SHAREHOLDERS									
Total AFUDC				6,403,106	6,560,290	7,064,997	5,999,197	12,005,420	17,576,168
+ Deferred Carrying Costs				-	-	-	-	-	-
+ Mirror CWIP Amortization				-	-	-	-	-	-
AFUDC Income				6,403,106	6,560,290	7,064,997	5,999,197	12,005,420	17,576,168
Net Income				78,030,765	123,715,379	85,050,298	98,703,869	97,956,132	84,093,567
- Preferred Dividends				-	-	-	-	-	-
Net Income Available for Common				78,030,765	123,715,379	85,050,298	98,703,869	97,956,132	84,093,567
Numerator				6,403,106	6,560,290	7,064,997	5,999,197	12,005,420	17,576,168
Denominator				78,030,765	123,715,379	85,050,298	98,703,869	97,956,132	84,093,567
AFUDC as a Percentage of Net Income for Common Shareholders				8.21%	5.30%	8.31%	6.08%	12.26%	20.90%

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

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	PROJECTED (in thousands)			ACTUAL (in whole dollars)					
	2023	2022	2021	2020	2019	2018	2017	2016	2015
(12) INTERNAL CASH AS A PERCENTAGE OF AVERAGE TOTAL DEBT									
Beginning Total Debt				1,513,676,460	1,449,429,533	1,382,414,860	1,374,604,609	1,277,723,150	1,165,620,673
Ending Total Debt (from (1) above)				1,546,277,577	1,513,676,460	1,449,429,533	1,382,414,860	1,374,604,609	1,277,723,150
Average Total Debt				1,529,977,019	1,481,552,997	1,415,922,197	1,378,509,735	1,326,163,880	1,221,671,912
Numerator (Same as (9) above)				137,785,094	196,994,535	213,844,527	224,140,830	185,001,236	188,732,167
Denominator				1,529,977,019	1,481,552,997	1,415,922,197	1,378,509,735	1,326,163,880	1,221,671,912
Internal Cash as a Percentage of Average Total Debt				9.01%	13.30%	15.10%	16.26%	13.95%	15.45%
(13) RETURN ON AVERAGE COMMON EQUITY									
Net Income After Preferred Dividends (from (11) above)				78,030,765	123,715,379	85,050,298	98,703,869	97,956,132	84,093,567
Beginning Common Equity				1,236,463,123	1,183,128,311	1,160,566,445	1,092,354,723	1,033,308,261	998,848,394
Ending Common Equity				1,397,187,639	1,236,463,123	1,183,128,311	1,160,566,445	1,092,354,723	1,033,308,261
Average Common Equity				1,316,825,381	1,209,795,717	1,171,847,378	1,126,460,584	1,062,831,492	1,016,078,328
Numerator				78,030,765	123,715,379	85,050,298	98,703,869	97,956,132	84,093,567
Denominator				1,316,825,381	1,209,795,717	1,171,847,378	1,126,460,584	1,062,831,492	1,016,078,328
Return on Average Common Equity				5.93%	10.23%	7.26%	8.76%	9.22%	8.28%

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

EL PASO ELECTRIC COMPANY
 2021 TEXAS RATE CASE FILING
 SCHEDULE K-7: CAPITAL REQUIREMENTS AND ACQUISITION PLAN
 SPONSOR: LISA BUDTKE
 PREPARER: GREGORY SHEARMAN
 FOR THE TEST YEAR ENDED DECEMBER 31, 2020 AND THE PROJECTED YEARS 2021-2023

SCHEDULE K - 7
 PAGE 1 of 1
 PUBLIC

(Millions of Dollars)

	ACTUAL	PROJECTED (E)		
	12 Months Ended December 31, 2020	Fiscal Year 2021	Fiscal Year 2022	Fiscal Year 2023
<u>CAPITAL REQUIREMENTS</u>				
Generation	\$115			
Transmission	21			
Distribution	92			
General/Other	26			
Nuclear Fuel	38			
Subtotal Utility Cash Construction	292			
Short-Term Debt Retirements	0			
Financing and Capital Lease Obligations Retirements	603			
Long-Term Debt Retirements	0			
Common Stock Repurchases (A)	0			
Common Stock Dividends (A)	58			
Total Capital Requirements Including Dividends	\$953			
Less Dividends	(58)			
Total Capital Requirements Excluding Dividends (B)	\$895			
<u>SOURCES OF CAPITAL</u>				
Internal Sources (C)	\$138			
External Sources				
Short-Term Debt	0			
Long-Term Debt	0			
Preferred Stock	0			
Common Stock Issuances (A)	125			
Financing and Capital Lease Obligations	637			
Other (D)	(5)			
Total Capital Resources	\$895			

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- (A) The common stock dividends and issuances shown on this schedule are the dividends paid to or equity infusions received from Sun Jupiter Holdings LLC. The Company has no plans to repurchase any of the equity owned by Sun Jupiter Holdings LLC.
- (B) Dividends are excluded from capital requirements in order for internal sources (item B) to tie to schedule K-6.
- (C) Agrees to net internal cash flow (with dividends deducted) shown as the numerator for ratio (9) on Schedule K-6 as a required tie out per PUCT schedule instructions.
- (D) Changes in working capital, ABFUDC, decommissioning fund contributions, and other adjustments to internal cash flow.
- (E) Refer to Schedule K-7 CONFIDENTIAL, for anticipated changes in the projected period, which is being filed as Confidential Protected Materials in this proceeding pursuant to a Protective Order.

SCHEDULE K - 7
 PAGE 1 OF 1
 PUBLIC

EL PASO ELECTRIC COMPANY
2021 TEXAS RATE CASE FILING
SCHEDULE K-8 HISTORICAL GROWTH IN EARNINGS, DIVIDENDS, AND BOOK VALUE
FOR THE SIXTEEN YEARS ENDED DECEMBER 31, 2019
SPONSOR LISA D BUDTKE
PREPARER MYRNA A ORTIZ
FOR THE TEST YEAR ENDED DECEMBER 31, 2020

SCHEDULE K-8
PAGE 1 OF 2

(a)		(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)	(m)	(n)	(o)	(p)		
Line No	Year	Beginning Common Equity (1)	Net Income For Common	Common Dividends	Additional Equity (Net)	Ending Common Equity	Average Common Equity	Return on Common Equity %	Percentage Retained Earnings	Implied Growth	Weighted Average Shares For EPS	Weighted Average Shares For DPS	Year End Shares For Book Value	EPS	DPS	BVPS		
					f-(b+c+d)		(b+f)/2	c/g	(c-d)/c	h*1				c/k	d/l	f/m		
1	2004	537,175,404	5,662,903	0	(6,736,905)	536,101,402	536,638,403	1.06%	100.00%	1.06%	47,426,813	47,426,813	47,403,072	0.12	0	11.31		
2	2005	536,101,402	33,947,243	0	(11,833,352)	558,215,293	547,158,348	6.20%	100.00%	6.20%	47,711,894	47,711,894	48,142,321	0.71	0	11.60		
3	2006	558,215,293	70,398,958	0	(57,258,197)	571,356,054	584,785,674	12.46%	100.00%	12.46%	47,863,890	47,863,890	45,894,900	1.48	0	12.42		
4	2007	571,356,054	76,831,162	0	18,071,713	666,258,929	618,807,492	12.42%	100.00%	12.42%	45,563,858	45,563,858	45,149,659	1.69	0	14.76		
5	2008	666,258,929	80,282,956	0	(48,777,699)	697,764,186	682,011,558	11.77%	100.00%	11.77%	44,777,765	44,777,765	44,883,752	1.79	0	15.55		
6	2009	697,764,186	67,855,774	0	(37,662,983)	727,956,977	712,860,582	9.52%	100.00%	9.52%	44,524,146	44,524,146	43,924,872	1.52	0	16.57		
7	2010	727,956,977	92,275,027	0	(11,337,756)	808,894,248	768,425,613	12.01%	100.00%	12.01%	43,129,735	43,129,735	42,571,065	2.14	0	19.00		
8	2011	808,894,248	104,162,168	27,223,004	(122,861,404)	762,972,008	785,933,128	13.25%	73.86%	9.79%	41,349,883	41,349,883	39,959,154	2.52	0.658	19.09		
9	2012	762,972,008	93,220,300	38,889,511	14,274,881	831,577,478	797,274,743	11.69%	58.28%	6.81%	39,974,022	39,974,022	40,112,078	2.33	0.973	20.73		
10	2013	831,577,478	92,779,951	42,049,111	72,300,009	954,608,327	893,082,903	10.39%	54.68%	5.68%	40,114,594	40,114,594	40,266,706	2.31	1.048	23.71		
11	2014	954,608,327	95,247,056	44,555,926	(8,451,063)	998,848,394	976,728,361	9.75%	53.22%	5.19%	40,190,991	40,190,991	40,356,624	2.37	1.109	24.75		
12	2015	998,848,394	84,093,567	47,058,573	(2,575,127)	1,033,308,261	1,016,078,328	8.28%	44.04%	3.64%	40,274,886	40,274,886	40,443,819	2.09	1.168	25.55		
13	2016	1,033,308,261	97,956,132	49,602,666	10,692,996	1,092,354,723	1,062,831,492	9.22%	49.36%	4.55%	40,350,688	40,350,688	40,517,718	2.43	1.229	26.96		
14	2017	1,092,354,723	98,703,869	53,337,470	22,845,323	1,160,566,445	1,126,460,584	8.76%	45.96%	4.03%	40,414,556	40,414,556	40,584,338	2.44	1.320	28.60		
15	2018	1,160,566,445	85,060,298	57,539,118	(4,949,314)	1,183,128,311	1,171,847,378	7.26%	32.35%	2.35%	40,521,364	40,521,364	40,681,121	2.10	1.420	29.08		
16	2019	1,183,128,311	123,715,379	61,718,056	(8,662,511)	1,236,463,123	1,209,796,717	10.23%	50.11%	5.13%	40,605,597	40,605,597	40,732,426	3.05	1.520	30.36		
TEST Year																		
17	2020 (2)	1,236,463,123	78,030,765	57,757,671	140,451,422	1,397,187,639	1,316,825,381	5.93%	25.98%	1.54%	1,000	1,000	1,000	78,030.77	57,757.671	1,397,187.64		
18					Five-Year Average 2015 - 2019			8.75%	44.36%	3.94%			Five-Year Compound Growth Rate			5.22%	6.50%	4.23%
19					Ten-Year Average 2010 - 2019			10.08%	56.18%	5.92%			Ten-Year Compound Growth Rate			7.23%	N/A	6.23%
20					Fifteen-Year Average 2005 - 2019			10.21%	70.79%	7.44%			Fifteen-Year Compound Growth Rate			24.07%	N/A	6.79%

Note

- (1) Subsidiary earnings are not included in the equity numbers for the years 2004 through 2013. The Company dissolved MiraSol Energy Services in the fourth quarter of 2013.
(2) Upon closing of the Merger with IIF US 2 on July 29, 2020, each share of common stock of the Company including outstanding and unvested restricted stock and unvested performance stock of the Company was cancelled and converted into the right to receive \$68.25 in cash, without interest. Per the Certificate of the Merger, the total number of shares the Company is authorized to issue is 1,000. The par value of each of the authorized shares is \$0.01 per share.

SCHEDULE K-8
PAGE 1 OF 2

EL PASO ELECTRIC COMPANY
 2021 TEXAS RATE CASE FILING
 SCHEDULE K-8 HISTORICAL GROWTH IN EARNINGS, DIVIDENDS, AND BOOK VALUE
 FOR THE SIXTEEN YEARS ENDED DECEMBER 31, 2019
 SPONSOR: LISA D. BUDTKE
 PREPARER: MYRNA A. ORTIZ
 FOR THE TEST YEAR ENDED DECEMBER 31, 2020

SCHEDULE K-8
 PAGE 2 OF 2

	(a)	(q)	(r)	(s)	(t)	(u)
Line No	Year	Year-End Market Price	Market To Book	Non-Recurring Gains(Losses) (Net of Taxes)	Net Income for Common (Adjusted)	Description of Non-Recurring Item
		q/p		c-s		
1	2004	18.94	1.67	0	5,662,903	Adoption of FIN 47
2	2005	21.04	1.81	(1,731,735)	35,678,978	
3	2006	24.37	1.96	0	70,398,958	
4	2007	25.57	1.73	0	76,831,162	
5	2008	18.09	1.16	0	80,282,956	
6	2009	20.28	1.22	0	67,855,774	
7	2010	27.53	1.45	0	92,275,027	
8	2011	34.64	1.81	0	104,162,168	
9	2012	31.91	1.54	0	93,220,300	
10	2013	35.11	1.48	0	92,779,951	
11	2014	40.06	1.62	0	95,247,056	
12	2015	38.50	1.51	0	84,093,567	
13	2016	46.50	1.72	0	97,956,132	
14	2017	55.35	1.94	0	98,703,869	
15	2018	50.13	1.72	0	85,050,298	
16	2019	67.89	2.24	0	123,715,379	
17	TEST Year 2020	0.00	N/A	0.00	78,030,765	

SCHEDULE K-8
 PAGE 2 OF 2

EL PASO ELECTRIC COMPANY
2021 TEXAS RATE CASE FILING
SCHEDULE K-9: RATING AGENCY REPORTS
SPONSOR: LISA D. BUDTKE
PREPARER: RICHARD GONZALEZ
FOR 12 MONTH PERIOD ENDED JANUARY 31, 2020

SCHEDULE K-9
PAGE 1 OF 1

The credit rating analyses and investment reports are listed below and copyright protected:

Description

CREDIT RATING Reports

- 1 Moody's Credit Opinion on EE – September 21, 2020
- 2 Standard & Poor's Rating Action on EE – September 18, 2020
- 3 Fitch Rating Action on EE – May 26, 2020
- 4 Fitch Rating Report on EE – July 6, 2020

SELL SIDE ANALYST REPORTS

- 5 Argus Report – January 15, 2020
- 6 Argus Report – April 1, 2020
- 7 Argus Report – June 26, 2020
- 8 Value Line – January 24, 2020
- 9 Value Line – April 24, 2020
- 10 Value Line – July 24, 2020

EL PASO ELECTRIC COMPANY
2021 RATE CASE FILING
SCHEDULE L: FINANCIAL INFORMATION (RIVER AUTHORITIES)
SPONSOR: LISA D. BUDTKE
PREPARER: JUDITH M. PARSONS
FOR THE TEST YEAR ENDED DECEMBER 31, 2020

SCHEDULE L
PAGE 1 OF 1

Schedules L-1 through L-9 are not applicable to El Paso Electric Company.

1. General Information

- a. The plant and/or unit(s) covered by each fund.

Palo Verde Generating Station, Unit 1, 2 & 3.

- b. The commercial operation dates.

Unit 1: January 28, 1986
Unit 2: September 19, 1986
Unit 3: January 8, 1988

- c. The estimated service life of the unit.

60 years for each unit

- d. The date the operating license expires.

Unit 1: June 1, 2045
Unit 2: April 24, 2046
Unit 3: November 25, 2047

- e. Identity of decommissioning fund trustee and fund managers(s) (if any).

Trustee:

Unit 1: Wells Fargo Bank, N.A.

Unit 2: Wells Fargo Bank, N.A.

Unit 3: Wells Fargo Bank, N.A.

Fund Managers:

Duff & Phelps Investment Management Co.
Russell Investments

Duff & Phelps Investment Management Co.
Russell Investments

Duff & Phelps Investment Management Co.
Russell Investments

- f. Provide the portion of the trust agreement that demonstrates the trust is irrevocable.

Unit 1: Please refer to Schedule M-1, pages 9-10 for copies of relevant language from the Trust Agreement, dated April 1, 2006
Unit 2: Please refer to Schedule M-1, pages 11-12 for copies of relevant language from the Trust Agreement, dated April 1, 2006
Unit 3: Please refer to Schedule M-1, pages 13-14 for copies of relevant language from the Trust Agreement, dated April 1, 2006

- g. State the percentage of the fund that is "qualified" under Internal Revenue Code Section 468A. Provide the most recent approved schedule of ruling amounts.

Unit 1: 100% (1)
Unit 2: 99 % (1)
Unit 3: 100% (1)

(1) Per fund balances at the end of the test year (12/31/20).

Copies of the most recent approved schedule of ruling amounts, dated April 29, 2013, for Unit 1 are included in Schedule M-1 page 15.

Copies of the most recent approved schedule of ruling amounts, dated April 29, 2013, for Unit 2 are included in Schedule M-1 page 16.

Copies of the most recent approved schedule of ruling amounts, dated May 9, 2013, for Unit 3 are included in Schedule M-1 page 17.

- h. Provide the investment objectives or guidelines given to the fund manager(s) by the company.

Please refer to Schedule M-1 pages 18-53.

- i. Provide the current fee agreements with trustee and fund managers.

Please refer to Schedule M-1 pages 54-55 for the Wells Fargo trustee fee schedule.
Please refer to Schedule M-1 pages 56-59 for the Duff and Phelps fee schedule. (Refer to the Passive Equity Fee Schedule)
Please refer to Schedule M-1 pages 60-62 for the Russell Investments fee schedule.

2. Decommissioning Cost

- j. The total estimated cost of decommissioning each plant or unit in current dollars. "Current dollars" are defined as the dollar value as of the most recent site-specific decommissioning study or redetermination as required by Substantive Rule 23.21(b)(1)(F). Specify the year used to establish the estimate's present value of decommissioning costs.

2019 TLG Study (Total Plant \$)

Unit 1	\$ 968,251,000
Unit 2	950,190,000
Unit 3	<u>1,039,146,000</u>
	<u>\$ 2,957,587,000</u>

EL PASO ELECTRIC COMPANY
 2021 TEXAS RATE CASE FILING
 SCHEDULE M-1: DECOMMISSIONING INFORMATION
 SPONSOR: LARRY HANCOCK
 PREPARER: LARRY HANCOCK
 FOR THE TEST YEAR ENDED DECEMBER 31, 2020

SCHEDULE M-1
 PAGE 3 OF 64

- k. If the utility is responsible for less than 100 percent of the decommissioning costs, state the utility's percentage of responsibility for decommissioning each unit and its total estimated decommissioning cost for each unit in current dollars, consistent with part (o).

El Paso Electric Company is responsible for approximately 15.8% of the estimated decommissioning costs for each unit.

2019 TLG Study (EPE %)

Unit 1	\$ 152,984,000
Unit 2	150,130,000
Unit 3	164,185,000
	<u>\$ 467,299,000</u>

- l. The date decommissioning is scheduled to begin for each unit.

Unit 1: June 2045 (early planning begins in 2040)
 Unit 2: April 2046
 Unit 3: November 2047

- m. Length of time estimated to decommission each unit. Provide a schedule showing the estimated length of each major phase of the decommissioning process as well as the time estimate for the entire decommissioning process.

Unit 1:

	<u>Begin Date</u>	<u>End Date</u>	<u>Duration</u>
Pre-Shutdown Early Planning	Jun 2040	Jun 2045	60 months
Preparations	Jun 2045	Dec 2046	18 months
Decommissioning Operations	Dec 2046	Feb 2055	98 months
Site Restoration	Feb 2055	Jan 2057	23 months
Total			<u>199 months</u>

Unit 2:

	<u>Begin Date</u>	<u>End Date</u>	<u>Duration</u>
Preparations	Apr 2046	Apr 2047	12 months
Decommissioning Operations	Apr 2047	Feb 2055	94 months
Site Restoration	Feb 2055	Jan 2057	23 months
Total			<u>129 months</u>

EL PASO ELECTRIC COMPANY
 2021 TEXAS RATE CASE FILING
 SCHEDULE M-1: DECOMMISSIONING INFORMATION
 SPONSOR: LARRY HANCOCK
 PREPARER: LARRY HANCOCK
 FOR THE TEST YEAR ENDED DECEMBER 31, 2020

SCHEDULE M-1
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Unit 3:

	<u>Begin Date</u>	<u>End Date</u>	<u>Duration</u>
Preparations	Nov 2047	Nov 2048	12 months
Decommissioning Operations	Nov 2048	Feb 2055	75 months
Site Restoration	Feb 2055	Jan 2057	23 months
Total			<u>110 months</u>

Dry Fuel Storage/ISFSI Operations:

	<u>Begin Date</u>	<u>End Date</u>	
Pool Operations	Jun 2045	Nov 2053	101 months
End of Pool Operations			
Through License Termination	Nov 2053	Feb 2055	15 months
ISFSI Operations	Feb 2055	Dec 2097	514 months
Decontamination	Dec 2097	Jun 2098	6 months
Site Restoration	Jun 2098	Aug 2098	2 months
Total			<u>638 months</u>

- n. Estimated rate of escalation of decommissioning costs. Provide the escalation rate used to determine the future cost of decommissioning. Analysis and documentation supporting the determination of the appropriate escalation rate shall be provided in this schedule or in testimony.

The estimated rate of escalation used to determine the future cost of decommissioning is 3.09%. Please refer to Schedule M-1 page 63 for documentation supporting this rate.

- o. Schedule of the utility's estimated annual decommissioning expenditures during the decommissioning process in current dollars and future dollars. Current dollars" are as defined in (j). "Future dollars" are defined to mean the future value of the expenditures based on the escalation rate from (n) and the number of years between the cost estimate date from (j) and the expenditure date. If the expenditures differ from the most recent cost study or redetermination, please explain the variation.

	<u>EPE 2019 Dollars</u> <u>"Current Dollars"</u>	<u>EPE Escalated Dollars</u> <u>"Future Dollars"</u>
Unit 1	\$ 152,984,000	\$ 410,034,195
Unit 2	150,130,000	410,357,924
Unit 3	164,185,000	464,527,494
	<u>\$ 467,299,000</u>	<u>\$ 1,284,919,613</u>

3. Decommissioning Funding

- p. Funding method proposed (straight-line, inflation adjusted, etc.).

Straight-line for each unit.

- q. The date decommissioning funding began or is expected to begin.

	<u>Authorized Collections</u>	<u>Beginning Deposit</u>
Unit 1:	April 22, 1988	March 16, 1989
Unit 2:	April 22, 1988	March 16, 1989
Unit 3:	August 5, 1991 (bonded rates)	March 16, 1992

Dates correspond to the Texas jurisdiction

- r. Actual and planned accumulations in the decommissioning fund as of the end of the test year. "Planned fund accumulations" are defined to be the projected accumulation at the end of the test year based on the funding assumptions adopted by the Commission in the company's last rate case. All assumptions shall be stated.

	Total Company Planned Fund Accumulations	Total Company Actual Fund Accumulations Texas jurisdiction balances Grossed-up by Docket No. 46831 D-1 allocator
<u>Unit 1:</u>		
Dec 2020	93,917,270*	\$ 107,711,167
<u>Unit 2:</u>		
Dec 2020	91,316,234*	105,439,219
<u>Unit 3:</u>		
Dec 2020	94,133,884*	107,493,801

*Estimated balance at Dec 2020 from the funding calculations submitted in Docket No. 46831

EL PASO ELECTRIC COMPANY
 2021 TEXAS RATE CASE FILING
 SCHEDULE M-1: DECOMMISSIONING INFORMATION
 SPONSOR: LARRY HANCOCK
 PREPARER: LARRY HANCOCK
 FOR THE TEST YEAR ENDED DECEMBER 31, 2020

SCHEDULE M-1
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s. Computation of administrative fees paid during the test year, or most recent fiscal year.

Unit 1:	Qualified	Non-Qualified	Total	
Jan-20	15,338	-	15,338	(a)
Feb-20	20,948	-	20,948	(b)(c)
Mar-20	-	-	-	
Apr-20	14,456	-	14,456	(a)
May-20	20,327	-	20,327	(b)(c)
Jun-20	-	-	-	
Jul-20	13,258	-	13,258	(a)
Aug-20	21,493	-	21,493	(b)(c)
Sep-20	-	-	-	
Oct-20	14,407	-	14,407	(a)
Nov-20	4,395	-	4,395	(b)
Dec-20	17,595	-	17,595	(c)
	<u>\$ 142,216</u>	<u>\$ -</u>	<u>\$ 142,216</u>	

Unit 2:	Qualified	Non-Qualified	Total	
Jan-20	15,258	-	15,258	(a)
Feb-20	20,481	1,289	21,770	(b)(c)
Mar-20	-	-	-	
Apr-20	14,380	-	14,380	(a)
May-20	19,814	1,312	21,126	(b)(c)
Jun-20	-	-	-	
Jul-20	13,188	-	13,188	(a)
Aug-20	20,988	1,306	22,294	(b)(c)
Sep-20	-	-	-	
Oct-20	14,331	-	14,331	(a)
Nov-20	4,328	820	5,148	(b)
Dec-20	17,166	494	17,660	(c)
	<u>\$ 139,934</u>	<u>\$ 5,221</u>	<u>\$ 145,155</u>	

EL PASO ELECTRIC COMPANY
 2021 TEXAS RATE CASE FILING
 SCHEDULE M-1: DECOMMISSIONING INFORMATION
 SPONSOR: LARRY HANCOCK
 PREPARER: LARRY HANCOCK
 FOR THE TEST YEAR ENDED DECEMBER 31, 2020

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Unit 3:	Qualified	Non-Qualified	Total	
Jan-20	14,401	-	14,401	(a)
Feb-20	19,961	-	19,961	(b)(c)
Mar-20	-	-	-	
Apr-20	13,572	-	13,572	(a)
May-20	19,411	-	19,411	(b)(c)
Jun-20	-	-	-	
Jul-20	12,448	-	12,448	(a)
Aug-20	20,501	-	20,501	(b)(c)
Sep-20	-	-	-	
Oct-20	13,526	-	13,526	(a)
Nov-20	4,239	-	4,239	(b)
Dec-20	16,720	-	16,720	(c)
	<u>\$ 134,781</u>	<u>\$ -</u>	<u>\$ 134,781</u>	

- (a) Represents investment consultant fees paid to Russell Investments.
- (b) Represents trustee fees paid to Wells Fargo.
- (c) Represents investment manager fees paid to Duff & Phelps.

- t. Annual return earned to date on the investment of decommissioning funds. Show the calculation if the return is net of trustee fees and taxes.

Please refer to Schedule M-1 page 64.

- u. Estimate of annual yield which will be earned through the decommissioning process. Provide analysis and documentation which supports the determination or estimated future yield in this schedule or in testimony.

The Company is not requesting any funding in this case and therefore no annual yield calculation is included at this time.

- v. Provide assumptions regarding the timing of contributions, earnings and decommissioning outlays used to prepare Schedule M-2.

The Company is not requesting any funding in this case and therefore no funding calculation is included at this time.

- w. Provide a description of the taxes paid on each fund and the assumptions used to estimate future taxes.

EL PASO ELECTRIC COMPANY
2021 TEXAS RATE CASE FILING
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Taxes payable from the fund containing qualified contributions are paid quarterly on an estimated basis. Taxes are not currently paid out of the fund containing "non-qualified" contributions. Rather, the taxable income from these accounts is included in the Company's computation of regular corporate tax.

DECOMMISSIONING TRUST AGREEMENT

Dated as of April 1, 2006

between

EL PASO ELECTRIC COMPANY

and

WELLS FARGO BANK, NATIONAL ASSOCIATION, a national banking association

As Decommissioning Trustee

for

Palo Verde Unit 1

Decommissioning Trustee may at any time reasonably request in connection with the administration and enforcement of this Agreement, or relative to the Funds or any part thereof, or in order to assure and confirm unto Decommissioning Trustee its rights, powers, and remedies hereunder.

El Paso may provide general investment policies in writing to Decommissioning Trustee or a Fiduciary Investment Manager, but may not engage in the day-to-day management of the Funds or mandate, or itself make, individual investment decisions except to the extent that El Paso retains the right under this Agreement to approve investments in time deposits, demand deposits, or money market accounts of Decommissioning Trustee, in mutual funds that contain securities issued by Decommissioning Trustee (subject to the limitations elsewhere herein set forth), or in mutual funds that contain securities issued by El Paso, its subsidiaries or affiliates or their successors or assigns (subject to the limitations elsewhere herein set forth).

El Paso will regularly supply to Decommissioning Trustee and to each Fiduciary Investment Manager, and regularly update, essential information about Unit 1, including its description, useful life, the Decommissioning plan that El Paso intends to follow, El Paso's anticipated liquidity needs once Decommissioning begins, and any other information that Decommissioning Trustee and a Fiduciary Investment Manager need to construct and maintain, over time, a sound investment plan for the Funds. El Paso will monitor the performance of the Decommissioning Trustee and each Fiduciary Investment Manager and, if necessary, replace those entities that are not properly performing assigned responsibilities.

SECTION 11. Irrevocability and Modification. This Agreement is irrevocable and may not be amended or modified except by a writing signed by the parties hereto and approved, to the extent required by Applicable Law, by applicable regulatory authority(s). The parties agree that they will execute any amendments requested by El Paso that are necessary to secure and maintain the qualification of the Decommissioning Trust Fund as a "Nuclear Decommissioning Reserve Fund" under Applicable Tax Law and the deduction of contributions to such Fund as provided by such law, or to comply with Applicable Law.

Not in limitation of the foregoing, if and to the extent that, now or in the future, federal tax law may extend certain tax benefits to a trust fund or funds that are created and maintained by El Paso for creation of a reserve or funds for costs associated with Decommissioning (hereinafter in this Section 11 referred to as such "other trusts") which such other trusts would qualify as a "Nuclear Decommissioning Reserve Fund" under Applicable Tax Law, including without limitation, Internal Revenue Code section 468A, only if established and maintained pursuant to a single trust agreement for a particular nuclear power plant, the parties hereto, upon the creation of such other trusts may amend this Agreement by attaching hereto as an allonge the governing instruments by which such other trusts may be created. In such event, such other trusts shall be administered under the terms of this Agreement to the extent not inconsistent with the governing instruments by which such other trusts may be created and such other trusts shall thereafter be administered as separate funds under the terms of this Agreement.

SECTION 12. Obligation for Decommissioning. Nothing in this Agreement and no act or omission relating to the Funds shall be read, construed, understood, or interpreted to place any obligation whatsoever on Decommissioning Trustee or a Fiduciary Investment Manager

DECOMMISSIONING TRUST AGREEMENT

Dated as of April 1, 2006

between

EL PASO ELECTRIC COMPANY

and

WELLS FARGO BANK, NATIONAL ASSOCIATION, a national banking association

As Decommissioning Trustee

for

Palo Verde Unit 2

Decommissioning Trustee may at any time reasonably request in connection with the administration and enforcement of this Agreement, or relative to the Funds or any part thereof, or in order to assure and confirm unto Decommissioning Trustee its rights, powers, and remedies hereunder.

El Paso may provide general investment policies in writing to Decommissioning Trustee or a Fiduciary Investment Manager, but may not engage in the day-to-day management of the Funds or mandate, or itself make, individual investment decisions except to the extent that El Paso retains the right under this Agreement to approve investments in time deposits, demand deposits, or money market accounts of Decommissioning Trustee, in mutual funds that contain securities issued by Decommissioning Trustee (subject to the limitations elsewhere herein set forth), or in mutual funds that contain securities issued by El Paso, its subsidiaries or affiliates or their successors or assigns (subject to the limitations elsewhere herein set forth).

El Paso will regularly supply to Decommissioning Trustee and to each Fiduciary Investment Manager, and regularly update, essential information about Unit2, including its description, useful life, the Decommissioning plan that El Paso intends to follow, El Paso's anticipated liquidity needs once Decommissioning begins, and any other information that Decommissioning Trustee and a Fiduciary Investment Manager need to construct and maintain, over time, a sound investment plan for the Funds. El Paso will monitor the performance of the Decommissioning Trustee and each Fiduciary Investment Manager and, if necessary, replace them if they are not properly performing assigned responsibilities.

SECTION 11. Irrevocability and Modification. This Agreement is irrevocable and may not be amended or modified except by a writing signed by the parties hereto and approved, to the extent required by Applicable Law, by applicable regulatory authority(s). The parties agree that they will execute any amendments requested by El Paso that are necessary to secure and maintain the qualification of the Decommissioning Trust Fund as a "Nuclear Decommissioning Reserve Fund" under Applicable Tax Law and the deduction of contributions to such Fund as provided by such law, or to comply with Applicable Law.

Not in limitation of the foregoing, if and to the extent that, now or in the future, federal tax law may extend certain tax benefits to a trust fund or funds that are created and maintained by El Paso for creation of a reserve or funds for costs associated with Decommissioning (hereinafter in this Section 11 referred to as such "other trusts") which such other trusts would qualify as a "Nuclear Decommissioning Reserve Fund" under Applicable Tax Law, including without limitation, Internal Revenue Code section 468A, only if established and maintained pursuant to a single trust agreement for a particular nuclear power plant, the parties hereto, upon the creation of such other trusts may amend this Agreement by attaching hereto as an allonge the governing instruments by which such other trusts may be created. In such event, such other trusts shall be administered under the terms of this Agreement to the extent not inconsistent with the governing instruments by which such other trusts may be created and such other trusts shall thereafter be administered as separate funds under the terms of this Agreement.

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DECOMMISSIONING TRUST AGREEMENT

Dated as of April 1, 2006

between

EL PASO ELECTRIC COMPANY

and

WELLS FARGO BANK, NATIONAL ASSOCIATION, a national banking association

As Decommissioning Trustee

for

Palo Verde Unit 3

Decommissioning Trustee may at any time reasonably request in connection with the administration and enforcement of this Agreement, or relative to the Funds or any part thereof, or in order to assure and confirm unto Decommissioning Trustee its rights, powers, and remedies hereunder.

El Paso may provide general investment policies in writing to Decommissioning Trustee or a Fiduciary Investment Manager, but may not engage in the day-to-day management of the Funds or mandate, or itself make, individual investment decisions except to the extent that El Paso retains the right under this Agreement to approve investments in time deposits, demand deposits, or money market accounts of Decommissioning Trustee, in mutual funds that contain securities issued by Decommissioning Trustee (subject to the limitations elsewhere herein set forth), or in mutual funds that contain securities issued by El Paso, its subsidiaries or affiliates or their successors or assigns (subject to the limitations elsewhere herein set forth).

El Paso will regularly supply to Decommissioning Trustee and to each Fiduciary Investment Manager, and regularly update, essential information about Unit 3, including its description, useful life, the Decommissioning plan that El Paso intends to follow, El Paso's anticipated liquidity needs once Decommissioning begins, and any other information that Decommissioning Trustee and a Fiduciary Investment Manager need to construct and maintain, over time, a sound investment plan for the Funds. El Paso will monitor the performance of the Decommissioning Trustee and each Fiduciary Investment Manager and, if necessary, replace them if they are not properly performing assigned responsibilities.

SECTION 11. Irrevocability and Modification. This Agreement is irrevocable and may not be amended or modified except by a writing signed by the parties hereto and approved, to the extent required by Applicable Law, by applicable regulatory authority(s). The parties agree that they will execute any amendments requested by El Paso that are necessary to secure and maintain the qualification of the Decommissioning Trust Fund as a "Nuclear Decommissioning Reserve Fund" under Applicable Tax Law and the deduction of contributions to such Fund as provided by such law, or to comply with Applicable Law.

Not in limitation of the foregoing, if and to the extent that, now or in the future, federal tax law may extend certain tax benefits to a trust fund or funds that are created and maintained by El Paso for creation of a reserve or funds for costs associated with Decommissioning (hereinafter in this Section 11 referred to as such "other trusts") which such other trusts would qualify as a "Nuclear Decommissioning Reserve Fund" under Applicable Tax Law, including without limitation, Internal Revenue Code section 468A, only if established and maintained pursuant to a single trust agreement for a particular nuclear power plant, the parties hereto, upon the creation of such other trusts may amend this Agreement by attaching hereto as an allonge the governing instruments by which such other trusts may be created. In such event, such other trusts shall be administered under the terms of this Agreement to the extent not inconsistent with the governing instruments by which such other trusts may be created and such other trusts shall thereafter be administered as separate funds under the terms of this Agreement.

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EL PASO ELECTRIC COMPANY
 2021 TEXAS RATE CASE FILING
 SCHEDULE M-1: DECOMMISSIONING INFORMATION
 SPONSOR: LARRY J. HANCOCK
 PREPARER: LARRY J. HANCOCK
 FOR THE TEST YEAR ENDED DECEMBER 31, 2020

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P.02

Internal Revenue Service

Department of the Treasury
 Washington, DC 20224

Index Number: 468A.04-02

David G. Carpenter
 Senior Vice President - CFO
 El Paso Electric Company
 P.O. Box, LOC 112
 El Paso, TX 79960

Person To Contact:
 Jennifer Bernardini ID No. 1000219178
 Telephone Number:
 (202) 622-3110
 Refer Reply To:
 CC:PSI:B06 - PLR-152535-12
 Date: APR 29 2013

Re: Revised Schedule of Ruling Amounts

LEGEND:

Taxpayer	=	El Paso Electric Company (EIN: 74-0607870)
Plant	=	Unit One, Palo Verde Nuclear Generating Station
Location	=	Maricopa County, Arizona
Date 1	=	July 30, 2010
Date 2	=	April 21, 2011
Date 3	=	August 15, 2012
Date 4	=	June 18, 2045
a	=	15.8
b	=	76.4031
c	=	23.0182
d	=	00.5787
e	=	108,219,398
f	=	749,017,057
g	=	5.0
h	=	6.97
A	=	2,139,287
B	=	644,510
C	=	16,204
D	=	2,800,000
Commission A	=	Public Utility Commission of Texas
Commission B	=	New Mexico Public Regulation Commission
Commission C	=	Federal Energy Regulatory Commission
Order	=	Public Utility Commission of Texas Docket No. 37690
Independent Study	=	TLG Decommissioning Cost Analysis (March 2011)
Method	=	DECON
Year 1	=	2010
Year 2	=	2011
Year 3	=	2024
Year 4	=	2045
Year 5	=	2057
Fund	=	Nuclear Decommissioning Fund
Director	=	Industry Director, Natural Resources and Construction

MAY-18-2013 08:52

P.02

Internal Revenue Service

Department of the Treasury
Washington, DC 20224

Index Number: 468A.04-02

David G. Carpenter
Senior Vice President - CFO
El Paso Electric Company
P.O. Box, LOC 112
El Paso, TX 79960

Person To Contact:
Jennifer Bernardini ID No. 1000219178
Telephone Number:
(202) 622-3110
Refer Reply To:
CC:PSI:B06 - PLR-152528-12
Date: APR 29 2013

Re: Revised Schedule of Ruling Amounts

LEGEND:

Taxpayer	=	El Paso Electric Company (EIN: 74-0607870)
Plant	=	Unit Two, Palo Verde Nuclear Generating Station
Location	=	Maricopa County, Arizona
Date 1	=	July 30, 2010
Date 2	=	April 21, 2011
Date 3	=	August 15, 2012
Date 4	=	April 24, 2046
a	=	15.8
b	=	76.4031
c	=	23.0182
d	=	00.5787
e	=	116,609,056
f	=	809,349,762
g	=	5.0
h	=	7.18
A	=	2,001,761
B	=	603,077
C	=	15,162
D	=	2,620,000
Commission A	=	Public Utility Commission of Texas
Commission B	=	New Mexico Public Regulation Commission
Commission C	=	Federal Energy Regulatory Commission
Order	=	Public Utility Commission of Texas Docket No. 37690
Independent Study	=	TLG Decommissioning Cost Analysis (March 2011)
Method	=	DECON
Year 1	=	2010
Year 2	=	2011
Year 3	=	2025
Year 4	=	2046
Year 5	=	2057
Fund	=	Nuclear Decommissioning Fund
Director	=	Industry Director, Natural Resources and Construction

EL PASO ELECTRIC COMPANY
2021 TEXAS RATE CASE FILING
SCHEDULE M-1: DECOMMISSIONING INFORMATION
SPONSOR: LARRY J. HANCOCK
PREPARER: LARRY J. HANCOCK
FOR THE TEST YEAR ENDED DECEMBER 31, 2020

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Internal Revenue Service

Department of the Treasury
Washington, DC 20224

P.02

Index Number: 468A.04-02

David G. Carpenter
Senior Vice President - CFO
El Paso Electric Company
P.O. Box, LOC 112
El Paso, TX 79960

Person To Contact:
Jennifer Bernardini ID No. 1000219178
Telephone Number:
(202) 622-3110
Refer Reply To:
CC:PSI:B06 - PLR-152532-12
Date:
May 09, 2013

Re: Revised Schedule of Ruling Amounts

LEGEND:

Taxpayer	=	El Paso Electric Company (EIN: 74-0607870)
Plant	=	Unit Three, Palo Verde Nuclear Generating Station
Location	=	Maricopa County, Arizona
Date 1	=	July 30, 2010
Date 2	=	April 21, 2011
Date 3	=	August 15, 2012
Date 4	=	November 25, 2047
a	=	15.8
b	=	76.4031
c	=	00.5787
d	=	131,577,344
e	=	980,226,858
f	=	5.0
g	=	7.36
A	=	2,593,885
B	=	19,647
C	=	781,468
D	=	3,395,000
E	=	Non-Regulated
Commission A	=	Public Utility Commission of Texas
Commission B	=	Federal Energy Regulatory Commission
Order	=	Public Utility Commission of Texas Docket No. 37690
Independent Study	=	TLG Decommissioning Cost Analysis (March 2011)
Method	=	DECON
Year 1	=	2010
Year 2	=	2011
Year 3	=	2027
Year 4	=	2047
Year 5	=	2057
Fund	=	Nuclear Decommissioning Fund
Director	=	Industry Director, Natural Resources and Construction

**EL PASO ELECTRIC COMPANY
NUCLEAR DECOMMISSIONING TRUSTS

INVESTMENT POLICY STATEMENT**

MARCH 2011

prepared by:

1001 McKinney, Suite 1200
Houston, Texas 77002
713-227-0100

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I. Function, Purpose, Responsibilities

Function

The Nuclear Regulatory Commission ("NRC"), an agency of the United States of America, pursuant to the Atomic Energy Act of 1954, as amended, and the Energy Reorganization Act of 1974, has promulgated regulations codified in Title 10, Chapter 1 of the Code of Federal Regulations, Part 50, as amended. These regulations, applicable to El Paso Electric Company ("EPE"), require that each holder of a license issued pursuant thereto must provide assurance that funds will be available for "decommissioning" (as that term is defined in the Decommissioning Trust Agreements discussed below).

EPE has entered into various power project participation agreements, which require EPE to establish and maintain funds for the accumulation, over a period not in excess of the remaining term of the operating licenses for Unit 1, Unit 2 and Unit 3 of the Palo Verde Nuclear Generating Station (collectively, the "Palo Verde Units"), and the period thereafter until completion of decommissioning work for such units, of funds sufficient to pay Decommissioning Cost. EPE is also required by other state and federal regulatory commissions to establish a source of funds to pay for decommissioning (the "Nuclear Decommissioning Trust Fund").

Under tax laws applicable to these arrangements, certain federal income tax benefits are available to EPE from establishing and making contributions to a "reserve fund" for each of the Palo Verde Units. In order to satisfy its obligations under the power project participation agreements, to comply with the requirements of governmental authorities as discussed above, and to obtain such federal income tax benefits, EPE set up the required Nuclear Decommissioning Trust Funds (collectively, the "Trust Funds") pursuant to the Decommissioning Trust Agreements for each of the Palo Verde Units (collectively, the "Trust Agreements").

Pursuant to the Trust Agreements, the Trust Funds are for the accumulation and funding of amounts to pay costs, liabilities and expenses of decommissioning, including the accumulation, over the period as set forth above, of amounts which are sufficient to pay the decommissioning costs. EPE and the fiduciary investment manager(s) ("Investment Manager" or "Investment Managers," as appropriate) shall seek to obtain the best possible tax treatment of amounts collective for nuclear plan decommissioning; in this regard, EPE and the Investment Managers shall take maximum advantage of tax deductions and credits when it is consistent with sound business practices to do so. Section 468A of the Internal Revenue Code recognizes two types of trust funds, called qualified and non-qualified. Qualified trust funds are subject to special tax treatment, while non-qualified trust funds do not benefit from special tax treatment. The assets of the Trust Funds must be used as authorized by Section 468A of the Internal Revenue Code, in accordance with the terms of the Trust Agreements and in compliance with applicable Texas State law and Rule 25.301 of the Public Utility Commission of Texas.

The Trust Funds are administered by the Nuclear Decommissioning Trust Committee ("Committee"), which has been appointed by EPE.

Purpose

The purpose of this Investment Policy Statement ("IPS") is to state the responsibilities of the parties involved with the Trust Funds' investments and provide guidelines, objectives and administrative and review procedures. It states the Committee's attitudes and objectives in the investment of the Trust Funds and in accordance with the Trust Agreements.

Responsibilities

Responsibilities of El Paso Electric Company:

EPE recognizes its responsibility to insure that the assets are managed:

- in accordance with the Trust Agreements and with "Applicable Law" and "Applicable Tax Law" as those terms are defined in the Trust Agreements.

The specific responsibilities of the Committee in the investment process include and are limited to:

- developing a sound and consistent investment policy;
- developing sound and consistent investment policy guidelines;
- establishing reasonable investment objectives;
- allocating the Trust Funds' assets between the Investment Managers managing equity and fixed-income portfolio(s), and other investment mediums which it may deem appropriate and prudent;
- communicating clearly the major duties and responsibilities of those accountable for investing the Trust Funds' assets and achieving investment results;
- monitoring and evaluating performance results to assure that policy guidelines are being adhered to and that objectives are being met; and
- taking timely corrective action with regard to an Investment Manager for failure to perform as mutually expected.

To assist the Committee in fulfilling its responsibility, the Committee is empowered to:

- select and contract with an investment management consultant or consultants ("IMC");
- select and contract with an Investment Manager or Managers.

Responsibilities of the Investment Managers:

The assets allocated to each Investment Manager are to be managed in accordance with the Investment Policy Guidelines, the Investment Policy and the Investment Objectives expressed herein, or expressed by written instructions by authorized individuals.

Each Investment Manager is expected to exercise complete investment discretion over the assets it is allocated. Such discretion includes decisions to buy, sell or hold securities (including cash and cash equivalents) in amounts and proportions reflective of that Investment Manager's investment philosophy and in accordance with the Investment Policy Guidelines, Investment Policy and the Investment Objectives of this IPS.

It is expected that the assets allocated to the Investment Manager will be invested in accordance with the Trust Agreements and with such Investment Manager's management agreement with EPE, and with the care, skill, prudence and diligence under the circumstances then prevailing that a "prudent investor", acting in a like capacity and familiar with such matters, would use in the conduct of an enterprise of a like character and with like aims. ***Each Investment Manager will be considered a fiduciary of the Trust Funds with respect to the portion of the Trust Funds' assets under its control.***

EPE and/or the Committee have delegated to the Investment Manager the right and responsibility to vote all proxies of the securities held in the Trust Funds' accounts for which such Investment Manager has control. If the Investment Manager votes the proxies, it should vote in a manner that most benefits the Trust Funds. The Investment Manager should consider only the economic impact on the Trust Funds' assets when voting proxies.

The Investment Manager is responsible for frequent and open communication with the Committee on all significant matters pertaining to investment policies and the management of the Trust Funds' assets including, but not necessarily limited to:

- major changes in the Investment Manager's investment outlook, investment strategy and portfolio structure;
- making available its Form ADV filed with the Securities and Exchange Commission or in the case of mutual funds its current prospectus;
- any significant changes in the ownership, organization structure, financial conditions, or senior personnel staffing of the Investment Manager's organization;
- quarterly performance and valuation reports to coincide with calendar quarters or at such other times as the Committee may reasonably request.

Each Investment Manager is expected to be covered by errors and omissions insurance in amounts satisfactory to the Committee.

Responsibilities of the Custodian(s):

Custodians are responsible for the safekeeping of the Trust Fund's assets. The Custodian holds directly, through its agents, its sub-custodians, or designated clearing systems, assets as designated by the Committee. The specific responsibilities of the Custodian include the following:

- collect all interest, dividends, proceeds of called and matured securities and all other monies which shall arise from, accrue to, or on account of the assets, and credit such collections to the Trust Fund;
- make, upon written direction of the Investment Manager or the Committee, any and all investments, reinvestments, payments, sales and other changes in the assets;
- provide to the Investment Manager or the Committee, all proxy requests, notices of shareholder meetings and the like;
- file class action securities claims on behalf of the Trust Fund related to current or former assets of the Trust Fund; and
- provide monthly and year-end custodial reports.

The Custodian is expected to be covered by errors and omissions insurance in amounts satisfactory to the Committee.

Responsibilities of the Investment Management Consultant ("IMC"):

The IMC will provide the following services to EPE in accordance with the Investment Management Consulting Agreement between the parties:

- Investment Policy Planning - When needed and/or requested by the Committee, the IMC will conduct a comprehensive review of the existing IPS and will assist in writing/rewriting the IPS to update, amend or restructure the IPS in accordance with the Committee's objectives.
- Spending Policy Study – If applicable, the IMC will coordinate with the Committee to assist in developing a spending policy. Simulation techniques will be used to project the future financial condition of the Trust Funds including the dollar results that occur over various investment and inflation scenarios
- Investment Manager Search - The Committee will from time to time select Investment Managers. The IMC will assist to identify, interview and select Investment Managers that in the Committee's view are qualified to have discretionary investment authority over the Trust Funds' assets to make investments in government bonds, corporate bonds, debentures and notes, preferred and common stocks, money market instruments and other investments identified in the IPS.
- Asset Allocation Study – The Committee will from time to time select or change the long-term target asset allocation for the Trust Funds. The IMC will assist in this process by providing an asset allocation study, including efficient frontier analysis. The efficient frontier illustrates the various combinations of risk and return characteristics from optimal portfolios.
- Asset Liability Study – If applicable, the IMC will coordinate with the Trust's actuary to determine the asset/liability ratio and projected liabilities. The IMC will develop an asset liability study using simulation techniques to project the future financial condition of the Trust Fund.
- Performance & Risk Measurement - The IMC will on a quarterly basis provide the Committee a Quarterly Performance Measurement Report. This report will measure the investment return on designated assets that are managed by Investment Managers chosen by the Committee.
- Fee Analysis - The IMC will provide the Committee a Fee Analysis. This report will document the fees paid by the Trust on the assets included in the Quarterly Performance Measurement Report.
- The IMC will provide other services that will be mutually agreed to.
- The IMC will coordinate all activities with the Investment Managers on a continual basis and with the trustee/Custodian of the Trust Funds' assets.
- The IMC will meet with the Committee on a quarterly basis to review the Trust Funds' performance, to report on compliance by the Investment Managers and Custodian with the IPS, and any other important matter.

II. Investment Policy

The Committee believes that the Trust Funds' assets should be managed in a way that reflects the statements which follow:

- The Committee adheres to the traditional capital market pricing theory which maintains that over the long term, the risk of owning equities should be rewarded with a somewhat greater return than available from fixed-income investments.
- Avoiding large risks is preferred. The Committee is willing to trade off some potential opportunities for gain from high risk investments (with high loss potential) by encouraging the Investment Manager to assume a moderate-risk posture in order to have a more stable positive return. This may result in sacrificing some potential opportunities for gain during rising markets in order to avoid large short term declines in market value during falling markets.
- Since the Committee is adverse to large downward fluctuations in the value of its account balances resulting from volatile market value fluctuations, such year-to-year volatility should be minimized.
- The overall asset allocation of the Trust Funds will be determined by the Committee with oversight by the IMC. The Committee will take into consideration the funding requirements for the Trust Funds as established under the Trust Agreements in determining the proper asset allocation.
- Asset allocation between asset categories - bonds, stocks and cash/cash equivalents - will be decided by the Investment Managers for the funds that they manage. The Committee will consider adjusting the amounts of funds that each Investment Manager has to manage on an ongoing basis. It will confer with the IMC to make its decision. The IMC will make available to the Committee various asset allocation models to assist in this process. The Committee will use these models at its discretion.
- The Committee will determine what style of investment philosophy it desires from the Investment Managers it hires. Investment Managers will be chosen from a universe of managers that consistently apply the desired styles.

Investment Manager Characteristics:

The Investment Managers, whether they be existing or new Investment Managers of the Trust Funds' assets, should generally have the following characteristics. Exceptions may be made at the discretion of the Committee.

Quantitative Characteristics:

- At least ten years of supportable performance track record.
- The Investment Manager should exceed the appropriate market index for the last 3 years and longer.
- The Investment Manager must have at least \$100,000,000 under management.
- The Investment Manager should not have a Standard Deviation or Beta greater than the average of his Peer Group over the last five years and longer.
- The Investment Manager must be consistently in the top half of its Peer Group in performance for the last three years and longer.
- The Investment Manager must have a positive Alpha for the last five years and longer.
- Demonstrated good performance in down quarters and "bear" markets.

Qualitative Characteristics:

- Consistency of key personnel within the organization. The people that are making the decisions today must be the ones that built the track record.
- No past or pending sale of the firm by the principals.
- Demonstrated desire and capability to effectively communicate with the Committee.
- The ability to accommodate new business without disruption to the investment process.
- A low turnover of clients. The Investment Manager must show that it does not lose clients because of actions by the Investment Manager.
- Prior experience with comparable funds.
- Internal checks and balances to assure consistent investment discipline is maintained.
- The Investment Manager must have a clearly distinguishable investment philosophy and process, including a "sell discipline".
- The Investment Manager should have defined parameters for diversification within the portfolio it manages.
- The Investment Manager must be a Registered Investment Advisor with the Securities and Exchange Commission, or a bank or insurance company.
- The Investment Manager should either offer a commingled fund or be willing to create a separate account with a minimum balance that is acceptable.
- No history of legal or regulatory actions taken against the Investment Manager..

III. Investment Policy Guidelines

The Trust Fund may invest in various investment products in order to implement the asset allocation chosen by the Committee. Specific guidelines can be found in the appendix. Please refer to A for the total composite fund guidelines, Appendix C for separately managed account guidelines and to Appendix D for mutual fund and commingled fund guidelines. While it is not believed that the guidelines listed will hamper Investment Managers, each Investment Manager should request modifications where they deem appropriate. These requests should be communicated to the IMC in writing.

Rebalancing Among Asset Classes and Distribution of Net Contributions

- It is not the intention of the Committee to become involved in the day-to-day management of securities. However, whenever the Committee shall determine during its quarterly review of investment performance that the percentage commitments to stocks and bonds have moved outside of the acceptable allowable range, the Committee will direct assets to be moved from the over-allocated asset class to the under-allocated asset class.

Therefore:

- (1) the Committee will review the relative market values of the fund classes and will generally recommend placing the new money under investment in the categories that are furthest below the long-term strategic asset target allocations in this IPS or funding expenses from the categories that are furthest above the long-term strategic asset target allocations in this IPS, and
- (2) to the extent that adequate rebalancing among asset classes cannot be effected via the allocation of new contributions, the Committee may recommend moving money from one Manager to another to avoid unbalancing the asset target ranges in this IPS, and
- (3) the Committee may decide to vary the asset allocation away from the Target Asset Allocation at its discretion to protect assets in down markets or to take advantage of strong up markets.

Investment Manager Asset Allocation:

- The Managers are not required to be fully invested. The Investment Managers may hold cash or cash equivalents at any percentage they deem appropriate to protect the assets of the portfolio from capital loss. This may include 100% cash or cash equivalents in down markets. The Investment Manager will make this decision at its discretion. Asset allocation within each Investment Manager's portfolio will be an evaluation criteria.

Investment Transactions:

- All transactions are to be governed by all applicable laws and regulations.

IV. Investment Objectives

The Investment Manager must make responsible decisions in the selections of specific securities and the general timing of purchases and sales necessary to achieve a satisfactory overall return for the Trust Funds' assets. The Committee believes that the following objectives are reasonable and achievable within the guidelines provided herein.

These objectives should be achieved within a three (3) year time frame. It is not necessary for the Investment Managers to beat the return expectations each quarter or each year. These objectives will be measured using the published performance numbers, as reported to the Plan Sponsor Network or Morningstar databases. In the case that a manager does not publish performance (i.e. real estate), performance numbers from the manager will be used.

"Total Return" is the measure of Investment Manager performance. This means total yield of the securities plus capital appreciation or minus capital depreciation measured over the latest quarter, year-to-date, one year, three years and five years and since inception.

The "Total Return" will be measured on both a Time Weighted basis and a Dollar Weighted basis.

Domestic Small Capitalization Equity Objectives:

- Total Time-Weighted Rate of Return of the portfolio should exceed the Russell 2000 Growth Index for growth managers, the Russell 2000 Value Index for value managers, and the Russell 2000 Index for blend managers. Compliance with this objective will be measured on an annualized basis for three, five, seven, ten year and longer time periods.
- The annualized Alpha of the Manager for the trailing five, seven and ten year periods will be positive. Alpha measures the excess Total Time-Weighted Rate of Return for the amount of risk taken.
- The Manager must be in the top half of his Peer Group over three year, five year, seven year, ten year and longer periods.

Domestic Mid Capitalization Equity Objectives:

- Total Time-Weighted Rate of Return of the portfolio should exceed the Russell Mid Cap Growth Index for growth managers, the Russell Mid Cap Value Index for value managers, and the Russell Mid Cap Index for blend managers. Compliance with this objective will be measured on an annualized basis for three, five, seven, ten year and longer time periods.
- The annualized Alpha of the Manager for the trailing five, seven and ten year periods will be positive. Alpha measures the excess Total Time-Weighted Rate of Return for the amount of risk taken.

- The Investment Manager must be in the top half of his Peer Group over three year, five year, seven year, ten year and longer periods.

Domestic Large Capitalization Equity Objectives:

- Total Time-Weighted Rate of Return of the portfolio should exceed the S&P 100 Index. Compliance with this objective will be measured on an annualized basis for three, five, seven, ten year and longer time periods.
- The annualized Alpha of the Investment Manager for the trailing five, seven and ten year periods will be positive. Alpha measures the excess Total Time-Weighted Rate of Return for the amount of risk taken.
- The Investment Manager must be in the top half of his Peer Group over three year, five year, seven year, ten year and longer periods.

International Equity Objectives:

- Total Time-Weighted Rate of Return of the portfolio should exceed the MSCI EAFE Index. Compliance with this objective will be measured on an annualized basis for three, five, seven, ten year and longer time periods.
- The annualized Alpha of the Investment Manager for the trailing five, seven and ten year periods will be positive. Alpha measures the excess Total Time-Weighted Rate of Return for the amount of risk taken.
- The Investment Manager must be in the top half of his Peer Group over three year, five year, seven year, ten year and longer periods.

Energy/Natural Resources Fund Objectives:

- Total Time-Weighted Rate of Return should exceed the S&P Energy Index for energy managers and the Goldman Sachs Natural Resources Index for natural resources managers. Compliance with this objective will be measured on an annualized basis for three, five, seven, ten year and longer time periods.
- The annualized Alpha of the Manager for the trailing five, seven and ten year periods will be positive. Alpha measures the excess Total Time-Weighted Rate of Return for the amount of risk taken
- The Investment Manager must be in the top half of his Peer Group over three year, five year, seven year, ten year and longer periods.

Domestic Fixed Income Objectives - Qualified:

- Total Time-Weighted Rate of Return should exceed the Return of the Barclays Capital Aggregate Bond Index. Compliance with this objective will be measured on an annualized basis for three, five, seven, ten year and longer time periods.
- The annualized Alpha of the Investment Manager for the trailing five, seven and ten year periods will be positive. Alpha measures the excess Total Time-Weighted Rate of Return for the amount of risk taken.
- The Investment Manager must be in the top half of his Peer Group over three year, five year, seven year, ten year and longer periods.

Domestic Fixed Income Objectives – Non-Qualified:

- Total Time-Weighted Rate of Return should exceed the Return of the Barclays Capital 5 year Municipal Bond Index. Compliance with this objective will be measured on an annualized basis for three, five, seven, ten year and longer time periods.
- The annualized Alpha of the Investment Manager for the trailing five, seven and ten year periods will be positive. Alpha measures the excess Total Time-Weighted Rate of Return for the amount of risk taken.
- The Investment Manager must be in the top half of his Peer Group over three year, five year, seven year, ten year and longer periods.

Money Market Fund Objectives:

Total Time-Weighted Rate of Return should equal the Citigroup Three-Month Treasury Bill Index return. Compliance with this objective will be measured on an annualized basis for three, five, seven, ten year and longer time periods.

V. Administrative and Review Procedures

The Committee shall perform, at a minimum, the following procedures:

- Quarterly reports will be obtained on all Investment Managers, which will summarize the status of each Investment Manager with respect to the portfolio and performance standards.
- Review, at least quarterly, the status of each Investment Manager and their performance with respect to the guidelines set forth in this IPS.
- Compare, at least quarterly, the investment results of each Investment Manager with the appropriate index and peer group benchmark.
- Investment Managers that are below average will have their risk profiles closely monitored relative to their market and manager benchmarks and any other applicable market indices.
- The reports, for the periods ending on the last day of each reporting year, will be a full comprehensive asset review and evaluation of all of the Investment Managers.
- Review, at least annually, each Investment Manager's performance and any significant changes in the Investment Manager's corporate or capital structure, investment style, and investment process.
- Review the comparative risk/reward profile, sector analysis profile, comparative expense analysis, comparative review of portfolio statistics, and other measures of comparison that the Committee deems useful, for each investment option chosen by each Investment Manager.
- Review the asset allocation, securities selectivity and market-timing decisions of each investment option chosen by each Investment Manager to determine if they were reasonable.
- The Committee will meet at least annually to discuss the full asset review and to take any action that it may consider desirable or necessary.

To the extent the Committee determines that an Investment Manager did not perform satisfactorily with regard to the provisions of the IPS for four consecutive quarters, the Investment Manager will be added to a "watch list" and will be closely monitored for future investment performance.

If an Investment Manager that has been placed on the "watch list" continues to have a less-than-average return for the next four to six consecutive quarters, that Investment Manager will normally be eliminated and may or may not be replaced with another Investment Manager. Any such eliminations or replacements are contingent on:

- The replacement of an Investment Manager will be done in a manner consistent with the terms of the Trust Agreements.
- The costs of fees of replacing an Investment Manager should be identified and evaluated.
- No fiduciary of the Trust Funds will realize a personal benefit from the decision.
- Deleting an Investment Manager or replacing it will not involve a prohibited transaction (e.g., there will be no conflicts of interest).

On an annual basis, the Committee will review this IPS to determine whether any changes need to be made in any areas.

This IPS states the investment policy, investment guidelines and investment objectives for the assets of the Trust Funds and is approved by action of the Committee effective June 2009. This IPS supersedes any and all other documents approved prior to this date. The Committee has approved the adoption of this statement by the signature of the Chairman.

Steven P. Busser
Vice President, Treasurer and Chief Risk Officer
The El Paso Electric Company

Date

Appendix A: Total Composite Fund Guidelines

- The allowable range and target Investment Manager allocation for the total assets of the combined Trust Funds is:

<u>Class</u>	<u>Allowable Range</u>	<u>Target</u>
Domestic Large Cap Stocks*	0% - 45%	40%
International Stocks*	0% - 15%	10%
Domestic Bonds	0% - 80%	50%
Energy/Natural Resources*	0% - 15%	0%
Cash/Cash Equivalents	0% - 100%	0%

**Total equity exposure limited to 60% of the Trust Funds*

- Allowable Range means the highest and lowest percentage of each asset class allowed. The Committee will take action to rebalance the total portfolio when an asset class is out of these ranges by redeploying the assets from one asset class to another. Exceptions may be made at the discretion of the Committee.
- The Target Asset Allocation is the average allocation desired over time.
- Cash is an allowable investment alternative for all Investment Managers, with the mix of securities and cash to be determined by each Investment Manager.
- The overall asset allocation of the Plan will be determined by the Committee with oversight by the IMC. The Committee will take into consideration the funding requirements for the Trust Funds as established under the Trust Agreements in determining the proper asset allocation.

Appendix A was last updated March 8, 2011.

Steven P. Busser
Vice President, Treasurer and Chief Risk Officer
The El Paso Electric Company

Appendix B: Total Composite Fund Objectives

Total Composite Fund Objectives:

- Total Time-Weighted Rate of Return for the Trust Funds should exceed a Balanced Index of 40% S&P 100 Index; 25% Barclays Capital Aggregate Bond Index; 25% Barclays Capital 5 year Municipal Bond Index; and 10% MSCI EAFE Index. Compliance with this standard will be measured on an annualized basis for three, five, seven, ten year and longer time periods.
- Total Time-Weighted Rate of Return for the Trust Funds should exceed the Return of a Market Index of 60% S&P 500 Composite Index and 40% Barclays Capital Aggregate Bond Index. Compliance with this standard will be measured on an annualized basis for three, five, seven, ten year and longer time periods.
- Total Time-Weighted Rate of Return for the Trust Funds should exceed the Return of a Dynamic Index which will reflect the tactical changes to the target allocation over time. Compliance with this standard will be measured on an annualized basis for three, five, seven, ten year and longer time periods.

Appendix B was last updated March 8, 2011.

Steven P. Busser
Vice President, Treasurer and Chief Risk Officer
The El Paso Electric Company

Appendix C: Separately Managed Guidelines

Investment Guidelines are the specific criteria that each Investment Manager must adhere to in investing the Trust Funds' assets for each specific investment option. These are the boundaries for the types of securities, the quality of securities and diversification that the Investment Manager must follow in managing the assets.

Domestic Small Capitalization Guidelines (Separately Managed):

- The following are prohibited transactions or assets:
 - Commodity trading including all futures contracts;
 - Purchasing of letter stock;
 - Short selling;
 - Option trading;
 - Margin;
 - Common stocks of foreign companies trading on foreign exchanges;
 - Private Placements, including Rule 144A securities.
- The following categories of securities are permissible investments:
 - U.S. common stock;
 - U.S. preferred stock;
 - U.S. securities convertible into common stocks;
 - Common stocks of foreign companies trading on U.S. exchanges (up to a maximum of twenty percent of the portfolio);
 - Cash or cash equivalents.
- No more than ten percent (10%) of the portfolio can be invested at any time in one company based on the market value of the stock and the portfolio.
- No more than forty percent (40%) of the portfolio can be invested in any one industry group based on the market value of the portfolio.
- The holdings do not have to be invested in industry groups that represent a cross-section of the economy.
- All of the equities purchased for the portfolio (based at market value) should have a minimum market capitalization of \$50 million.
- Portfolio turnover will be monitored. If the performance results of the assets meet the objectives stated herein, the rate of turnover in the portfolio will not be an evaluative factor.
- Cash reserves should be invested in interest bearing securities with slight risk of loss and price fluctuation, and have immediate liquidity. Cash reserves may include U.S. Treasury Bills.

- It is the function of the Manager to allocate the assets of the portfolio among types of equities. It is the philosophy of the Committee, however, that the asset mix should be, maximum equity 100%, minimum equity 0%, maximum cash 100%, minimum cash 0%.
- Convertible and preferred securities shall be included with common stocks for purposes of asset allocation.

Domestic Mid Capitalization Guidelines (Separately Managed):

- The following are prohibited transactions or assets:
 - Commodity trading including all futures contracts;
 - Purchasing of letter stock;
 - Short selling;
 - Option trading;
 - Margin;
 - Common stocks of foreign companies trading on foreign exchanges;
 - Private Placements, including Rule 144A securities.
- The following categories of securities are permissible investments:
 - U.S. common stock;
 - U.S. preferred stock;
 - U.S. securities convertible into common stocks;
 - Common stocks of foreign companies trading on U.S. exchanges (up to a maximum of twenty percent of the portfolio);
 - Cash or cash equivalents.
- No more than ten percent (10%) of the portfolio can be invested at any time in one company based on the market value of the stock and the portfolio.
- No more than forty percent (40%) of the portfolio can be invested in any one industry group based on the market value of the portfolio.
- The holdings do not have to be invested in industry groups that represent a cross-section of the economy.
- All of the equities purchased for the portfolio (based at market value) should have a minimum market capitalization of \$1 billion.
- Portfolio turnover will be monitored. If the performance results of the assets meet the objectives stated herein, the rate of turnover in the portfolio will not be an evaluative factor.
- Cash reserves should be invested in interest bearing securities with slight risk of loss and price fluctuation, and have immediate liquidity. Cash reserves may include U.S. Treasury Bills.
- It is the function of the Investment Manager to allocate the assets of the portfolio among types of equities. It is the philosophy of the Committee, however, that the asset mix should be, maximum equity 100%, minimum equity 0%, maximum cash 100%, minimum cash 0%.
- Convertible and preferred securities shall be included with common stocks for purposes of asset allocation.

Domestic Large Capitalization Guidelines (Separately Managed):

- The following are prohibited transactions or assets:
 - Commodity trading including all futures contracts;
 - Purchasing of letter stock;
 - Short selling;
 - Option trading;
 - Margin;
 - Common stocks of foreign companies trading on foreign exchanges;
 - Private Placements, including Rule 144A securities;
 - Real Estate Investment Trusts (REIT's);
 - Any investments in securities of the NDT Trustee.
- The following categories of securities are permissible investments:
 - U.S. common stock;
 - U.S. preferred stock;
 - U.S. securities convertible into common stocks;
 - Common stocks of foreign companies trading on U.S. exchanges (up to a maximum of twenty percent of the portfolio);
 - Cash or cash equivalents.
- No more than ten percent (10%) of the portfolio can be invested at any time in one company based on the market value of the stock and the portfolio.
- No more than thirty percent (30%) of the portfolio can be invested in any one industry based on the market value of the portfolio.
- The holdings do not have to be invested in industry groups that represent a cross-section of the economy.
- All of the equities purchased for the portfolio (based at market value) should have a minimum market capitalization of \$5 billion, at all times, except up to twenty percent (20%) of the portfolio based on market value may be invested in companies with a market capitalization below \$5 billion, but no lower than \$1 billion, at all times.
- Portfolio turnover will be monitored. If the performance results of the assets meet the objectives stated herein, the rate of turnover in the portfolio will not be an evaluative factor.
- Cash reserves should be invested in money market funds. Cash reserves may include U.S. Treasury Bills.
- It is the function of the Investment Manager to allocate the assets of the portfolio among types of equities. It is the philosophy of the Board, however, that the asset mix should be, maximum equity 100%, minimum equity 0%, maximum cash 100%, minimum cash 0%.
- Convertible and preferred securities shall be included with common stocks for purposes of asset allocation.

International Equity Guidelines (Separately Managed):

- The following are prohibited transactions or assets:
 - Commodity trading including all futures contracts;
 - Purchasing of letter stock;
 - Short selling;
 - Option trading;
 - Margin;
 - U.S. common stock¹;
 - U.S. Preferred stock¹;
 - U.S. Securities convertible into common stocks¹;
 - Private Placements, including Rule 144A stocks;
 - Any investments in securities of the NDT Trustee.
- The following categories of securities are permissible investments:
 - Common stocks of foreign companies trading on foreign exchanges¹;
 - Common stocks of foreign companies listed on the major U.S. securities exchanges (NYSE, AMEX, NASDAQ,)¹;
 - American Depositary Receipts (ADRs);
 - Foreign and currency related exchange traded funds;
 - Rights and Warrants²;
 - Cash or cash equivalents.
- No more than ten percent (10%) of the portfolio can be invested at any time in one company based on the market value of the stock and the portfolio.
- No more than thirty percent (30%) of the portfolio can be invested in any one industry based on the market value of the portfolio.
- The holdings do not have to be invested in industry groups that represent a cross-section of the economy.
- All of the equities purchased for the portfolio (based at market value) should have a minimum market capitalization of \$1 billion.
- Portfolio turnover will be monitored. If the performance results of the portfolio meet the objectives stated herein, the rate of turnover in the portfolio will not be an evaluative factor.
- Cash reserves should be invested in money market funds. Cash reserves may include U.S. Treasury Bills.

¹ Ten percent (10%) of the portfolio may be invested in U.S. securities. If owned, the companies represented by these securities would typically have a majority of their assets and operations outside the U.S. The country assignment of a company will be determined by MSCI.

² Rights and Warrants are permissible as long as they are received as a direct consequence of ownership of other permitted securities in the portfolio. The Investment Manager will dispose of Rights and Warrants, if received, in a timely manner and in the best interest of the Fund, as determined by the Investment Manager. The Investment Manager will not purchase Rights or Warrants for the portfolio.

- It is the function of the Investment Manager to allocate the assets of the portfolio among types of equities. It is the philosophy of the Committee, however, that the asset mix should be, maximum equity 100%, minimum equity 0%, maximum cash 100%, minimum cash 0%.
- Convertible and preferred securities shall be included with common stocks for purposes of asset allocation.

Fixed Income Guidelines (Separately Managed):

- The following are prohibited investments or assets:
 - Fixed Income derivatives, with the exception of mortgage-backed or asset-backed securities.
 - Non-dollar denominated foreign debt securities.
 - Direct real estate mortgages, with the exception of pooled mortgages offered as mortgage-backed securities.
 - Private placements, including Rule 144A securities.
 - Purchase of GIC's;
 - Any investments in securities of the NDT Trustee.
- The following categories of bonds are permissible investments:
 - Debt securities issued or guaranteed by the United States Government, its agencies or instrumentalities.
 - Corporate bonds, debentures and other forms of corporate debt obligations, including asset-backed securities.
 - Tax-exempt and taxable debt of state and local governments.
 - Mortgage-backed securities, including both residential and commercial mortgage-backed securities.
 - Commercial Paper rated A-1 or P-1 only.
 - Certificates of deposit or bankers acceptance of U.S. banks, but only in amounts of \$100,000 or less insured by FDIC.
 - Financial futures contracts on U.S. Treasury obligations and options on such contracts. These investments are for the sole purpose of hedging.
- Trust Funds shall not be invested in corporate, state and local government or mortgage-backed securities that have a bond rating below investment grade ("BBB" by Standard & Poor's Corporation or "Baa" by Moody's Investor's Service) at the time that the securities are purchased. The overall portfolio of debt instruments shall have a quality level not below an "AA" grade by Standard & Poor's Corporation or "Aa" by Moody's Investor's Service. In calculating the quality of the overall portfolio, debt securities issued by the federal government shall be considered as having an "AAA" rating.
- The liquidity of the portfolio should be enhanced through purchases of highly marketable securities.
- Holdings should be reasonably diversified to the extent it is prudent to do so.
- Portfolio turnover is justified if it can be documented that the portfolio has been "upgraded" as a result of the activity. "Upgraded" means reduced risk and/or increased return without violating the total portfolio risk guidelines.
- Cash reserves should be invested in interest bearing securities with slight risk of loss and price fluctuation, and have immediate liquidity. Cash reserves may include U.S. Treasury Bills.

Energy Equity Guidelines (Separately Managed):

The Investment manager may only invest in the natural resource sector, specifically energy and energy related entities.

- The following are prohibited transactions or assets:
 - Purchasing of letter stock;
 - Short selling;
 - Option trading;
 - Margin.
- The following categories of securities are permissible investments:
 - U.S. Common Stock;
 - U.S. Preferred Stock;
 - U.S. securities convertible into common stocks;
 - Common stocks of foreign companies trading on foreign exchanges;
 - Common stocks of foreign companies listed on the major U.S. securities exchanges (NYSE, AMEX, NASDAQ);
 - American Depositary Receipts (ADRs);
 - Cash or cash equivalents.
- No more than ten percent (10%) of the portfolio can be invested at any time in one company based on the market value of the stock and the portfolio.
- The holdings do not have to be invested in industry groups that represent a cross-section of the economy.
- Portfolio turnover will be monitored. If the performance results of the assets meet the objectives stated herein, the rate of turnover in the portfolio will not be an evaluative factor.
- Cash reserves should be invested in money market funds. Cash reserves may include U.S. Treasury Bills.
- It is the function of the Investment Manager to allocate the assets of the portfolio among types of equities. It is the philosophy of the Committee, however, that the asset mix should be, maximum equity 100%, minimum equity 0%, maximum cash 100%, minimum cash 0%.

Money Market Fund Guidelines:

- The investment guidelines for this fund will be those that are outlined in the offering document of the fund. It is understood that these guidelines will be broad enough to allow the portfolio manager of the fund to manage the portfolio in accordance with the investment objectives of the fund.

Appendix D: Mutual & Commingled Fund Guidelines

Mutual Fund Guidelines:

- The investment guidelines for mutual funds will be those documented in the prospectus of the fund chosen. It is understood that these guidelines will be broad enough to allow the portfolio manager of the fund to manage the portfolio in accordance with the investment objectives of the fund.

Commingled Fund Guidelines:

- The investment guidelines for commingled funds will be those documented in the governing document of the fund chosen. It is understood that these guidelines will be broad enough to allow the portfolio manager of the fund to manage the portfolio in accordance with the investment objectives of the fund.

Appendix E: Glossary of Terms

Alpha

Alpha is a measure of the difference between a portfolio's actual returns and its expected performance, given its level of risk as measured by Beta. A positive Alpha figure indicates the portfolio has performed better than its Beta would predict. In contrast, a negative Alpha indicates the portfolio has underperformed, given the expectations established by Beta.

Beta

The Beta is a measure of volatility of investment performance or sensitivity of the portfolio to market moves. A portfolio with a Beta of 1.00 is equally as volatile as the market; a portfolio with a Beta of 0.50 is half as volatile; and a portfolio with a Beta of 1.50 is one-and-a half times as volatile.

Balanced Index

The Balanced Index is a combination of indices with each individual index representing an asset class (e.g. Equities = S&P 500; Small Capitalization Equities = Russell 2000; International Equities = EAFE; Bonds = BC Aggregate; Cash = 30 day T-Bills). The proportion of each index represents the same proportion as the weighting of each asset class.

Barclays Capital 1-3 Year Government Bond Index

Comprised of both the Treasury Bond index (all public obligations of the U.S. Treasury, excluding flower bonds and foreign-targeted issues) and the Agency Bond Index (all publicly issued debt of U.S. Government agencies and quasi-federal corporations and corporate-debt guaranteed by the U.S. Government). These bonds also must have maturities of one to three years.

Barclays Capital Aggregate Bond Index

The Barclays Capital U.S. Aggregate Index is an unmanaged, market-value-weighted index of taxable investment-grade fixed-rate debt issues, including government, corporate, asset-backed, and mortgage backed securities, with maturities of one year or more.

Barclays Capital Intermediate Government/Credit Index

Includes both corporate (publicly-issued, fixed-rate, nonconvertible, investment grade, dollar-denominated, SEC-registered, corporate dept.) and government (Treasury Bond index, Agency Bond index, 1-3 Year Government index, and the 20+-Year treasury) indexes, including bonds with maturities up to ten years.

Citigroup One Month Treasury Bill Index

This index measures monthly return equivalents of yield averages that are not marked to market. This index consists of the last one-month Treasury bill issue.

Citigroup Three Month Treasury Bill Index

This index measures monthly return equivalents of yield averages that are not marked to market. This index consists of the last three three-month Treasury bill issues.

Consumer Price Index (CPI)

The Consumer Price Index (CPI) is a measure of the average change in prices over time of goods and services purchased by households. The Bureau of Labor Statistics publishes the CPI. The CPI is based on the price of goods and services that people buy for day-to-day living.

Dow Jones UBS Commodity Index

The Dow Jones UBS Commodity Index is composed of futures contracts on 19 physical commodities and is designed to be a highly liquid and diversified benchmark for commodities as an asset class. Weights of the index are adjusted once a year.

Form ADV

Advisers use Form ADV to register as an investment adviser with the SEC. Generally, an investment adviser that manages \$25 million or more in client assets must register with the SEC. Form ADV has two parts. Part 1 contains information about the adviser's education, business and disciplinary history within the last ten years. Part 1 is filed electronically with the SEC. Part 2 includes information on an adviser's services, fees, and investment strategies.

FTSE NAREIT Equity REITs Index

The FTSE NAREIT Equity REITs Index includes all tax-qualified REITs currently trading on the New York Stock Exchange, the NASDAQ National Market System and the American Stock Exchange that meet minimum size and liquidity screens. It is also the first index to include monthly historical statistics from 1972.

JP Morgan Emerging Market Bond Index (JPM EMBI)

A capitalization-weighted index of debt instruments from 13 emerging markets. The index consists of external currency denominated Brady bonds, loans, Eurobonds and US dollar local debt instruments. Argentina, Brazil and Chile have the largest markets for these securities and debt from these countries accounts for a proportionally large amount of the total value of the index. Bonds and loans from Bulgaria, Ecuador, Morocco, Nigeria, Panama, Peru, the Philippines, Poland, Russia and Venezuela account for the balance of the index's constituency. The returns presented for this index are total returns including the reinvestment of dividends.

MSCI Europe, Australasia, Far East Index (EAFE)

The MSCI EAFE Index is a free float-adjusted market capitalization index that is designed to measure the equity market performance of developed markets, excluding the US & Canada. As of May 27, 2010 the MSCI EAFE Index consisted of the following 22 developed market country indices: Australia, Austria, Belgium, Denmark, Finland, France, Germany, Greece, Hong Kong, Ireland, Israel, Italy, Japan, the Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, Sweden, Switzerland, and the United Kingdom.

MSCI Emerging Markets Index

The MSCI Emerging Markets Index is a free float-adjusted market capitalization index that is designed to measure equity market performance of emerging markets. As of May 27, 2010 the MSCI Emerging Markets Index consisted of the following 21 emerging market country indices: Brazil, Chile, China, Colombia, Czech Republic, Egypt, Hungary, India, Indonesia, Korea, Malaysia, Mexico, Morocco, Peru, Philippines, Poland, Russia, South Africa, Taiwan, Thailand, and Turkey.

NCREIF Property Index

The NCREIF Property Index is a quarterly time series composite total rate of return measure of investment performance of a very large pool of individual commercial real estate properties acquired in the private market for investment purposes only. All properties in the NPI have been acquired, at least in part, on behalf of tax-exempt institutional investors - the great majority being pension funds. As such, all properties are held in a fiduciary environment.

Peer Group

The peer group is referred to as the money manager's universe. It is used when analyzing the performance of a money manager. In addition to being compared to a standardized index such as the S&P 500, the performance of a manager is compared to the performance of others who look over similar accounts in terms of asset class, style, etc.

Peer Group Databases:

Plan Sponsor Network by Informa Investment Solutions

In 1984, EFFRON introduced the first investment manager search and evaluation database – Plan Sponsor Network, or PSN. PSN is an advanced software application offering investment professionals high quality, in-depth data on domestic and global investment managers. In 1998, PSN was acquired by Informa. PSN provides access to high-quality, detailed information on more than 2,000 investment organizations and 10,000 composites- their people, products, accounts, fee structure, management styles, philosophy, and historical returns and statistics.

Morningstar Principia Pro by Morningstar

Chicago-based Morningstar, Inc. is a global investment research firm, offering an extensive line of products and services for individuals, financial advisors, institutions, and the media. Morningstar provides information, data, and analysis of stocks, mutual funds, exchange-traded funds, closed-end funds, and variable annuity/life subaccounts.

Conservative Allocation Category

Conservative-allocation portfolios seek to provide both capital appreciation and income by investing in three major areas: stocks, bonds, and cash. These portfolios tend to hold smaller positions in stocks than moderate-allocation portfolios. These portfolios typically have 20% to 50% of assets in equities and 50% to 80% of assets in fixed income and cash.

Foreign Large Blend Category

Foreign large-blend portfolios invest in a variety of big international stocks. Most of these portfolios divide their assets among a dozen or more developed markets, including Japan, Britain, France, and Germany. These portfolios primarily invest in stocks that have market caps in the top 70% of each economically integrated market (such as Europe or Asia ex-Japan). The blend style is assigned to portfolios where neither growth nor value characteristics predominate. These portfolios typically will have less than 20% of assets invested in U.S. stocks.

Foreign Large Growth Category

Foreign large-growth portfolios focus on high-priced growth stocks, mainly outside of the United States. Most of these portfolios divide their assets among a dozen or more developed markets, including Japan, Britain, France, and Germany. These portfolios primarily invest in stocks that have market caps in the top 70% of each economically integrated market (such as Europe or Asia ex-Japan). Growth is defined based on fast growth (high growth rates for earnings, sales, book value, and cash flow) and high valuations (high price ratios and low dividend yields). These portfolios typically will have less than 20% of assets invested in U.S. stocks.

Foreign Large Value Category

Foreign large-value portfolios invest mainly in big international stocks that are less expensive or growing more slowly than other large-cap stocks. Most of these portfolios divide their assets among a dozen or more developed markets, including Japan, Britain, France, and Germany. These portfolios primarily invest in stocks that have market caps in the top 70% of each economically integrated market (such as Europe or Asia ex-Japan). Value is defined based on low valuations (low price ratios and high dividend yields) and slow growth (low growth rates for earnings, sales, book value, and cash flow). These portfolios typically will have less than 20% of assets invested in U.S. stocks.

Intermediate-Term Bond Category

Intermediate-term bond portfolios invest primarily in corporate and other investment-grade U.S. fixed-income issues and have durations of 3.5 to six years (or, if duration is unavailable, average effective maturities of four to 10 years). These portfolios are less sensitive to interest rates, and therefore less volatile, than portfolios that have longer durations.

Large Blend

Large-blend portfolios are fairly representative of the overall U.S. stock market in size, growth rates, and price. Stocks in the top 70% of the capitalization of the U.S. equity market are defined as large-cap. The blend style is assigned to portfolios where neither growth nor value characteristics predominate. These portfolios tend to invest across the spectrum of U.S. industries, and owing to their broad exposure, the portfolios' returns are often similar to those of the S&P 500 Index.

Large Growth

Large-growth portfolios invest in big U.S. companies that are projected to grow faster than other large-cap stocks. Stocks in the top 70% of the capitalization of the U.S. equity market are defined as large-cap. Growth is defined based on fast growth (high growth rates for earnings, sales, book value, and cash flow) and high valuations (high price ratios and low dividend yields). Most of these portfolios focus on companies in rapidly expanding industries.

Large Value

Large-value portfolios invest primarily in big U.S. companies that are less expensive or growing more slowly than other large-cap stocks. Stocks in the top 70% of the capitalization of the U.S. equity market are defined as large-cap. Value is defined based on low valuations (low price ratios and high dividend yields) and slow growth (low growth rates for earnings, sales, book value, and cash flow).

Mid-Cap Blend

The typical mid-cap blend portfolio invests in U.S. stocks of various sizes and styles, giving it a middle-of-the-road profile. Most shy away from high-priced growth stocks, but aren't so price-conscious that they land in value territory. The U.S. mid-cap range for market capitalization typically falls between \$1 billion-\$8 billion and represents 20% of the total capitalization of the U.S. equity market. The blend style is assigned to portfolios where neither growth nor value characteristics predominate.

Mid-Cap Growth

Some mid-cap growth portfolios invest in stocks of all sizes, thus leading to a mid-cap profile, but others focus on midsize companies. Mid-cap growth portfolios target U.S. firms that are projected to grow faster than other mid-cap stocks, therefore commanding relatively higher prices. The U.S. mid-cap range for market capitalization typically falls between \$1 billion - \$8 billion and represents 20% of the total capitalization of the U.S. equity market. Growth is defined based on fast growth (high growth rates for earnings, sales, book value, and cash flow) and high valuations (high price ratios and low dividend yields).

Mid-Cap Value

Some mid-cap value portfolios focus on medium-size companies while others land here because they own a mix of small-, mid-, and large-cap stocks. All look for U.S. stocks that are less expensive or growing more slowly than the market. The U.S. mid-cap range for market capitalization typically falls between \$1 billion - \$8 billion and represents 20% of the total capitalization of the U.S. equity market. Value is defined based on low valuations (low price ratios and high dividend yields) and slow growth (low growth rates for earnings, sales, book value, and cash flow).

Moderate Allocation Category

Moderate-allocation portfolios seek to provide both capital appreciation and income by investing in three major areas: stocks, bonds, and cash. These portfolios tend to hold larger positions in stocks than conservative-allocation portfolios. These portfolios typically have 50% to 70% of assets in equities and the remainder in fixed income and cash.

Short-Term Bond Category

Short-term bond portfolios invest primarily in corporate and other investment-grade U.S. fixed-income issues and have durations of one to 3.5 years (or, if duration is unavailable, average effective maturities of one to four years). These portfolios are attractive to fairly conservative investors, because they are less sensitive to interest rates than portfolios with longer durations.

Small Blend

Small-blend portfolios favor U.S. firms at the smaller end of the market-capitalization range. Some aim to own an array of value and growth stocks while others employ a discipline that leads to holdings with valuations and growth rates close to the small-cap averages. Stocks in the bottom 10% of the capitalization of the U.S. equity market are defined as small-cap. The blend style is assigned to portfolios where neither growth nor value characteristics predominate.

Small Growth

Small-growth portfolios focus on faster-growing companies whose shares are at the lower end of the market-capitalization range. These portfolios tend to favor companies in up-and-coming industries or young firms in their early growth stages. Because these businesses are fast-growing and often richly valued, their stocks tend to be volatile. Stocks in the bottom 10% of the capitalization of the U.S. equity market are defined as small-cap. Growth is defined based on fast growth (high growth rates for earnings, sales, book value, and cash flow) and high valuations (high price ratios and low dividend yields).

Small Value

Small-value portfolios invest in small U.S. companies with valuations and growth rates below other small-cap peers. Stocks in the bottom 10% of the capitalization of the U.S. equity market are defined as small-cap. Value is defined based on low valuations (low price ratios and high dividend yields) and slow growth (low growth rates for earnings, sales, book value, and cash flow).

Performance & Risk Measurement Report

A quarterly report compiled by the IMC which reviews performance relative to benchmarks, peer groups and other IPS criteria.

R² ("R-Squared")

Reflects the percentage of a fund's movements that can be explained by movements in its benchmark index. An R-squared of 100 indicates that all movements of a fund can be explained by movements in the index. Thus, index funds that invest only in S&P 500 stocks will have an R-squared very close to 100. Conversely, a low R-squared indicates that very few of the fund's movements can be explained by movements in its benchmark index. An R-squared measure of 35, for example, means that only 35% of the fund's movements can be explained by movements in the benchmark index.

Registered Investment Advisor

An advisor, registered with the Securities and Exchange Commission, who manages the investments of others.

Russell 1000 Growth Index

Measures the performance of those Russell 1000 companies with higher price-to-book ratios and higher forecasted growth values.

Russell 1000 Value Index

Measures the performance of those Russell 1000 companies with lower price-to-book ratios and lower forecasted growth values.

Russell 1000 Index

Measures the performance of the 1,000 largest companies in the Russell 3000 Index, which represents approximately 92% of the total market capitalization of the Russell 3000 Index. As of the latest reconstitution, the average market capitalization was approximately \$67.8 billion; the median market capitalization was approximately \$4.4 billion. The smallest company in the index had an approximate market capitalization of \$1.3 billion.

Russell 2000 Growth Index

Measures the performance of those Russell 2000 companies with higher price-to-book ratios and higher forecasted growth values.

Russell 2000 Value Index

Measures the performance of those Russell 2000 companies with lower price-to-book ratios and lower forecasted growth values.

Russell 2000 Index

Measures the performance of the 2,000 smallest companies in the Russell 3000 Index, which represents approximately 8% of the total market capitalization of the Russell 3000 Index. As of the latest reconstitution, the average market capitalization was approximately \$987 million; the median market capitalization was approximately \$448 million. The largest company in the index had an approximate market capitalization of \$2.3 billion and a smallest of \$112 million.

Russell 3000 Index

Measures the performance of the 3,000 largest U.S. companies based on total market capitalization, which represents approximately 98% of the investable U.S. equity market. As of the latest reconstitution, the average market capitalization was approximately \$62.6 billion; the median market capitalization was approximately \$813 million. The index had a total market capitalization range of approximately \$283 billion to \$112 million.

Russell 3000 Growth Index

Measures the performance of those Russell 3000 Index companies with higher price-to-book ratios and higher forecasted growth values. The stocks in this index are also members of either the Russell 1000 Growth or the Russell 2000 Growth indexes.

Russell 3000 Value Index

Measures the performance of those Russell 3000 Index companies with lower price-to-book ratios and lower forecasted growth values. The stocks in this index are also members of either the Russell 1000 Value or the Russell 2000 Value indexes.

Russell Mid Cap Growth Index

Measures the performance of those Russell Midcap companies with higher price-to-book ratios and higher forecasted growth values. The stocks are also members of the Russell 1000 Growth index.

Russell Mid Cap Value Index

Measures the performance of those Russell Midcap companies with lower price-to-book ratios and lower forecasted growth values. The stocks are also members of the Russell 1000 Value index.

Russell Mid Cap Index

Measures the performance of the 800 smallest companies in the Russell 1000 Index, which represent approximately 27% of the total market capitalization of the Russell 1000 Index. As of the latest reconstitution, the average market capitalization was approximately \$6.4 billion; the median market capitalization was approximately \$3.5 billion. The largest company in the index had an approximate market capitalization of \$14.1 billion.

Standard & Poor's 500 Index

A market capitalization-weighted index of 500 widely held stocks often used as a proxy for the stock market. It measures the movement of the largest issues. Standard and Poor's chooses the member companies for the 500 based on market size, liquidity and industry group representation. Included are the stocks of industrial, financial, utility, and transportation companies. Since mid-1989, this composition has been more flexible and the number of issues in each sector has varied.

Standard & Poor's Energy Index

Energy companies in the S & P 500 whose businesses are dominated by either of the following activities:

- The construction or provision of oil rigs, drilling equipment and other energy-related service and equipment, including seismic data collection.
- The exploration, production, marketing, refining and/or transportation of oil and gas products.

Standard Deviation

Standard deviation is the statistical measurement of dispersion about an average, which depicts how widely a stock or portfolio's returns varied over a certain period of time. Investors use the standard deviation of historical performance to try to predict the range of returns that is most likely for a given investment. When a stock or portfolio has a high standard deviation, the predicted range of performance is wide, implying greater volatility.

Target Index

The Target Index represents the performance of the appropriate style based indices over all time periods, as determined by the target asset allocation.

Total Dollar-Weighted Rate of Return

The interest rate that will make the present value of the cash flows from all the subperiods in the evaluation period plus the terminal market value of the portfolio equal to the initial market value of the portfolio. Also called the internal rate of return. The dollar-weighted rate is affected by the amount and the timing of cash flows during a given time period. This rate is an effective measure of the fund's rate of growth, giving full weight to the impact of cash flows on fund assets. The dollar-weighted rate also is referred to as the internal, discounted cash flow or the real rate of return.

Total Time-Weighted Rate of Return

Total Time-Weighted Rate of Return is a measure of investment performance of the fund's manager, independent of timing and magnitude of contributions to, or withdrawals from, the fund. This method allows the plan sponsor to evaluate the investment manager solely on his/her performance since it eliminates the effect of factors that are not under the manager's control (that is, cash flow).

Total Return

Total Return is a measure of total investment performance resulting from both realized and unrealized gains and losses and reinvestment of dividend and interest income.



**INSTITUTIONAL RETIREMENT & TRUST
 TRUST AND CUSTODY FEE AGREEMENT**

Effective Date: July 1, 2012
Owner Name ("Owner"): El Paso Electric Company
Account Name (the "Account"): El Paso Electric Company Nuclear Decommissioning Trust
Wells Fargo Account Number(s): 20054400
 and all related accounts
Billing Frequency: Quarterly
Method of Payment: Charged to Trust Account

Accepted: Nathan T. Hirsch
 1-18-2013
 Nathan T. Hirsch
 VP & Controller
 El Paso Electric Co

TRUSTEE/CUSTODY PER ANNUM FEES

Domestic Administration	<u>Basis Points</u>
Asset Based Fees	1.0000
Accounting & Reporting - InvestOne	
Accounting & Reporting - Separately Managed	\$ 2,900.00

DOMESTIC TRANSACTIONS

Domestic Depository Settlements	<u>Per Transaction</u>
* Includes DTC, Fed/Repo, ADR Free Receives/Delivers, Maturities	\$ 10.00
Principal Paydowns - Pooled/Mortgage Backed	\$ 5.00
Outgoing Wires	\$ 10.00

BENEFIT PAYMENTS*

Web-Based On-Line Reporting & Administration - RPP	Included
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OWNER ACKNOWLEDGEMENT:

Fees and expenses described in this Fee Agreement, together with any fees described in other agreements and/or disclosures, constitute amounts payable to Wells Fargo Bank, N.A. ("Wells Fargo") for services provided to the Client on the Account.

Wells Fargo shall be paid the fees as described above at the time such services are rendered. If such fees are not paid by the Account, such payment shall be made by the Owner. Wells Fargo may deduct fees due for services rendered directly from the Account assets. Fees for services rendered shall be payable upon presentation of invoices by Wells Fargo and may be subject to late payment penalties. Past due fees may be deducted from the Plan assets. Wells Fargo, in its sole discretion, may suspend services during any period in which any unpaid amounts are 90 days overdue or may deduct such amounts from the Trust.

No Domestic Administration fee nor fund settlement transaction fees will be assessed for assets held in a Wells Fargo Proprietary Fund. There is no charge for the collection of interest income and dividends.

The Owner has identified all assets held in the Account to Wells Fargo. Should there be any material change to the Account's structure or asset base, or should the Owner fail to transfer any assets scheduled for receipt to Wells Fargo within 60 days of the Effective Date of this Fee Agreement, Wells Fargo reserves the right to redefine fees and/or service conditions.

**WELLS
FARGO**

**INSTITUTIONAL RETIREMENT & TRUST
TRUST AND CUSTODY FEE AGREEMENT**

Effective Date: July 1, 2012
Owner Name ("Owner"): El Paso Electric Company
Account Name (the "Account"): El Paso Electric Company Nuclear Decommissioning Trust
Wells Fargo Account Number(s): 20054400
and all related accounts
Billing Frequency: Quarterly
Method of Payment: Charged to Trust Account

Wells Fargo shall be entitled to charge additional fees for any additional services requested by the Owner or any revisions to reports, forms, and documents resulting from (i) inaccurate or incomplete information supplied by the Owner, (ii) untimely payments of contributions or reimbursement of fees and expenses, (iii) retroactive amendment of the Trust, (iv) failure of the Owner to timely notify Wells Fargo of any error in reports, forms and documents prepared by Wells Fargo. If the Owner requests a rerun of an allocation or report due to incorrect or untimely information being furnished, the Owner shall bear the extra costs attributable to such reallocations or new reports.

Wells Fargo is entitled to prompt reimbursement of all extraordinary out-of-pocket expenses incurred in the performance of its services on behalf of the Account including, but not limited to, fees for legal process, outside legal fees, and courier services.

On the billing frequency indicated above, Wells Fargo will send an invoice to the Owner for fees and expenses due with respect to the Account. The invoice will denote Account fees to be "billed" that are payable by the Owner and/or Account fees to be "deducted" that have been deducted from Account assets held in the Trust. Such amounts, if billed, shall be due not later than 30 days following the billing date. Additional services not detailed in this Fee Agreement may be negotiated by and between Wells Fargo and the Owner at normal prevailing rates. Wells Fargo retains the right to revise its fee schedule from time to time.

If the Owner wishes to have the Account pay any fees or expenses, or wishes to be reimbursed by the Account for any fees or expenses previously paid by the Owner, the Owner shall be responsible for determining which fees and expenses may properly be paid or reimbursed by the Account and provide appropriate written direction certifying this to Wells Fargo.

Accepted:

El Paso Electric Company

By: *Michelle H. H.* Date: 1-18-2013

Wells Fargo Bank, N.A.

By: _____ Date: _____

INVESTMENT MANAGEMENT CONTRACT

This INVESTMENT MANAGEMENT CONTRACT, entered into, by and between the "Advisor," Phoenix Duff & Phelps Investment Advisors, and the "Client," El Paso Electric Company _____

WHEREAS, the Client has established and is presently maintaining a nuclear decommissioning fund, hereinafter termed the "Fund."

WHEREAS, pursuant to the provisions of the Fund, the Client has full authority to appoint an investment manager registered under the Investment Advisors Act of 1940; and

WHEREAS, the Client desires to appoint Phoenix Duff & Phelps Investment Advisors as an investment manager;

In consideration of the foregoing, the parties agree as follows:

1. Subject to the terms of this Contract, the Client appoints Advisor, as investment manager with full power to manage (including the power to acquire and dispose of) any assets of the Fund from time to time, and Advisor hereby accepts such appointment.
2. During the term of this Contract, Advisor shall manage, invest and reinvest the funds, securities and other assets subject to this Contract; determine what investment shall be bought, sold, retained, exchanged, or converted; direct without the specific consent or knowledge of the Client the execution of investment transactions, including the timing, frequency and method of execution thereof; and provide to the Client period reports of the transactions effected and the status of the funds, securities, and other assets subject to the Contract. Notwithstanding the foregoing, Advisor shall not have or exercise physical custody over assets in the Fund which custody shall remain with the Client.
3. In consideration of the services to be performed by Advisor pursuant to the terms of this Contract, the Client will pay to Advisor compensation in accordance with the attached schedule (Exhibit A) based upon the value of the funds, securities and other assets subject to this Contract, as of the calendar quarter end, which compensation will be charged quarterly in advance directly to the Client. Securities and other assets will, for purposes of determining compensation to Advisor, be valued at market value, or, in absence of market value, at fair value as determined in good faith by Advisor.
4. Advisor will pay its expenses in connection with its performance of investment management services on behalf of the Fund, and the Client will pay all interest charges, taxes, fees, commissions and expenses of every kind related to the Fund and not directly related to the performance by Advisor of investment management and advisory services.

5. Advisor acknowledges that within the scope of its appointment under this Contract, (i) it is registered as an investment advisor under the Investment Advisors Act of 1940, and (ii) it shall act with care, skill, prudence and diligence under the circumstances then prevailing that a prudent man acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character with like aims. To the extent consistent with the foregoing, except for its negligence or malfeasance, or violation of applicable law, neither Advisor nor any of its officers or employees shall be liable under this Contract, (a) for any action performed or omitted to be performed by it, the Client, a broker or dealer or any other person, (b) for the accuracy of any information furnished by the Client, a broker or dealer or any other person or (c) for any errors in judgment in managing the Fund's account. Certain federal and state laws, including federal and state securities laws, impose liabilities under certain circumstances on persons who act in good faith and therefore nothing contained herein shall in any way constitute a waiver or limitation of any rights that the Client or Fund may have under any such federal and state laws. Advisor's authority under this contract shall not be impaired because of the fact that Advisor may or may not effect transactions with respect to securities for the account of others which Advisor manages which are identical or similar to securities as to which Advisor may effect transactions for the Fund's account at the same or different times.
6. Advisor will treat as confidential any information furnished to it by the Client, or any other person, in connection with the Fund's account, and the Client will treat any information furnished by Advisor as confidential and for use only with respect to such account.
7. In order to avoid violation of federal and state laws and regulations concerning the use of information not publicly disseminated or obtained in a fiduciary or confidential capacity, Advisor has established policies that may result in its investment management department being excluded from access to or restricted in the use of such information obtained by its officers or employees. Accordingly, in the performance of services under this Contract, Advisor shall not be liable for any failure to purchase or sell any security on behalf of the Fund on the basis of any such information.
8. In directing investments under this Contract, Advisor will select the brokers or dealers through or with whom investment transactions are to be effected with respect to the fund and will place all buy and sell orders with respect thereto. The Client hereby directs that Advisor obtain for the Fund in such transactions the best execution and price but authorizes Advisor, consistent with the foregoing, to select brokers and dealers on the basis of their having furnished statistical, research and other services to Advisor.
9. The Client understands and agrees that funds held pending investment in equities or longer term fixed income securities, or in order to maintain liquidity in anticipation of cash needs, may be temporarily invested in a mutual fund registered under the Investment Company Act of 1940, including a fund managed by Advisor, notwithstanding that the Client in addition to the fee payable hereunder will be bearing its proportionate share (along with other shareholders of the mutual fund) of the management fee paid by the mutual fund to its manager, and that if Advisor is the manager of such mutual fund it will be receiving the fee

paid by such fund. If the Client's funds are invested in a mutual fund managed by the Advisor the Client will receive a credit against fees payable to Advisor hereunder equal to the pro rata share of fees Advisor receives from the mutual fund attributable to the Client's assets invested in the mutual fund determined on an average daily basis.

10. If any provision of this contract shall be held or made invalid by a court decision, statute, rule or otherwise, the remainder shall not be thereby affected to the full extent possible.
11. No assignment of this Contract shall be made without the consent of the Client.
12. This Contract constitutes the entire understanding between the parties regarding matters herein, and it shall not be changed, modified, terminated or discharged in whole or part, except by an instrument in writing signed by both parties hereto, or their representative successors.
13. This Contract may be terminated by either the Client or the Advisor upon written notice of such termination delivered to the other party at least 15 days prior to the end of any quarterly period.
14. Client hereby acknowledges receipt of Advisor's brochure as required by Rule 204-3 under the Investment Advisors Act of 1940 prior to or on the date of the execution of this Contract. If the Client has received said brochure less than forty-eight hours prior to the execution of this Contract. If the Client has received said brochure less than forty-eight hours prior to the execution of this Contract, the Client shall have the option to terminate this Contract without penalty within five business days after the date of execution; provided, however, that any investment action taken by Advisor with respect to the fund prior to the effective date of such termination shall be at the Client's risk.

AGREED AND ACCEPTED this 19 day of March, 1998

ADVISOR:

Phoenix Duff & Phelps
Investment Advisors

By: David A. Krause

Name: David A. Krause

Position: Managing Director

CLIENT:

El Paso Electric Company

By: Michael Blough

Name: Mike Blough

Position: Vice President - Administration

Exhibit A

Investment Management Contract Phoenix Duff & Phelps Investment Advisors

Fixed Income Fee Schedule

First \$30 million	35 basis points
Next \$30 million	30 basis points
Next \$40 million	25 basis points
Next \$100 million	20 basis points
Amounts exceeding \$200 million	15 basis points

Passive Equity Fee Schedule

First \$30 million	10 basis points
Next \$30 million	9 basis points
Next \$40 million	8 basis points
Next \$100 million	6 basis points
Amount exceeding \$200 million	5 basis points
Minimum Fee	\$7,500

EL PASO ELECTRIC COMPANY
 2021 TEXAS RATE CASE FILING
 SCHEDULE M-1: DECOMMISSIONING INFORMATION
 SPONSOR: LARRY J. HANCOCK
 PREPARER: LARRY J. HANCOCK
 FOR THE TEST YEAR ENDED DECEMBER 31, 2020

SCHEDULE M-1
 Page 60 of 64



1301 Second Avenue
 Seattle, WA 98101

tel 206-505-7877
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 toll-free 800-426-7969

www.russellinvestments.com

December 22, 2020

Victor Rueda
 Vice President – Human Resources
 El Paso Electric Company
 123 West Mills Street
 El Paso, TX 79960-0001

RE: Retirement Income Plan for Employees of El Paso Electric Company
 El Paso Electric Company Employee Welfare Benefits Plan
 El Paso Electric Company Nuclear Decommissioning Trusts

Dear Victor:

As required by our Agreement, a schedule outlining fees for services provided by Russell Investments Trust Company is provided below for your review and approval.

Retirement Income Plan for Employees of El Paso Electric Company Fee Schedule

Total assets invested in actively-managed Russell Investments funds	\$125 M - \$175 M	\$175 M - \$250 M	\$250 M - \$325 M	\$325 M - \$450 M	\$450 M - \$650 M	\$650+ M
Russell Investments Trust Company Commingled Employee Benefit Funds Trust	Annual Fee (%)					
RITC Equity I Fund	0.48%	0.46%	0.44%	0.43%	0.42%	0.41%
RITC Large Cap Defensive Equity Fund	0.44%	0.42%	0.40%	0.39%	0.38%	0.37%
RITC Concentrated Equity Fund	0.64%	0.62%	0.60%	0.59%	0.58%	0.57%
RITC Russell Investments Russell 1000® Index Fund - Series I	0.06%	0.06%	0.06%	0.05%	0.05%	0.05%
RITC Russell Investments Russell 2000® Index Fund - Series I	0.10%	0.10%	0.10%	0.09%	0.09%	0.08%
RITC International Index Fund - Series I	0.12%	0.12%	0.12%	0.11%	0.11%	0.10%
RITC Enhanced Index U.S. Equity Fund	0.33%	0.31%	0.29%	0.28%	0.27%	0.26%
RITC Equity II Fund	0.64%	0.62%	0.60%	0.59%	0.58%	0.57%
RITC Fixed Income I Fund	0.36%	0.34%	0.32%	0.31%	0.30%	0.29%
RITC Multi-Manager Bond Fund	0.39%	0.37%	0.35%	0.34%	0.33%	0.32%
RITC International Fund	0.60%	0.58%	0.56%	0.55%	0.54%	0.53%
RITC Emerging Markets Fund	0.82%	0.80%	0.78%	0.77%	0.76%	0.75%
RITC World Equity Fund	0.64%	0.62%	0.60%	0.59%	0.58%	0.57%
RITC Global Real Estate Securities Fund	0.65%	0.63%	0.61%	0.60%	0.59%	0.58%
RITC Commodities Fund	0.69%	0.67%	0.65%	0.64%	0.63%	0.62%
RITC Global Listed Infrastructure Fund	0.74%	0.72%	0.70%	0.69%	0.68%	0.67%
RITC Multi-Asset Core Fund	0.62%	0.60%	0.58%	0.57%	0.56%	0.55%
RITC Long Duration Fixed Income Fund	0.375%	0.355%	0.335%	0.325%	0.315%	0.305%
RITC Treasury STRIPS Funds	0.27%	0.25%	0.23%	0.22%	0.21%	0.20%
RITC Target Duration LDI Funds	0.375%	0.355%	0.335%	0.325%	0.315%	0.305%



**El Paso Electric Company Employee Welfare Benefits Plan, El Paso Electric Company
Nuclear Decommissioning Trusts, and Retirement Income Plan for Employees of El Paso
Electric Company**

Total assets invested in actively- managed Russell Investments funds	\$125 M - \$175 M	\$175 M - \$250 M	\$250 M - \$325 M	\$325 M - \$450 M	\$450 M - \$650 M	\$650+ M
Russell Investments Institutional Funds, LLC	Annual Fee (%)					
RIIFL Large Cap U.S. Equity Fund	0.48%	0.46%	0.44%	0.43%	0.42%	0.41%
RIIFL Defensive U.S. Equity Fund	0.44%	0.42%	0.40%	0.39%	0.38%	0.37%
RIIFL Large Cap U.S. Equity Index Fund	0.06%	0.06%	0.06%	0.05%	0.05%	0.05%
RIIFL Small Cap U.S. Equity Index Fund	0.10%	0.10%	0.10%	0.09%	0.09%	0.08%
RIIFL International Equity Index Fund	0.12%	0.12%	0.12%	0.11%	0.11%	0.10%
RIIFL Small Cap U.S. Equity Fund	0.69%	0.67%	0.65%	0.64%	0.63%	0.62%
RIIFL Core Bond Fund	0.39%	0.37%	0.35%	0.34%	0.33%	0.32%
RIIFL Low Duration Bond Fund	0.39%	0.37%	0.35%	0.34%	0.33%	0.32%
RIIFL International Equity Fund	0.60%	0.58%	0.56%	0.55%	0.54%	0.53%
RIIFL Emerging Markets Equity Plus Fund	0.86%	0.84%	0.82%	0.81%	0.80%	0.79%
RIIFL Global Real Estate Securities Fund	0.65%	0.63%	0.61%	0.60%	0.59%	0.58%
RIIFL Dynamic Commodity Strategies Fund	0.69%	0.67%	0.65%	0.64%	0.63%	0.62%
RIIFL Global Listed Infrastructure Fund	0.74%	0.72%	0.70%	0.69%	0.68%	0.67%
RIIFL Multi-Asset Core Plus Fund	0.65%	0.63%	0.61%	0.60%	0.59%	0.58%

Should the aggregate average daily market value for any quarter fall below \$125 million for Russell Investments funds, fees will be subject to re-negotiation.

Effective October 1, 2020, fees for the funds listed above will be invoiced quarterly based on the average daily market value of assets held during the period using one-fourth of the annual rates.

Each Fund's Net Asset Value (NAV) may also include other fund expenses (e.g., fund audit, brokerage commissions, taxes, and certain custody expenses associated with non-US securities transactions, etc.), as applicable, as outlined in the funds' governing documents. The NAV for RIIFL Large Cap US Equity Index Fund may also include management fees as charged by the underlying third-party fund manager.

An asset aggregation methodology may be used to determine fees for some or all assets governed by this Fee Agreement. In no event does the asset aggregation result in a rebate or benefit to Russell Investments. If asset aggregation is used, the fees for each asset pool(s) have been reviewed to determine that there is a neutral or positive fee impact to at least one Investor asset pool, but in no event is there a detrimental fee impact to any asset pool. If any asset pool is held for the benefit of participants or beneficiaries, the Investor should make its own determination as to whether it should disclose this aspect of the Fee Agreement to those parties.

In addition to the fees itemized in the fee schedule above, should an overdraft occur in your account, overdraft fees will be calculated based on the amount of the overdraft and the prevailing fed funds rate. All daily overdraft fees in excess of \$100 will be invoiced.

In accordance with your previous instructions, we will continue to charge fees to the account, unless otherwise directed. Payment terms are net 30 days. Fees outstanding in excess of 90 days may be charged to the account. Please indicate acceptance of this fee arrangement by signing and returning the letter.

EL PASO ELECTRIC COMPANY
2021 TEXAS RATE CASE FILING
SCHEDULE M-1: DECOMMISSIONING INFORMATION
SPONSOR: LARRY J. HANCOCK
PREPARER: LARRY J. HANCOCK
FOR THE TEST YEAR ENDED DECEMBER 31, 2020

SCHEDULE M-1
Page 62 of 64



If you have any questions, please call Mike Blumlein at 206-505-4828.

Sincerely,

A handwritten signature in black ink, appearing to read "C.W. Herchold".

C.W. Herchold
Director - Client Relationship Management
CW:jsb

Accepted:

El Paso Electric Company

By: Victor F. Rueda

**El Paso Electric Company
 Analysis of TLG Cost Studies
 Estimated Escalation Rate
 (Amounts in 000's)**

Study	Unit 1	Unit 2	Unit 3	Other Facilities	Total
2007	520,740	561,951	649,463	321,258	2,053,412
2019	853,384	835,323	924,279	344,602	2,957,588

IRR over 12 Year Period (2007-2019)		
12/31/2007	(2,053,412)	
12/31/2019	2,957,588	3.09%

EL PASO ELECTRIC COMPANY
2021 TEXAS RATE CASE FILING
SCHEDULE M-1: DECOMMISSIONING INFORMATION
SPONSOR: LARRY J. HANCOCK
PREPARER: LARRY J. HANCOCK
FOR THE TEST YEAR ENDED DECEMBER 31, 2020

SCHEDULE M-1
Page 64 of 64

EL PASO ELECTRIC COMPANY
ANNUAL RETURN EARNED TO DATE
2017 TEXAS RATE CASE

		Total Company Unit #1 Qualified Return Rate	Total Company Unit #2 Qualified Return Rate	Total Company Unit #3 Qualified Return Rate	Total Company Unit #1 Non-Qualified Return Rate	Total Company Unit #2 Non-Qualified Return Rate	Total Company Unit #3 Non-Qualified Return Rate	
Year								
1	1987	7.86%	-	-	N/A	N/A	N/A	(A)
2	1988	0.40%	-2.59%	-8.83%	N/A	N/A	N/A	(A)
3	1989	4.33%	2.12%	3.57%	N/A	N/A	N/A	(A)
4	1990	2.84%	-0.71%	3.18%	N/A	N/A	N/A	(A)
5	1991	3.89%	6.36%	1.98%	N/A	N/A	N/A	(A)
6	1992	4.50%	5.86%	1.72%	N/A	N/A	N/A	(A)
7	1993	4.72%	6.35%	3.04%	N/A	N/A	N/A	(A)
8	1994	4.65%	6.11%	4.06%	4.27%	6.05%	3.74%	(B)
9	1995	6.10%	5.72%	7.87%	8.06%	5.38%	5.55%	(B)
10	1996	5.52%	5.55%	4.22%	3.32%	5.27%	5.52%	(B)
11	1997	4.64%	5.00%	4.49%	4.59%	7.64%	4.50%	(B)
12	1998	4.62%	5.77%	4.60%	3.79%	6.11%	3.82%	(B)
13	1999	15.77%	16.04%	15.84%	2.25%	2.08%	2.36%	(B)
14	2000	-2.85%	-2.92%	-2.79%	-0.44%	-0.18%	-0.37%	(B)
15	2001	-5.21%	-5.25%	-5.28%	-5.80%	-5.75%	-6.20%	(B)
16	2002	-11.00%	-11.13%	-10.86%	-7.30%	-7.45%	-7.57%	(B)
17	2003	16.25%	16.04%	16.16%	13.28%	13.07%	13.22%	(B)
18	2004	4.62%	4.58%	4.55%	3.67%	3.66%	3.74%	(B)
19	2005	1.62%	1.61%	1.59%	0.87%	0.89%	1.13%	(B)
20	2006	12.20%	12.10%	12.01%	12.99%	12.24%	11.56%	(B)
21	2007	9.18%	9.19%	9.17%	3.78%	4.21%	4.59%	(B)
22	2008	-25.30%	-27.84%	-32.79%	4.38%	4.32%	4.53%	(B)
23	2009	15.41%	16.04%	16.89%	6.07%	6.16%	6.16%	(B)
24	2010	9.21%	9.45%	11.00%	1.95%	2.12%	-2.02%	(B)
25	2011	3.95%	6.71%	3.71%	6.54%	4.87%	2.80%	(B)
26	2012	10.86%	11.19%	11.81%	-4.28%	-1.83%	-1.32%	(B)
27	2013	13.00%	14.00%	14.95%	-0.06%	-0.03%	0.01%	(B)
28	2014	7.94%	8.08%	8.26%	3.83%	3.50%	3.57%	(B)
29	2015	1.30%	2.64%	1.34%	2.53%	1.34%	2.65%	(B)
30	2016	6.47%	6.67%	6.55%	-0.43%	-0.26%	-0.46%	(B)
31	2017	12.06%	12.57%	12.43%	3.19%	2.70%	2.91%	(B)
32	2018	-3.05%	-3.28%	-3.17%	-0.04%	1.20%	0.73%	(B)
33	2019	16.70%	17.09%	16.84%	1.94%	3.57%	3.40%	(B)
34	2020	12.84%	12.93%	12.84%	0.00%	7.02%	0.00%	(B)

(A) Per Schedule M-1 filed in Texas Docket No. 12700.

(B) Represents gross return before trustee fees and taxes.

EL PASO ELECTRIC COMPANY
2021 TEXAS RATE CASE FILING
SCHEDULE M-2 : DECOMMISSIONING FUNDING PLAN
SPONSOR: LARRY J. HANCOCK
PREPARER: LARRY J. HANCOCK
FOR THE TEST YEAR ENDED DECEMBER 31, 2020

SCHEDULE M-2
PAGE 1 OF 3

Schedule M-2 is not applicable to EPE. The Company is not requesting any decommissioning funding in this case.

EL PASO ELECTRIC COMPANY
2021 TEXAS RATE CASE FILING
SCHEDULE M-2 . DECOMMISSIONING FUNDING PLAN
SPONSOR: LARRY J. HANCOCK
PREPARER: LARRY J. HANCOCK
FOR THE TEST YEAR ENDED DECEMBER 31, 2020

SCHEDULE M-2
PAGE 2 OF 3

Schedule M-2 is not applicable to EPE. The Company is not requesting any decommissioning funding in this case.

EL PASO ELECTRIC COMPANY
2021 TEXAS RATE CASE FILING
SCHEDULE M-2 · DECOMMISSIONING FUNDING PLAN
SPONSOR: LARRY J. HANCOCK
PREPARER: LARRY J. HANCOCK
FOR THE TEST YEAR ENDED DECEMBER 31, 2020

SCHEDULE M-2
PAGE 3 OF 3

Schedule M-2 is not applicable to EPE. The Company is not requesting any decommissioning funding in this case.

EL PASO ELECTRIC COMPANY
2021 TEXAS RATE CASE FILING
SCHEDULES N: ENERGY EFFICIENCY PLAN
SPONSOR: MANUEL CARRASCO
PREPARER: JUDITH M. PARSONS
FOR THE TEST YEAR ENDED DECEMBER 31, 2020

SCHEDULE N
PAGE 1 OF 1

The information requested in Schedules N-1 through N-5 are located in the Energy Efficiency Plan and Report, Docket No. 51672,¹ filed by EPE in accordance with 16 Texas Administrative Code §§ 25.181 and 25.183. EPE has included its latest Energy Efficiency Plan and Report as Schedule N-6.

¹ 2021 *Energy Efficiency Plans and Reports Under 16 TAC § 25.181*, Docket No. 51672, Errata – El Paso Electric Company 2021 Energy Efficiency Plan and Report Pursuant to 16 TAC §§ 25.181 and 25.183 (Apr. 28, 2021).

EL PASO ELECTRIC COMPANY
2021 TEXAS RATE CASE FILING
SCHEDULE N-6: ENERGY EFFICIENCY PLAN
SPONSOR: MANUEL CARRASCO
PREPARER: JUDITH M. PARSONS
FOR THE TEST YEAR ENDED DECEMBER 31, 2020

SCHEDULE N-6
PAGE 1 OF 45

El Paso Electric Company
2021 Energy Efficiency Plan and Report

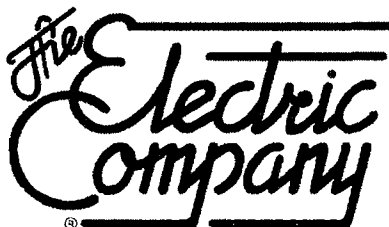
El Paso Electric Company

2021 Energy Efficiency Plan and Report

16 Texas Administrative Code § 25.181 and § 25.183

April 1, 2021
(Errata April 28, 2021)

Project No. 51672



El Paso Electric

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INTRODUCTION

El Paso Electric Company (EPE) presents this Energy Efficiency Plan and Report (EEPR) to comply with 16 Tex. Admin. Code (TAC) § 25.181 and § 25.183, which are the sections of the Energy Efficiency Rule (EE Rule) implementing the Public Utility Regulatory Act (PURA) § 39.905. As mandated by this section of PURA, 16 TAC § 25.181(e)(1) states that each investor-owned electric utility must achieve the following minimum demand reduction goals through market-based Standard Offer Programs (SOPs), targeted Market Transformation Programs (MTPs), or utility self-delivered programs:

§ 25.181(e)(1) An electric utility shall administer a portfolio of energy efficiency programs to acquire, at a minimum, the following:

- (A) Beginning with the 2013 program year, until the trigger described in subparagraph (B) of this paragraph is reached, the utility shall acquire a 30% reduction of its annual growth in demand of residential and commercial customers.
- (B) If the demand reduction goal to be acquired by a utility under subparagraph (A) of this paragraph is equivalent to at least four-tenths of 1% of its summer weather-adjusted peak demand for the combined residential and commercial customers for the previous program year, the utility shall meet the energy efficiency goal described in subparagraph (C) of this paragraph for each subsequent program year.
- (C) Once the trigger described in subparagraph (B) of this paragraph is reached, the utility shall acquire four-tenths of 1% of its summer weather-adjusted peak demand for the combined residential and commercial customers for the previous program year.
- (D) Except as adjusted in accordance with subsection (u) of this section, a utility's demand reduction goal in any year shall not be lower than its goal for the prior year, unless the commission establishes a goal for a utility pursuant to paragraph (2) of this subsection.

The EE Rule includes specific requirements related to the implementation of SOPs, MTPs, and utility self-delivered programs that control the manner that utilities must administer their portfolio of energy efficiency programs in order to achieve their mandated annual demand reduction goals. EPE's plan is intended to enable it to meet its statutory goals through implementation of energy efficiency programs in a manner that complies with PURA § 39.905 and the EE Rule. This EEPR reports EPE's achievements for 2020 and its projections for 2021 and 2022 as required by the EE Rule. The following section describes the information that is contained in each of the subsequent sections and appendix.