



## Filing Receipt

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SOAH DOCKET NO. 473-21-2606  
PUC DOCKET NO. 52195

APPLICATION OF EL PASO § BEFORE THE STATE OFFICE  
ELECTRIC COMPANY TO CHANGE § OF  
RATES § ADMINISTRATIVE HEARINGS

EL PASO ELECTRIC COMPANY'S RESPONSE TO  
CITY OF EL PASO'S THIRD REQUEST FOR INFORMATION  
QUESTION NOS. CEP 3-1 THROUGH CEP 3-32

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JULY 19, 2021

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CEP 3-1:

Incentive compensation: For each long-term incentive compensation plan and stock-based incentive plan for which any expense is included in El Paso Electric's pro forma cost of service, please provide the information for (1) El Paso Electric's long-term and stock-based plans, and (2) affiliated company long-term and stock-based plans allocated to El Paso Electric:

- a. Please provide a description of each plan.
- b. Provide a description of each of the goals or performance measures for each plan.
- c. Provide the amount awarded in the test year for each goal or performance measure, by plan.
- d. Provide the amount included in pro forma operating expense for each goal or performance measure for each plan.
- e. Provide the amount included in operating expenses for each plan for each year 2016 through 2020.
- f. Provide the amount capitalized for each plan for each year 2012 through 2015.
- g. For each plan, show the amounts and dates of each incentive award or payment for each year 2016 through 2020.
- h. For each month 2016 through 2020, provide the amount included in operating expenses for each plan.
- i. Provide the amount of any adjustments related to each plan.
- j. Provide the jurisdictional allocation factors for each plan.

k. Please provide the amount of payroll taxes associated with each plan in the test year.

RESPONSE:

As discussed in the direct testimony of El Paso Electric Company (“EPE”) witness Cynthia S. Prieto, on pages 8 and 13, there are no long-term incentive or stock-based plan related costs included in EPE’s requested cost of service.

Preparer: En Li

Title: Manager – Financial Accounting

Sponsor: Cynthia S. Prieto

Title: Vice President – Controller

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CEP 3-2:

Incentive Compensation: Please identify each Company incentive compensation plan which uses an Earnings Per Share ("EPS") modifier (or "trigger", or funding mechanism), and provide the following information for each:

- a. What was the EPS modifier for the years 2016 through 2020?
- b. Is an EPS modifier of (-0-) or a negative number possible?
- c. How is the EPS modifier determined?

RESPONSE:

El Paso Electric Company does not use an earnings per share ("EPS") modifier in any of its incentive compensation plans. From 2016 through 2019, EPS was the financial performance measure used in the Annual Cash Bonus Plan (incentive compensation plan) representing 50% of the overall metric. For 2020, net income was the financial performance measure representing 50% of the overall metric. In all requested years, an Operational Performance metric measured by a combination of customer satisfaction, system reliability, and compliance goals is the other 50%.

Preparer: Robert M. Almanzan

Title: Senior Director – Human Resources

Sponsor: Cynthia S. Prieto

Title: Vice President – Controller

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CEP 3-3:

**Incentive Compensation:** To what extent is the payment of incentive compensation to employees at the discretion of El Paso Electric's management.

RESPONSE:

Incentive compensation is determined according to the guidelines and metrics stipulated in the short-term incentive compensation plan. Please see CEP 3-3, Attachment 1 - Confidential for the 2020 Annual Cash Bonus Plan document.

Preparer: Robert M. Almanzan

Title: Senior Director – Human Resources

Sponsor: Cynthia S. Prieto

Title: Vice President – Controller

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CEP 3-3 Attachment 1 is CONFIDENTIAL and/or HIGHLY SENSITIVE PROTECTED MATERIALS attachment.

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CEP 3-4:

**Compensation:** Please provide copies of any salary surveys or compensation studies performed after 2017 utilized by El Paso Electric.

RESPONSE:

El Paso Electric Company ("Company") has not had any compensation studies done since 2013. Please see CEP 3-4, Attachment 1 - Confidential for the 2013 Compensation Study performed by Aon. Salary survey data from Willis Towers Watson is utilized to benchmark individual positions within the Company compensation framework. See CEP 3-4, Attachment 2 - Highly Sensitive Protected Material (Voluminous).

Preparer: Robert M. Almanzan

Title: Senior Director – Human Resources

Sponsor: Cynthia S. Prieto

Title: Vice President – Controller



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CEP 3-4 Attachment 1 is CONFIDENTIAL and/or HIGHLY SENSITIVE PROTECTED MATERIALS attachment.

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CEP 3-5:

**Outside Services:** Please provide an analysis of the amount of any adjustments to outside services showing the amount of the adjustment for each service provider.

RESPONSE:

Please refer to WP A-3, Adjustment No. 8 Outside Services Employed and see below for the adjustments to outside services by service provider.

| <u>Vendor</u>                  | <u>Amount</u>   | <u>Description</u>  |
|--------------------------------|-----------------|---|
| KPMG LLP - External Audit      | (\$70,200)      | Represents savings in external audit fees as reflected in the El Paso Electric Company's ("Company") 2021 budget. |
| Protiviti Inc - Internal Audit | 173,644         | Represents a net transfer of internal audit fees to this vendor as reflected in the Company's 2021 budget.        |
| New York Stock Exchange fees   | (72,804)        | To reflect savings related to New York Stock Exchange Listing fees no longer applicable.                          |
| Total                          | <u>\$30,640</u> |   |

Preparer: Melody Boisselier

Title: Principal Accountant – Regulatory  
Accounting

Sponsor: Jennifer I. Borden

Title: Director – Regulatory Accounting

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CEP 3-6:

**Outside Services:** Please provide an analysis of outsider services showing the amounts for each service provider during each of the three years preceding the test year.

RESPONSE:

By Agreement of counsel, the City of El Paso has agreed to refer to El Paso Electric Company's responses to Staff 1-43 and Staff 1-44 in response to this request.

Preparer: Alejandra Guevara

Title: Senior Accountant – Technical

Sponsor: Cynthia S. Prieto

Title: Vice President – Controller

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CEP 3-7:

**Injuries and Damages:** Please provide the amounts for Injuries and Damages Expense for each year 2016 through 2019 and for the test year. Also please identify any adjustments the Company proposed to this expense and the pro forma amount included in the revenue requirement.

RESPONSE:

The amounts for Injuries and Damages Expense for each year 2016 through 2019 and for the test year are as follows:

| Description   | 2016        | 2017        | 2018        | 2019        | Test Year          |
|---|-------------|-------------|-------------|-------------|--------------------|
| Total Injuries and Damages Expense                                    | \$4,309,021 | \$4,594,331 | \$4,137,090 | \$3,799,548 | \$3,644,212        |
| WP A-3, Adjustment 10 - Injuries and Damages                          |             |             |             |             | <u>(324,935)</u>   |
| Adjusted Injuries and Damages Expense included in Revenue Requirement |             |             |             |             | <u>\$3,319,277</u> |

Preparer: Karen Baca

En Li

Sponsor: Cynthia S. Prieto

Title: Senior Accountant – Technical  
Accounting  
Manager – Financial Accounting

Title: Vice President – Controller

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CEP 3-8:

**Injuries and Damages:** Please provide an analysis of the account Injuries and Damages Expense (or its related reserve account if appropriate) showing the amount paid for each settlement or court award during the test year and during each of the three years preceding the test year. For each claim identified provide an explanation of the incident that gave rise to the claim, why that claim should be recovered from ratepayers, and the amount included in the pro forma total Company and jurisdictional revenue requirement.

RESPONSE:

Each year El Paso Electric Company ("EPE"), like other major employers, finds itself subject to claims and litigation. In each case, a third party initiated the claim or lawsuit, not EPE. EPE therefore has the option of either contesting the matter or settling it. In some instances, EPE denied claims and contested these matters and no payments were made. These instances are not included in the attachment. The matters identified in the attachment represent a cost of EPE doing business. By settling a claim or lawsuit, EPE does not admit any wrongdoing. Instead each matter is evaluated considering a number of factors including the legal and related costs of contesting the claim or lawsuit. Therefore, these expenses are legitimate expenses to be recovered in rates.

For more detailed information about 2017, 2018, 2019, and test year expenses, please reference CEP 3-8, Attachment 1 – Confidential.

Preparer: Nydia Torres

Title: Manager – Claims and Risk Manager

Sponsor: Cynthia Prieto

Title: Vice President – Controller

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CEP 3-9:

**General:** Please provide copies of the Company's FERC Form 1 Report for the most recent two calendar years.

RESPONSE:

Please refer to CEP 3-9, Attachments 1 (Voluminous) and 2 (Voluminous) for copies of El Paso Electric Company's ("Company") 2018 and 2019 FERC Form 1 Reports, respectively. The Company's 2020 FERC Form 1 Report was provided in the filing as Schedule J, Attachment 1.

Preparer: En Li

Title: Manager – Financial Accounting

Sponsor: Cynthia S. Prieto

Title: Vice President – Controller



EL PASO ELECTRIC COMPANY

SOAH Docket No. 473-21-2606

PUC Docket No. 52195

CEP's 1st, Q. No. CEP 3-9

Attachment 1

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VOLUMINOUS

CEP 3-9 Attachment 1 is a VOLUMINOUS attachment.

EL PASO ELECTRIC COMPANY

SOAH Docket No. 473-21-2606

PUC Docket No. 52195

CEP's 1st, Q. No. CEP 3-9

Attachment 2

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VOLUMINOUS

CEP 3-9 Attachment 2 is a VOLUMINOUS attachment.

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CEP 3-10:

**General:** Please provide the O&M expenses by FERC account for the test-year and for each of the three years preceding the test year. Please provide the response in Excel compatible format with fully functional formulas.

RESPONSE:

Please refer to CEP 3-10, Attachment 1 for operation and maintenance expenses by FERC account for the years 2017, 2018, 2019, and the test-year.

Preparer: Karen Baca

En Li

Sponsor: Cynthia S. Prieto

Title: Senior Accountant – Technical  
Accounting

Manager – Financial Accounting

Title: Vice President – Controller

| Line No.                                | FERC Acct. | (a)<br>Description                         | (b)<br>2017  | (c)<br>2018  | (d)<br>2019  | (e)<br>2020  |
|---|------------|--|--------------|--------------|--------------|--------------|
| <u>Steam Power Generation Expense</u>   |            |  |              |              |              |              |
| <u>Operations Expense</u>               |            |  |              |              |              |              |
| 1                                       | 500000     | Operation Supervision & Engineering        | \$ 2,607,055 | \$ 2,043,799 | \$ 1,910,572 | \$ 2,372,241 |
| 2                                       | 501000     | Fuel                                       | 104,169,299  | 98,374,698   | 59,798,207   | 59,457,766   |
| 3                                       | 502000     | Steam Expenses                             | 3,044,277    | 2,796,239    | 3,138,512    | 3,081,678    |
| 4                                       | 505000     | Electric Expenses                          | 2,987,974    | 3,887,089    | 4,013,145    | 4,939,480    |
| 5                                       | 506000     | Miscellaneous Steam Power Expenses         | 3,394,705    | 2,853,852    | 3,536,308    | 3,858,680    |
| 6                                       | 507000     | Rents                                      | 466,271      | 464,612      | 526,589      | 655,198      |
| 7                                       | 509000     | Allowances                                 | 108,763      | 86,418       | 41,058       | 27,551       |
| 8                                       |            | Total Operations Expense                   | 116,778,344  | 110,506,707  | 72,964,391   | 74,392,594   |
| <u>Maintenance Expense</u>              |            |  |              |              |              |              |
| 9                                       | 510000     | Maintenance Supervision & Engineering      | 2,284,258    | 2,198,094    | 2,477,281    | 2,303,648    |
| 10                                      | 511000     | Maintenance of Structures                  | 1,435,566    | 1,242,602    | 1,343,575    | 1,119,903    |
| 11                                      | 512000     | Maintenance of Boiler Plant                | 7,691,556    | 8,018,566    | 6,009,014    | 8,798,466    |
| 12                                      | 513000     | Maintenance of Electric Plant              | 13,571,110   | 15,348,290   | 11,561,590   | 14,374,352   |
| 13                                      | 514000     | Maintenance of Miscellaneous Steam Plant   | 2,918,596    | 2,974,089    | 2,781,855    | 2,415,254    |
| 14                                      |            | Total Maintenance Expense                  | 27,901,086   | 29,781,641   | 24,173,315   | 29,011,623   |
| 15                                      |            | Total Steam Power Generation Expense       | 144,679,430  | 140,288,348  | 97,137,706   | 103,404,217  |
| <u>Nuclear Power Generation Expense</u> |            |  |              |              |              |              |
| <u>Operations Expense</u>               |            |  |              |              |              |              |
| 16                                      | 517000     | Operation Supervision & Engineering        | 13,376,785   | 12,412,371   | 11,575,929   | 11,982,723   |
| 17                                      | 518000     | Nuclear Fuel Expense                       | 42,479,991   | 39,294,957   | 41,405,064   | 41,258,546   |
| 18                                      | 519000     | Coolants & Water                           | 7,373,187    | 7,276,918    | 7,525,415    | 7,586,857    |
| 19                                      | 520000     | Steam Expenses                             | 6,095,977    | 5,136,717    | 5,207,635    | 4,895,908    |
| 20                                      | 523000     | Electric Expenses                          | 4,932,080    | 5,554,018    | 6,305,449    | 6,268,555    |
| 21                                      | 524000     | Miscellaneous Nuclear Power Expenses (A)   | 23,628,866   | 23,275,898   | 23,458,605   | 42,735,916   |
| 22                                      | 525000     | Rents                                      | 0            | 0            | 0            | 0            |
| 23                                      |            | Total Operations Expense                   | 97,886,886   | 92,950,879   | 95,478,097   | 114,728,505  |
| <u>Maintenance Expense</u>              |            |  |              |              |              |              |
| 24                                      | 528000     | Maintenance Supervision & Engineering      | 2,671,280    | 2,885,471    | 2,722,532    | 2,441,613    |
| 25                                      | 529000     | Maintenance of Structures                  | 1,130,947    | 1,198,840    | 1,208,913    | 1,276,999    |
| 26                                      | 530000     | Maintenance of Reactor Plant Equipment     | 8,433,670    | 8,937,099    | 6,899,627    | 6,513,634    |
| 27                                      | 531000     | Maintenance of Electric Plant              | 6,609,392    | 7,063,947    | 6,106,305    | 5,909,822    |
| 28                                      | 532000     | Maintenance of Miscellaneous Nuclear Plant | 2,021,558    | 2,073,945    | 2,001,185    | 1,807,475    |
| 29                                      |            | Total Maintenance Expense                  | 20,866,847   | 22,159,302   | 18,938,562   | 17,949,543   |
| 30                                      |            | Total Nuclear Power Generation Expense     | 118,753,733  | 115,110,181  | 114,416,659  | 132,678,048  |

(A) As explained in the direct testimony of Cynthia S. Prieto, in compliance with the FERC audit report in Docket No. PA19-3-000, in December 2020, the Company reclassified portions of the billings from Arizona Public Service Company recorded as administrative and general expenses (A&G) into Account 524000, Miscellaneous Nuclear Power Expenses for the operation and maintenance (O&M) of the Palo Verde Generation Station. This reclassification represents a shift from A&G into O&M accounts not an increase in costs incurred during the test year ended December 31, 2020.

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

| Line No.                               | FERC Acct. | (a)<br>Description                         | (b)<br>2017 | (c)<br>2018 | (d)<br>2019 | (e)<br>2020 |
|--|------------|--|-------------|-------------|-------------|-------------|
| <u>Other Power Generation Expenses</u> |            |  |             |             |             |             |
| <u>Operations Expense</u>              |            |  |             |             |             |             |
| 31                                     | 546000     | Operation Supervision & Engineering        | 571,034     | 901,301     | 1,022,179   | 1,104,305   |
| 32                                     | 547000     | Fuel                                       | 38,632,524  | 31,869,495  | 19,474,546  | 18,814,840  |
| 33                                     | 548000     | Generation Expenses                        | 918,562     | 1,174,805   | 912,897     | 915,904     |
| 34                                     | 549000     | Misc. Other Power Generation Expenses      | 1,376,815   | 1,203,618   | 1,139,818   | 824,017     |
| 35                                     | 550000     | Rents                                      | 57,725      | 52,316      | 99,464      | 190,939     |
| 36                                     |            | Total Operations Expense                   | 41,556,660  | 35,201,535  | 22,648,904  | 21,850,005  |
| <u>Maintenance Expense</u>             |            |  |             |             |             |             |
| 37                                     | 551000     | Maintenance Supervision & Engineering      | 3,703       | 8,241       | 102,068     | 214,434     |
| 38                                     | 552000     | Maintenance of Structures                  | 91,667      | 79,275      | 129,498     | 258,018     |
| 39                                     | 553000     | Maintenance of Generating & Electric Plant | 3,006,092   | 3,727,630   | 4,655,267   | 6,957,257   |
| 40                                     | 554000     | Maintenance of Miscellaneous Other Power   | 389,092     | 396,586     | 761,858     | 998,300     |
| 41                                     |            | Total Maintenance Expense                  | 3,490,554   | 4,211,732   | 5,648,691   | 8,428,009   |
| 42                                     |            | Total Other Power Generation Expense       | 45,047,214  | 39,413,267  | 28,297,595  | 30,278,014  |
| <u>Other Power Supply Expense</u>      |            |  |             |             |             |             |
| 43                                     | 555000     | Purchased Power                            | 59,682,595  | 59,746,635  | 55,462,703  | 82,237,860  |
| 44                                     | 556000     | System Control & Load Dispatching          | 0           | 0           | 0           | 13,477      |
| 45                                     | 556000     | System Control & Load Dispatching - PV     | 1,183,820   | 1,132,201   | 986,728     | 944,579     |
| 46                                     | 557000     | Other Expenses                             | 115,000     | 0           | 325,000     | 378,642     |
| 47                                     |            | Total Other Power Supply Expense           | 60,981,415  | 60,878,836  | 56,774,431  | 83,574,558  |
| 48                                     |            | Total Power Production Expense             | 369,461,792 | 355,690,632 | 296,626,391 | 349,934,837 |

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

| Line No. | FERC Acct. | (a)<br>Description                             | (b)<br>2017       | (c)<br>2018       | (d)<br>2019       | (e)<br>2020       |
|----------|------------|--|-------------------|-------------------|-------------------|-------------------|
|          |            | <u>Transmission Expense</u>                    |                   |                   |                   |                   |
|          |            | <u>Operations Expense</u>                      |                   |                   |                   |                   |
| 49       | 560000     | Operation Supervision & Engineering            | 1,427,707         | 1,769,333         | 1,894,111         | 2,169,209         |
| 50       | 561100     | Load Dispatch - Reliability                    | 63,127            | 100,775           | 128,245           | 128,147           |
| 51       | 561200     | Load Dispatch - Monitor & Oper Trans Sys       | 818,846           | 847,523           | 869,313           | 932,103           |
| 52       | 561300     | Load Dispatch - Trans Service & Sched          | 866,803           | 944,247           | 971,535           | 1,092,216         |
| 53       | 561400     | Scheduling, Sys Control & Dispatch Ser         | 599,757           | 610,891           | 618,115           | 652,858           |
| 54       | 561500     | Reliability, Planning & Standards Development  | 979,739           | 902,274           | 741,277           | 678,638           |
| 55       | 561600     | Transmission Service Studies                   | 0                 | 0                 | 0                 | 0                 |
| 56       | 561700     | Generation Interconnection Studies             | 0                 | 0                 | 0                 | 0                 |
| 57       | 561800     | Reliability, Plan & Standards Develop Services | 0                 | 0                 | 0                 | 0                 |
| 58       | 562000     | Station Expenses                               | 323,624           | 296,197           | 267,776           | 137,496           |
| 59       | 563000     | Overhead Line Expenses                         | 211,172           | 500,681           | 303,759           | 240,539           |
| 60       | 565000     | Transmission of Electricity by Others          | 6,806,326         | 7,094,447         | 6,123,189         | 6,728,666         |
| 61       | 566000     | Miscellaneous Transmission Expenses            | 6,552,528         | 6,148,745         | 7,661,298         | 8,942,379         |
| 62       | 567000     | Rents  | 289,370           | 282,705           | 250,050           | 117,943           |
|          |            |  | <u>18,938,999</u> | <u>19,497,818</u> | <u>19,828,668</u> | <u>21,820,194</u> |
| 63       |            | Total Operations Expense                       |                   |                   |                   |                   |
|          |            | <u>Maintenance Expense</u>                     |                   |                   |                   |                   |
| 64       | 568000     | Maintenance Supervision & Engineering          | 53,239            | 36,372            | 20,533            | 15,516            |
| 65       | 569000     | Maintenance of Structures                      | 32,317            | 31,286            | 17,124            | (1,705)           |
| 66       | 569100     | Maintenance of Computer Hardware               | 0                 | 0                 | 0                 | 0                 |
| 67       | 569200     | Maintenance of Computer Software               | 0                 | 0                 | 0                 | 0                 |
| 68       | 569300     | Maintenance of Communication Equipment         | 0                 | 0                 | 0                 | 0                 |
| 69       | 569400     | Maintenance of Misc Regional Trans Plant       | 0                 | 0                 | 0                 | 0                 |
| 70       | 570000     | Maintenance of Station Equipment               | 625,143           | 324,329           | 631,007           | 317,863           |
| 71       | 571000     | Maintenance of Overhead Lines                  | 1,412,178         | 2,455,709         | 1,656,209         | 1,525,242         |
| 72       | 573000     | Maintenance of Misc. Transmission Plant        | 15,663            | 18,625            | 16,467            | 39,726            |
|          |            |  | <u>2,138,540</u>  | <u>2,866,321</u>  | <u>2,341,340</u>  | <u>1,896,642</u>  |
| 73       |            | Total Maintenance Expense                      |                   |                   |                   |                   |
| 74       |            | Total Transmission Expense                     | <u>21,077,539</u> | <u>22,364,139</u> | <u>22,170,008</u> | <u>23,716,836</u> |

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

| Line No. | FERC Acct. | (a)<br>Description                        | (b)<br>2017 | (c)<br>2018 | (d)<br>2019 | (e)<br>2020 |
|----------|------------|---|-------------|-------------|-------------|-------------|
|          |            | <u>Distribution Expense</u>               |             |             |             |             |
|          |            | <u>Operations Expense</u>                 |             |             |             |             |
| 75       | 580000     | Operation Supervision & Engineering       | 553,306     | 859,655     | 995,447     | 1,108,166   |
| 76       | 581000     | Load Dispatching                          | 0           | 0           | 0           | 0           |
| 77       | 582000     | Station Expenses                          | 1,151,493   | 1,325,671   | 1,632,180   | 1,434,275   |
| 78       | 583000     | Overhead Line Expenses                    | 553,990     | 738,278     | 1,182,881   | 893,552     |
| 79       | 584000     | Underground Line Expenses                 | 643,167     | 637,911     | 681,099     | 837,960     |
| 80       | 585000     | Street Lighting & Signal System Expenses  | 1,933       | 520         | 528         | 0           |
| 81       | 586000     | Meter Expenses                            | 2,090,545   | 2,165,573   | 1,992,684   | 2,124,902   |
| 82       | 587000     | Customer Installations Expenses           | 394,202     | 457,947     | 489,381     | 547,317     |
| 83       | 588000     | Miscellaneous Distribution Expenses       | 8,490,063   | 8,595,048   | 8,875,934   | 8,740,320   |
| 84       | 589000     | Rents                                     | 215,843     | 217,850     | 297,398     | 341,134     |
| 85       |            | Total Operations Expense                  | 14,094,542  | 14,998,453  | 16,147,532  | 16,027,626  |
|          |            | <u>Maintenance Expense</u>                |             |             |             |             |
| 86       | 590000     | Maintenance Supervision & Engineering     | 0           | 0           | 60,903      | 53,873      |
| 87       | 591000     | Maintenance of Structures                 | 2,853       | 5,281       | 2,907       | 4,028       |
| 88       | 592000     | Maintenance of Station Equipment          | 1,463,666   | 1,415,463   | 1,303,498   | 1,879,189   |
| 89       | 593000     | Maintenance of Overhead Lines             | 5,240,311   | 5,330,687   | 4,155,368   | 6,349,721   |
| 90       | 594000     | Maintenance of Underground Lines          | 533,624     | 748,383     | 2,828,754   | 874,337     |
| 91       | 595000     | Maintenance of Line Transformers          | 3,785       | 1,918       | 6,674       | 8,671       |
| 92       | 596000     | Maint. of Street Lighting & Signal System | 292,570     | 261,767     | 409,351     | 288,197     |
| 93       | 597000     | Maintenance of Meters                     | 200,416     | 207,794     | 209,203     | 233,144     |
| 94       | 598000     | Maintenance of Misc. Distribution Plant   | 392,607     | 343,973     | 571,778     | 663,028     |
| 95       |            | Total Maintenance Expense                 | 8,129,832   | 8,315,266   | 9,548,436   | 10,354,188  |
| 96       |            | Total Distribution Expense                | 22,224,374  | 23,313,719  | 25,695,968  | 26,381,814  |

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

| Line No.                                  | FERC Acct. | (a)<br>Description                     | (b)<br>2017 | (c)<br>2018 | (d)<br>2019 | (e)<br>2020 |
|---|------------|--|-------------|-------------|-------------|-------------|
| <u>Customer Accounts Expense</u>          |            |  |             |             |             |             |
| 97  | 901000     | Supervision                            | 0           | 9,578       | 1,319       | 1,422       |
| 98  | 902000     | Meter Reading Expenses                 | 2,519,249   | 2,497,705   | 2,270,462   | 2,501,155   |
| 99  | 903000     | Customer Records & Collection Expenses | 13,439,140  | 14,319,807  | 14,265,727  | 14,566,301  |
| 100                                       | 904000     | Uncollectible Accounts                 | 3,146,083   | 2,827,184   | 2,196,040   | 2,849,257   |
| 101                                       | 905000     | Misc. Customer Accounts Expenses       | 327,416     | 242,029     | 152,302     | 109,610     |
| 102                                       |            | Total Customer Accounts Expense        | 19,431,888  | 19,896,303  | 18,885,850  | 20,027,745  |
| <u>Customer Svcs. &amp; Info. Expense</u> |            |  |             |             |             |             |
| 103                                       | 908000     | Customer Assistance Expenses           | 0           | 0           | 551         | 0           |
| 104                                       | 909000     | Infor. & Instr. Advertising Expenses   | 205,043     | 126,291     | 127,646     | 129,205     |
| 105                                       |            | Total Customer Svcs. & Info. Expense   | 205,043     | 126,291     | 128,197     | 129,205     |
| 106                                       | 912000     | Demonstrating & Selling Expenses       | 0           | 0           | 0           | 0           |

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



| Line No. | FERC Acct. | (a)<br>Description                          | (b)<br>2017           | (c)<br>2018           | (d)<br>2019           | (e)<br>2020           |
|----------|------------|---|-----------------------|-----------------------|-----------------------|-----------------------|
|          |            | <u>Administrative &amp; General Expense</u> |                       |                       |                       |                       |
|          |            | <u>Operation</u>                            |                       |                       |                       |                       |
| 107      | 920000     | Administrative & General Salaries           | 32,283,152            | 32,970,312            | 32,394,224            | 31,939,633            |
| 108      | 921000     | Office Supplies & Expenses                  | 4,488,996             | 4,276,260             | 4,916,132             | 5,473,363             |
| 109      | 923000     | Outside Services Employed                   | 16,042,394            | 15,773,218            | 16,820,018            | 15,916,521            |
| 110      | 924000     | Property Insurance                          | 3,380,522             | 3,987,668             | 4,164,157             | 4,852,276             |
| 111      | 924000     | Property Insurance - PV (A)                 | 534,763               | 395,665               | 58,250                | 0                     |
| 112      | 925000     | Injuries & Damages                          | 3,916,439             | 3,682,849             | 3,147,839             | 3,644,212             |
| 113      | 925000     | Injuries & Damages - PV (A)                 | 677,892               | 454,241               | 651,709               | 0                     |
| 114      | 926000     | Employee Pensions & Benefits                | 19,384,715            | 17,745,620            | 13,925,884            | 18,332,362            |
| 115      | 926000     | Employee Pensions & Benefits - PV (A)       | 6,536,716             | 4,697,221             | 6,095,821             | 0                     |
| 116      | 928000     | Regulatory Commission Expenses              | 3,022,557             | 11,726,990            | 12,625,235            | 13,218,765            |
| 117      | 928000     | Regulatory Commission Expenses - PV (A)     | 2,436,672             | 2,599,920             | 2,804,675             | 0                     |
| 118      | 930100     | General Advertising Expenses                | 985,502               | 555,733               | 1,160,186             | 1,693,142             |
| 119      | 930200     | Miscellaneous General Expenses              | 4,848,307             | 4,587,804             | 4,393,437             | 3,443,293             |
| 120      | 930200     | Miscellaneous General Expenses - PV (A)     | 12,090,898            | 11,639,556            | 12,136,404            | 0                     |
| 121      | 931000     | Rents                                       | 300,997               | 318,105               | 406,738               | 406,234               |
| 122      |            | Total Operation                             | <u>110,930,522</u>    | <u>115,411,162</u>    | <u>115,700,709</u>    | <u>98,919,801</u>     |
| 123      | 935000     | Maintenance of General Plant                | <u>6,931,537</u>      | <u>7,371,979</u>      | <u>8,283,149</u>      | <u>9,520,823</u>      |
| 124      |            | Total Administrative & General Expense      | <u>117,862,059</u>    | <u>122,783,141</u>    | <u>123,983,858</u>    | <u>108,440,624</u>    |
| 125      |            | Total Operation & Maintenance Expense       | <u>\$ 550,262,695</u> | <u>\$ 544,174,225</u> | <u>\$ 487,490,272</u> | <u>\$ 528,631,061</u> |

(A) As explained in the direct testimony of Cynthia S. Prieto, in compliance with the FERC audit report in Docket No. PA19-3-000, in December 2020, the Company reclassified portions of the billings from Arizona Public Service Company recorded as administrative and general expenses (A&G) into Account 524000, Miscellaneous Nuclear Power Expenses for the operation and maintenance (O&M) of the Palo Verde Generation Station. This reclassification represents a shift from A&G into O&M accounts not an increase in costs incurred during the test year ended December 31, 2020.

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

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EL PASO ELECTRIC COMPANY'S RESPONSE TO  
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CEP 3-11:

**ADIT:** Please provide an analysis showing the impact on accumulated deferred income taxes of each of the Company's proposed adjustments to plant in service. Please provide an explanation for each proposed plant adjustment that does not have an impact on accumulated deferred income taxes and explain which plant additions do not qualify for the special depreciation allowance and why. Please provide the response in Excel compatible format with fully functional formulas.

RESPONSE:

The calculation of accumulated deferred income taxes associated with the proposed plant adjustments can be found on WP G-7.4.1. The 2017 Tax Cuts and Jobs Act eliminated the bonus depreciation deduction for regulated utilities. There was no special depreciation allowance taken on test year additions to plant in service.

Preparer: Tammy Henderson

Title: Manager – Tax

Sponsor: Sean M. Ihorn

Title: Director – Tax

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CEP 3-12:

Pension regulatory assets and liability: Please provide an analysis of the pension regulatory asset or liability providing the following information:

- a. A narrative describing the history of the regulatory asset or liability;
- b. The level of pension expense included in rates in each year since inception;
- c. The amount of pension expense each year;
- d. The beginning asset or liability balance and each year ending balance;
- e. The amounts for items b) through d) for each month after the test year through the latest date available; and
- f. The expected return on plan assets for 2019, 2020 and 2021.

RESPONSE:

El Paso Electric Company has not recorded a pension regulatory asset or liability.

Preparer: En Li

Title: Manager – Financial Accounting

Sponsor: Cynthia S. Prieto

Title: Vice President – Controller

SOAH DOCKET NO. 473-21-2606  
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CEP 3-13:

**Retirement plans:** Please provide a narrative describing any changes to the Company's retirement plans or post-retirement benefits after the beginning of the test year and continuing through the latest date after the end of the test year.

RESPONSE:

The Post-65 Retiree Welfare Benefit Plan was amended January 2021. The existing Humana Group Medicare PPO plan was amended to include prescription drug benefits (Medicare Part D) that were previously administered by a separate carrier, Benistar.

The Pre-65 Retiree Welfare Benefit Plan was amended January 1, 2021. The Plans were updated to include:

- Lifetime Benefit Maximum – increased from \$1,000,000 to unlimited
- True Maximum Out of Pocket updated to share medical and pharmacy accumulators, and
- Removed pre-existing condition limitation

For the 401(k) Retirement Savings Plans, the recordkeeper migrated from Wells Fargo Institutional Retirement and Trust ("WF") to Principal effective April 2021. The change was due to the acquisition of WF by Principal during 2019 and resulting company transition of business platforms.

The Retirement Income Plan ("RI Plan") was amended and restated effective January 1, 2020 to add separate accounts under Internal Revenue Code § 401(h) to the RI Plan effective February 1, 2020, for the payment of post-retirement health and administrative expenses for certain retired employees under the RI Plan (and their eligible spouses and dependents).

Preparer: Robert M. Almanzan

Title: Senior Director – Human Resources

Sponsor: Cynthia S. Prieto

Title: Vice President – Controller

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EL PASO ELECTRIC COMPANY'S RESPONSE TO  
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CEP 3-14:

**Retirement plans:** Please provide a narrative describing any changes the Company plans to make to any of its retirement plans or post-retirement benefits within the two years after the end of the test year.

RESPONSE:

The Company is anticipating making a change in 2022 to its 401(k) Retirement Savings Plans moving from JPMorgan to Blackrock for its Qualified Default Investment Alternative ("QDIA") Target Date funds.

Preparer: Robert M. Almanzan

Title: Senior Director – Human Resources

Sponsor: Cynthia S. Prieto

Title: Vice President – Controller

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CEP 3-15:

**Retirement plans:** Please quantify the savings which have been achieved or that are expected to be achieved from changes to Company's retirement plans or postretirement benefits.

RESPONSE:

Changes to the Post-65 Retiree Welfare Benefit Plan ("VEBA") (Bundling medical and pharmacy coverage under Humana) is expected to save approximately \$220,000 in combined premiums during 2021. The expense related to the VEBA that is included in cost of service is based on an actuarially determined amount, not on premiums, therefore no adjustment was made to cost of service.

Preparer: Robert M. Almanzan

Title: Senior Director – Human Resources

Sponsor: Cynthia S. Prieto

Title: Vice President – Controller

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CEP 3-16:

**Retirement plans:** Please provide copies of the actuary reports supporting the test year level of costs for each retirement plan or post-retirement benefits.

RESPONSE:

The actuarial reports prepared by Willis Towers Watson US LLC for calendar year 2020 supporting the test year level of pension and other post-employment benefit costs were provided in Schedules G-2, Attachment A; G-2.1, Attachment A, pages 1 through 70; and G-2.2, Attachment A, pages 93 through 127, of the Rate Filing Package.

Preparer: Karen Baca

En Li

Sponsor: Cynthia S. Prieto

Title: Senior Accountant – Technical  
Accounting

Manager – Financial Accounting

Title: Vice President – Controller

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EL PASO ELECTRIC COMPANY'S RESPONSE TO  
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CEP 3-17:

**Retirement plans:** Please provide copies of the actuary reports supporting the 2021 level of costs for each retirement plan or post-retirement benefits.

RESPONSE:

The actuarial report estimate prepared by Willis Towers Watson US LLC supporting the 2021 level of pension and other post-employment benefit costs was provided in WP/G-2.1 UPDATE, pages 7 through 76, of the 45-day update to the Rate Filing Package.

Preparer: Karen Baca

En Li

Title: Senior Accountant – Technical  
Accounting

Manager – Financial Accounting

Sponsor: Cynthia S. Prieto

Title: Vice President – Controller



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EL PASO ELECTRIC COMPANY'S RESPONSE TO  
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CEP 3-18:

**Retirement plans:** Please provide the amounts included in test year operating expenses for each retirement plan and post-retirement benefits.

RESPONSE:

Please refer to WP A-3 Adjustment No. 4 Pension Benefits, page 3, column (b), lines 1 and 3 for the test year operating expenses for the retirement plan and post-retirement benefit plan. The adjusted test year amounts included in requested revenue requirement are shown in column (j) on lines 1 and 3.

Preparer: En Li

Title: Manager – Financial Accounting

Sponsor: Cynthia S. Prieto

Title: Vice President – Controller

SOAH DOCKET NO. 473-21-2606  
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EL PASO ELECTRIC COMPANY'S RESPONSE TO  
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CEP 3-19:

**Retirement plans:** Please provide the amounts included in pro forma operating expenses for each retirement plan and post-retirement benefits.

RESPONSE:

Please refer to El Paso Electric Company's response to CEP 3-18.

Preparer: En Li

Title: Manager – Financial Accounting

Sponsor: Cynthia S. Prieto

Title: Vice President – Controller

SOAH DOCKET NO. 473-21-2606  
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CEP 3-20:

**Retirement plans:** Please provide a copy of the full document(s) provided by the Company's actuary supporting the level of pension costs and post-retirement benefits included in the revenue requirement.

RESPONSE:

Please refer to El Paso Electric Company's responses to CEP 3-16 and CEP 3-17 for the actuarial reports supporting the level of pension and other post-employment benefits costs included in the revenue requirement.

Preparer: En Li

Title: Manager – Financial Accounting

Sponsor: Cynthia S. Prieto

Title: Vice President – Controller

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CEP 3-21:

**Retirement plans:** Please provide the amount of nonqualified employee retirement plan costs in pro forma expense. Please show both restoration and SERP costs for both El Paso Electric and each affiliated company included in pro forma operating expense.

RESPONSE:

Please refer to El Paso Electric's ("EPE") response to Staff 1-22 for EPE's nonqualified employee retirement plan costs in EPE's requested cost of service. EPE did not incur any such affiliated company expenses.

Preparer: Karen Baca

En Li

Sponsor: Cynthia S. Prieto

Title: Senior Accountant – Technical  
Accounting  
Manager – Financial Accounting

Title: Vice President – Controller

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CEP 3-22:

**Employee Benefits:** Please provide narrative description of any changes to the Company's employee benefits during the test year and continuing through the latest date after the end of the test year.

RESPONSE:

El Paso Electric Company ("Company") added coverage with Blue Cross Blue Shield Texas ("BCBSTX") through a High Deductible Health Plan ("HDHP") with a Health Savings Account ("HAS") on January 1, 2020 and continued in 2021.

The pharmacy benefit manager changed from EnvisionRx to Express Scripts in 2020.

The Health Savings Account was introduced in 2020 and continued in 2021. The administrator changed from PayFlex to Discovery Benefits/WEX in 2021.

The administrator for the Flexible Spending Accounts ("FSA") change from PayFlex to Discovery Benefits/WEX in 2021. The Company introduced a new Limited Purpose FSA in 2021 for election by HSA participants only.

A short-term disability ("STD") buy-up option was introduced in 2020 as an enhancement to the company-provided STD benefit already provided.

Preparer: Robert M. Almanzan

Title: Senior Director – Human Resources

Sponsor: Cynthia S. Prieto

Title: Vice President – Controller

SOAH DOCKET NO. 473-21-2606  
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EL PASO ELECTRIC COMPANY'S RESPONSE TO  
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CEP 3-23:

**Employee Benefits:** Please provide a narrative describing any changes the Company plans to make to any of its employee benefits within the two years after the end of the test year.

RESPONSE:

El Paso Electric Company does not anticipate making any benefit plan changes within the two years after the end of the test year.

Preparer: Robert M. Almanzan

Title: Senior Director – Human Resources

Sponsor: Cynthia S. Prieto

Title: Vice President – Controller

SOAH DOCKET NO. 473-21-2606  
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EL PASO ELECTRIC COMPANY'S RESPONSE TO  
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QUESTION NOS. CEP 3-1 THROUGH CEP 3-32

CEP 3-24:

**Employee Benefits:** Please quantify the savings which have been achieved or that are expected to be achieved from changes to Company's employee benefits.

RESPONSE:

El Paso Electric Company has maintained current expense levels from changes to employee benefits and cannot predict future savings as we continue to manage all expenses on employee benefits.

Preparer: Robert M. Almanzan

Title: Senior Director – Human Resources

Sponsor: Cynthia S. Prieto

Title: Vice President – Controller

SOAH DOCKET NO. 473-21-2606  
PUC DOCKET NO. 52195

|                            |   |                         |
|----------------------------|---|-------------------------|
| APPLICATION OF EL PASO     | § | BEFORE THE STATE OFFICE |
| ELECTRIC COMPANY TO CHANGE | § | OF                      |
| RATES                      | § | ADMINISTRATIVE HEARINGS |

EL PASO ELECTRIC COMPANY'S RESPONSE TO  
CITY OF EL PASO'S THIRD REQUEST FOR INFORMATION  
QUESTION NOS. CEP 3-1 THROUGH CEP 3-32

CEP 3-25:

**Employee Benefits:** Please provide copies of the documents supporting the test year level of employee benefits.

RESPONSE:

Please refer to WP A-3, Adjustment No. 4 Pension Benefits for copies of the documents supporting the test year level of employee benefits.

Preparer: En Li

Title: Manager – Financial Accounting

Sponsor: Cynthia S. Prieto

Title: Vice President – Controller



SOAH DOCKET NO. 473-21-2606  
PUC DOCKET NO. 52195

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|----------------------------|---|-------------------------|
| APPLICATION OF EL PASO     | § | BEFORE THE STATE OFFICE |
| ELECTRIC COMPANY TO CHANGE | § | OF                      |
| RATES                      | § | ADMINISTRATIVE HEARINGS |

EL PASO ELECTRIC COMPANY'S RESPONSE TO  
CITY OF EL PASO'S THIRD REQUEST FOR INFORMATION  
QUESTION NOS. CEP 3-1 THROUGH CEP 3-32

CEP 3-26:

**Employee Benefits:** Please provide copies of the documents supporting the pro forma level of employee benefits.

RESPONSE:

Please refer to WP A-3, Adjustment No. 4 Pension Benefits for copies of the documents supporting the adjusted test year employee benefits.

Preparer: En Li

Title: Manager – Financial Accounting

Sponsor: Cynthia S. Prieto

Title: Vice President – Controller

SOAH DOCKET NO. 473-21-2606  
PUC DOCKET NO. 52195

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|----------------------------|---|-------------------------|
| APPLICATION OF EL PASO     | § | BEFORE THE STATE OFFICE |
| ELECTRIC COMPANY TO CHANGE | § | OF                      |
| RATES                      | § | ADMINISTRATIVE HEARINGS |

EL PASO ELECTRIC COMPANY'S RESPONSE TO  
CITY OF EL PASO'S THIRD REQUEST FOR INFORMATION  
QUESTION NOS. CEP 3-1 THROUGH CEP 3-32

CEP 3-27:

**Employee Benefits:** Please provide the amount of each employee benefit in each of the three years preceding the test year.

RESPONSE:

Please refer to CEP 3-27, Attachment 1 for the amount of each employee benefit in each of the three years preceding the test year.

Preparer: En Li

Title: Manager – Financial Accounting

Sponsor: Cynthia S. Prieto

Title: Vice President – Controller

| Line<br>No. | Description   | Total Per Book<br>Costs<br>2017 | Total Per Book<br>Costs<br>2018 | Total Per Book<br>Costs<br>2019 |
|-------------|---|---------------------------------|---------------------------------|---------------------------------|
| 1           | Other Postemployment Benefits   | \$ (4,640,329)                  | \$ (5,520,692)                  | \$ (4,705,534)                  |
| 2           | 401 K Savings Plan  | 4,595,193                       | 4,946,052                       | 4,958,161                       |
| 3           | Retirement Income Plan  | 5,629,251                       | 5,902,663                       | 3,270,307                       |
| 4           | Excess Benefit Plan   | 1,130,639                       | 1,378,146                       | 1,144,487                       |
| 5           | SRSIP, Executive Retirement Agreements, and Directors' Retirement Plan (SERP) | 1,004,792                       | 1,023,812                       | 1,058,898                       |
| 6           | Dental Insurance  | 353,695                         | 394,037                         | 342,868                         |
| 7           | Long & Short Term Disability  | 422,851                         | 476,226                         | 432,891                         |
| 8           | Compensation for Performance & Restricted Shares                              | 3,303,206                       | 3,773,830                       | 952,450                         |
| 9           | Medical Expenses  | 11,526,331                      | 11,342,209                      | 13,437,306                      |
| 10          | Life Insurance  | 121,764                         | 137,830                         | 143,350                         |
| 11          | Other Employee Benefits   | 1,437,360                       | 2,156,035                       | 1,476,794                       |
| 12          | Employment Separation Agreements  | 446,947                         | 898,737                         | 33,149                          |
| 13          | Total El Paso Electric Pensions & Benefits                                    | \$ 25,331,700                   | \$ 26,908,885                   | \$ 22,545,127                   |

SOAH DOCKET NO. 473-21-2606  
PUC DOCKET NO. 52195

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|----------------------------|---|-------------------------|
| APPLICATION OF EL PASO     | § | BEFORE THE STATE OFFICE |
| ELECTRIC COMPANY TO CHANGE | § | OF                      |
| RATES                      | § | ADMINISTRATIVE HEARINGS |

EL PASO ELECTRIC COMPANY'S RESPONSE TO  
CITY OF EL PASO'S THIRD REQUEST FOR INFORMATION  
QUESTION NOS. CEP 3-1 THROUGH CEP 3-32

CEP 3-28:

**Affiliate costs:** Please provide the amount of affiliate costs allocated to El Paso Electric and included in the revenue requirement.

RESPONSE:

There were no affiliate costs allocated to El Paso Electric Company or included in the revenue requirement.

Preparer: En Li

Title: Manager – Financial Accounting

Sponsor: Cynthia S. Prieto

Title: Vice President – Controller

SOAH DOCKET NO. 473-21-2606  
PUC DOCKET NO. 52195

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|----------------------------|---|-------------------------|
| APPLICATION OF EL PASO     | § | BEFORE THE STATE OFFICE |
| ELECTRIC COMPANY TO CHANGE | § | OF                      |
| RATES                      | § | ADMINISTRATIVE HEARINGS |

EL PASO ELECTRIC COMPANY'S RESPONSE TO  
CITY OF EL PASO'S THIRD REQUEST FOR INFORMATION  
QUESTION NOS. CEP 3-1 THROUGH CEP 3-32

CEP 3-29:

**Directors and Officers Expenses:** Please provide the amounts recorded for directors' and officers' expenses for the test year for EPE total company and for the Texas jurisdiction, separately identifying the amounts for each business entity with costs included in the EPE revenue requirement.

RESPONSE:

Please refer to page 3 on the filed WP A-3, Adjustment No. 21 Miscellaneous General Expenses for the directors' expenses recorded for the test year of \$1,951,429, which includes amounts paid to the prior Board of Directors for the first seven months of the test year under the then existing compensation plan. The LABOR allocator of 78.9446% was used to calculate the Texas jurisdictional amount of \$1,540,548 in the revenue requirement.

Preparer: Alejandra Montalvo  
Adrian Hernandez

Title: Staff Accountant – Regulatory Accounting  
Senior Rate Analyst – Rates

Sponsor: Cynthia S. Prieto  
Adrian Hernandez  
Jennifer I. Borden

Title: Vice President – Controller  
Senior Rate Analyst – Rates  
Director – Regulatory Accounting

SOAH DOCKET NO. 473-21-2606  
PUC DOCKET NO. 52195

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|----------------------------|---|-------------------------|
| APPLICATION OF EL PASO     | § | BEFORE THE STATE OFFICE |
| ELECTRIC COMPANY TO CHANGE | § | OF                      |
| RATES                      | § | ADMINISTRATIVE HEARINGS |

EL PASO ELECTRIC COMPANY'S RESPONSE TO  
CITY OF EL PASO'S THIRD REQUEST FOR INFORMATION  
QUESTION NOS. CEP 3-1 THROUGH CEP 3-32

CEP 3-30:

**Directors and Officers Expenses:** Please provide the amounts included in the adjusted revenue requirement for directors' and officers' expenses for EPE total company and for the Texas jurisdiction, separately identifying the amounts for each business entity with costs included in the EPE revenue requirement and identify any adjustment to these expenses.

RESPONSE:

Please refer to page 3 on the filed WP A-3, Adjustment No. 21 Miscellaneous General Expenses and El Paso Electric Company witness Lisa Budtke's direct testimony at pages 19 through 20 for the amounts included in the adjusted revenue requirement for directors' expenses of \$1,278,000. The LABOR allocator of 78.9446% was used to calculate the Texas jurisdictional amount of \$1,008,912.

|   |  |
|---|--|
| Preparer: Alejandra Montalvo<br>Adrian Hernandez                  | Title: Staff Accountant – Regulatory Accounting<br>Senior Rate Analyst – Rates   |
| Sponsor: Lisa D. Budtke<br>Adrian Hernandez<br>Jennifer I. Borden | Title: Director – Treasury Services and Investor<br>Relations<br>Senior Rate Analyst – Rates<br>Director – Regulatory Accounting |

SOAH DOCKET NO. 473-21-2606  
PUC DOCKET NO. 52195

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| APPLICATION OF EL PASO     | § | BEFORE THE STATE OFFICE |
| ELECTRIC COMPANY TO CHANGE | § | OF                      |
| RATES                      | § | ADMINISTRATIVE HEARINGS |

EL PASO ELECTRIC COMPANY'S RESPONSE TO  
CITY OF EL PASO'S THIRD REQUEST FOR INFORMATION  
QUESTION NOS. CEP 3-1 THROUGH CEP 3-32

CEP 3-31:

**Directors and Officers Insurance:** Please provide the amounts included in the adjusted revenue requirement for directors' and officers' insurance for EPE total company and for the Texas jurisdiction, separately identifying the amounts for each business entity with costs included in the EPE revenue requirement and identify any adjustment to these expenses.

RESPONSE:

Please see WP A-3, Adjustment No. 10 Injuries and Damages, page 2, line 3 for the Directors' and Officers' Insurance adjusted total company amount of \$324,416. The Texas jurisdictional amount included in El Paso Electric Company's revenue requirement is \$256,109.

Preparer: Denise Perez

Title: Principal Accountant – Regulatory  
Accounting

Sponsor: Adrian Hernandez  
Jennifer I. Borden

Title: Senior Rate Analyst – Rates  
Director – Regulatory Accounting

SOAH DOCKET NO. 473-21-2606  
PUC DOCKET NO. 52195

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| APPLICATION OF EL PASO     | § | BEFORE THE STATE OFFICE |
| ELECTRIC COMPANY TO CHANGE | § | OF                      |
| RATES                      | § | ADMINISTRATIVE HEARINGS |

EL PASO ELECTRIC COMPANY'S RESPONSE TO  
CITY OF EL PASO'S THIRD REQUEST FOR INFORMATION  
QUESTION NOS. CEP 3-1 THROUGH CEP 3-32

CEP 3-32:

**Board of Director Compensation:** Please describe and quantify any director's compensation included in the revenue requirement other than that included in WP A-3, Adjustment 21.

RESPONSE:

No other director compensation is included in the revenue requirement that is not provided in WP A-3, Adjustment No. 21 Miscellaneous and General Expense.

Preparer: Richard Gonzalez

Title: Manager – Cash Management & Investor  
Relations

Sponsor: Lisa Budtke

Title: Director – Treasury Services & Investor  
Relations



SOAH DOCKET NO. 473-21-2606  
DOCKET NO. 52195

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|------------------------|---|-------------------------|
| APPLICATION OF EL PASO | § | BEFORE THE STATE OFFICE |
| ELECTRIC COMPANY TO    | § | OF                      |
| CHANGE RATES           | § | ADMINISTRATIVE HEARINGS |

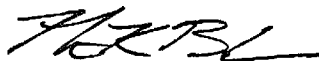
CONFIDENTIALITY STATEMENT UNDER  
SECTION 4 OF THE PROTECTIVE ORDER

The undersigned attorney for El Paso Electric Company (EPE) submits this statement under the section 4 of the Protective Order entered in this case. Materials provided in the responses to CEP 3-3 (Attachment 1), CEP 3-4 (Attachments 1 and 2), and CEP 3-8 (Attachment 1) are exempt from public disclosure pursuant to sections 552.101 and 552.110 of the Public Information Act.

The responses contain information on business operations and financial information that is commercially sensitive and not otherwise readily available to the public. Moreover, the documents contained within the responses include information that qualifies as trade secrets, as the information is not generally known and provides a commercial advantage to its owner. Public release of this information would also cause substantial competitive harm to EPE and the company that provided EPE with the information. Finally, some of the documents contained within the response contain information on highly sensitive, confidential material that is the subject of a nondisclosure agreement between EPE and the third party.

The undersigned counsel for EPE has reviewed the information described above sufficiently to state in good faith that the information is exempt from disclosure under the PIA and merits the confidential designation given to it.

Respectfully Submitted,



Matthew K. Behrens  
State Bar No. 24069356  
Senior Attorney  
[matthew.behrens@epelectric.com](mailto:matthew.behrens@epelectric.com)  
El Paso Electric Company  
P.O. Box 982  
El Paso, Texas 79960

Telephone: (915) 543-5882  
Facsimile: (915) 521-4747

|   |   |
|---|---|
| THIS FILING IS  |   |
| Item 1 <input checked="" type="checkbox"/> An Initial (Original) Submission | OR <input type="checkbox"/> Resubmission No _____ |

Form 1 Approved  
OMB No 1902-0021  
(Expires 11/30/2022)  
Form 1-F Approved  
OMB No 1902-0029  
(Expires 11/30/2022)  
Form 3-Q Approved  
OMB No 1902-0205  
(Expires 11/30/2022)



# **FERC FINANCIAL REPORT** **FERC FORM No. 1: Annual Report of** **Major Electric Utilities, Licensees** **and Others and Supplemental** **Form 3-Q: Quarterly Financial Report**

These reports are mandatory under the Federal Power Act, Sections 3, 4(a), 304 and 309, and 18 CFR 141.1 and 141.400. Failure to report may result in criminal fines, civil penalties and other sanctions as provided by law. The Federal Energy Regulatory Commission does not consider these reports to be of confidential nature.

|   |   |
|---|---|
| <b>Exact Legal Name of Respondent (Company)</b><br>El Paso Electric Company | <b>Year/Period of Report</b><br>End of <u>2019/Q4</u> |
|---|---|



KPMG LLP  
811 Main Street  
Houston, TX 77002

## Independent Auditors' Report

The Board of Directors  
El Paso Electric Company

We have audited the accompanying financial statements of El Paso Electric Company, which comprise the comparative balance sheet as of December 31, 2019 and 2018, and the related statements of income, retained earnings, cash flows, and accumulated comprehensive income, comprehensive income, and hedging activities for the years then ended, included on pages 110 through 123 of the accompanying Federal Energy Regulatory Commission Form No 1, and the related notes to the financial statements

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the requirements of the Federal Energy Regulatory Commission as set forth in its applicable Uniform System of Accounts and published accounting releases, this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error

### *Auditors' Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Opinion*

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of El Paso Electric Company as of December 31, 2019 and 2018, and the result of its operations and cash flows for the years then ended in accordance with the requirements of the Federal Energy Regulatory Commission as set forth in its applicable Uniform System of Accounts and published accounting releases.



*Basis of Accounting*

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. As described in Note 1 to the financial statements, the financial statements are prepared by El Paso Electric Company in conformity with the requirements of the Federal Energy Regulatory Commission as set forth in its applicable Uniform System of Accounts and published accounting releases, which is a basis of accounting other than U.S. generally accepted accounting principles, to meet the requirements of the Federal Energy Regulatory Commission. Our opinion is not modified with respect to this matter.

*Restriction on Use*

Our report is intended solely for the information and use of the Board of Directors and management of El Paso Electric Company and for filing with the Federal Energy Regulatory Commission, the Public Utility Commission of Texas, and the New Mexico Public Regulatory Commission, and is not intended to be and should not be used by anyone other than these specified parties.

KPMG LLP

Houston, Texas  
April 8, 2020

## INSTRUCTIONS FOR FILING FERC FORM NOS. 1 and 3-Q

### GENERAL INFORMATION

#### I. Purpose

FERC Form No. 1 (FERC Form 1) is an annual regulatory requirement for Major electric utilities, licensees and others (18 C.F.R. § 141.1). FERC Form No. 3-Q (FERC Form 3-Q) is a quarterly regulatory requirement which supplements the annual financial reporting requirement (18 C.F.R. § 141.400). These reports are designed to collect financial and operational information from electric utilities, licensees and others subject to the jurisdiction of the Federal Energy Regulatory Commission. These reports are also considered to be non-confidential public use forms.

#### II. Who Must Submit

Each Major electric utility, licensee, or other, as classified in the Commission's Uniform System of Accounts Prescribed for Public Utilities and Licensees Subject To the Provisions of The Federal Power Act (18 C.F.R. Part 101), must submit FERC Form 1 (18 C.F.R. § 141.1), and FERC Form 3-Q (18 C.F.R. § 141.400).

Note: Major means having, in each of the three previous calendar years, sales or transmission service that exceeds one of the following:

- (1) one million megawatt hours of total annual sales,
- (2) 100 megawatt hours of annual sales for resale,
- (3) 500 megawatt hours of annual power exchanges delivered, or
- (4) 500 megawatt hours of annual wheeling for others (deliveries plus losses).

#### III. What and Where to Submit

(a) Submit FERC Forms 1 and 3-Q electronically through the forms submission software. Retain one copy of each report for your files. Any electronic submission must be created by using the forms submission software provided free by the Commission at its web site: <http://www.ferc.gov/docs-filing/forms/form-1/elec-subm-soft.asp>. The software is used to submit the electronic filing to the Commission via the Internet.

(b) The Corporate Officer Certification must be submitted electronically as part of the FERC Forms 1 and 3-Q filings.

(c) Submit immediately upon publication, by either eFiling or mail, two (2) copies to the Secretary of the Commission, the latest Annual Report to Stockholders. Unless eFiling the Annual Report to Stockholders, mail the stockholders report to the Secretary of the Commission at:

Secretary  
Federal Energy Regulatory Commission  
888 First Street, NE  
Washington, DC 20426

(d) For the CPA Certification Statement, submit within 30 days after filing the FERC Form 1, a letter or report (not applicable to filers classified as Class C or Class D prior to January 1, 1984). The CPA Certification Statement can be either eFiled or mailed to the Secretary of the Commission at the address above.

The CPA Certification Statement should:

- a) Attest to the conformity, in all material aspects, of the below listed (schedules and pages) with the Commission's applicable Uniform System of Accounts (including applicable notes relating thereto and the Chief Accountant's published accounting releases), and
- b) Be signed by independent certified public accountants or an independent licensed public accountant certified or licensed by a regulatory authority of a State or other political subdivision of the U. S. (See 18 C.F.R. §§ 41.10-41.12 for specific qualifications.)

| <u>Reference Schedules</u>     | <u>Pages</u> |
|--------------------------------|--------------|
| Comparative Balance Sheet      | 110-113      |
| Statement of Income            | 114-117      |
| Statement of Retained Earnings | 118-119      |
| Statement of Cash Flows        | 120-121      |
| Notes to Financial Statements  | 122-123      |

- e) The following format must be used for the CPA Certification Statement unless unusual circumstances or conditions, explained in the letter or report, demand that it be varied. Insert parenthetical phrases only when exceptions are reported.

"In connection with our regular examination of the financial statements of \_\_\_\_\_ for the year ended on which we have reported separately under date of \_\_\_\_\_, we have also reviewed schedules

\_\_\_\_\_ of FERC Form No. 1 for the year filed with the Federal Energy Regulatory Commission, for conformity in all material respects with the requirements of the Federal Energy Regulatory Commission as set forth in its applicable Uniform System of Accounts and published accounting releases. Our review for this purpose included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

Based on our review, in our opinion the accompanying schedules identified in the preceding paragraph (except as noted below) conform in all material respects with the accounting requirements of the Federal Energy Regulatory Commission as set forth in its applicable Uniform System of Accounts and published accounting releases."

The letter or report must state which, if any, of the pages above do not conform to the Commission's requirements. Describe the discrepancies that exist.

(f) Filers are encouraged to file their Annual Report to Stockholders, and the CPA Certification Statement using eFiling. To further that effort, new selections, "Annual Report to Stockholders," and "CPA Certification Statement" have been added to the dropdown "pick list" from which companies must choose when eFiling. Further instructions are found on the Commission's website at <http://www.ferc.gov/help/how-to.asp>.

(g) Federal, State and Local Governments and other authorized users may obtain additional blank copies of FERC Form 1 and 3-Q free of charge from <http://www.ferc.gov/docs-filing/forms/form-1/form-1.pdf> and <http://www.ferc.gov/docs-filing/forms.asp#3Q-gas>.

#### **IV. When to Submit:**

FERC Forms 1 and 3-Q must be filed by the following schedule:

- a) FERC Form 1 for each year ending December 31 must be filed by April 18<sup>th</sup> of the following year (18 CFR § 141.1), and
- b) FERC Form 3-Q for each calendar quarter must be filed within 60 days after the reporting quarter (18 C.F.R. § 141.400).

**V. Where to Send Comments on Public Reporting Burden.**

The public reporting burden for the FERC Form 1 collection of information is estimated to average 1,168 hours per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data-needed, and completing and reviewing the collection of information. The public reporting burden for the FERC Form 3-Q collection of information is estimated to average 168 hours per response.

Send comments regarding these burden estimates or any aspect of these collections of information, including suggestions for reducing burden, to the Federal Energy Regulatory Commission, 888 First Street NE, Washington, DC 20426 (Attention: Information Clearance Officer); and to the Office of Information and Regulatory Affairs, Office of Management and Budget, Washington, DC 20503 (Attention: Desk Officer for the Federal Energy Regulatory Commission). No person shall be subject to any penalty if any collection of information does not display a valid control number (44 U.S.C. § 3512 (a)).



## GENERAL INSTRUCTIONS

- I. Prepare this report in conformity with the Uniform System of Accounts (18 CFR Part 101) (USofA). Interpret all accounting words and phrases in accordance with the USofA.
- II. Enter in whole numbers (dollars or MWH) only, except where otherwise noted. (Enter cents for averages and figures per unit where cents are important. The truncating of cents is allowed except on the four basic financial statements where rounding is required.) The amounts shown on all supporting pages must agree with the amounts entered on the statements that they support. When applying thresholds to determine significance for reporting purposes, use for balance sheet accounts the balances at the end of the current reporting period, and use for statement of income accounts the current year's year to date amounts.
- III. Complete each question fully and accurately, even if it has been answered in a previous report. Enter the word "None" where it truly and completely states the fact.
- IV. For any page(s) that is not applicable to the respondent, omit the page(s) and enter "NA," "NONE," or "Not Applicable" in column (d) on the List of Schedules, pages 2 and 3.
- V. Enter the month, day, and year for all dates. Use customary abbreviations. **The "Date of Report" included in the header of each page is to be completed only for resubmissions** (see VII. below).
- VI. Generally, except for certain schedules, all numbers, whether they are expected to be debits or credits, must be reported as positive. Numbers having a sign that is different from the expected sign must be reported by enclosing the numbers in parentheses.
- VII. For any resubmissions, submit the electronic filing using the form submission software only. Please explain the reason for the resubmission in a footnote to the data field.
- VIII. Do not make references to reports of previous periods/years or to other reports in lieu of required entries, except as specifically authorized.
- IX. Wherever (schedule) pages refer to figures from a previous period/year, the figures reported must be based upon those shown by the report of the previous period/year, or an appropriate explanation given as to why the different figures were used.

Definitions for statistical classifications used for completing schedules for transmission system reporting are as follows:

FNS - Firm Network Transmission Service for Self. "Firm" means service that can not be interrupted for economic reasons and is intended to remain reliable even under adverse conditions. "Network Service" is Network Transmission Service as described in Order No. 888 and the Open Access Transmission Tariff. "Self" means the respondent.

FNO - Firm Network Service for Others. "Firm" means that service cannot be interrupted for economic reasons and is intended to remain reliable even under adverse conditions. "Network Service" is Network Transmission Service as described in Order No. 888 and the Open Access Transmission Tariff.

LFP - for Long-Term Firm Point-to-Point Transmission Reservations. "Long-Term" means one year or longer and "firm" means that service cannot be interrupted for economic reasons and is intended to remain reliable even under adverse conditions. "Point-to-Point Transmission Reservations" are described in Order No. 888 and the Open Access Transmission Tariff. For all transactions identified as LFP, provide in a footnote the

termination date of the contract defined as the earliest date either buyer or seller can unilaterally cancel the contract.

OLF - Other Long-Term Firm Transmission Service. Report service provided under contracts which do not conform to the terms of the Open Access Transmission Tariff. "Long-Term" means one year or longer and "firm" means that service cannot be interrupted for economic reasons and is intended to remain reliable even under adverse conditions. For all transactions identified as OLF, provide in a footnote the termination date of the contract defined as the earliest date either buyer or seller can unilaterally get out of the contract.

SFP - Short-Term Firm Point-to-Point Transmission Reservations. Use this classification for all firm point-to-point transmission reservations, where the duration of each period of reservation is less than one-year.

NF - Non-Firm Transmission Service, where firm means that service cannot be interrupted for economic reasons and is intended to remain reliable even under adverse conditions.

OS - Other Transmission Service. Use this classification only for those services which can not be placed in the above-mentioned classifications, such as all other service regardless of the length of the contract and service FERC Form. Describe the type of service in a footnote for each entry.

AD - Out-of-Period Adjustments. Use this code for any accounting adjustments or "true-ups" for service provided in prior reporting periods. Provide an explanation in a footnote for each adjustment.

#### DEFINITIONS

I. Commission Authorization (Comm. Auth.) – The authorization of the Federal Energy Regulatory Commission, or any other Commission. Name the commission whose authorization was obtained and give date of the authorization.

II. Respondent – The person, corporation, licensee, agency, authority, or other Legal entity or instrumentality in whose behalf the report is made.

**EXCERPTS FROM THE LAW**

**Federal Power Act, 16 U.S.C. § 791a-825r**

Sec. 3. The words defined in this section shall have the following meanings for purposes of this Act, to with:

(3) 'Corporation' means any corporation, joint-stock company, partnership, association, business trust, organized group of persons, whether incorporated or not, or a receiver or receivers, trustee or trustees of any of the foregoing. It shall not include 'municipalities, as hereinafter defined;

(4) 'Person' means an individual or a corporation;

(5) 'Licensee, means any person, State, or municipality Licensed under the provisions of section 4 of this Act, and any assignee or successor in interest thereof;

(7) 'municipality means a city, county, irrigation district, drainage district, or other political subdivision or agency of a State competent under the Laws thereof to carry and the business of developing, transmitting, unitizing, or distributing power; .....

(11) "project' means. a complete unit of improvement or development, consisting of a power house, all water conduits, all dams and appurtenant works and structures (including navigation structures) which are a part of said unit, and all storage, diverting, or fore bay reservoirs directly connected therewith, the primary line or lines transmitting power there from to the point of junction with the distribution system or with the interconnected primary transmission system, all miscellaneous structures used and useful in connection with said unit or any part thereof, and all water rights, rights-of-way, ditches, dams, reservoirs, Lands, or interest in Lands the use and occupancy of which are necessary or appropriate in the maintenance and operation of such unit;

"Sec. 4. The Commission is hereby authorized and empowered

(a) To make investigations and to collect and record data concerning the utilization of the water 'resources of any region to be developed, the water-power industry and its relation to other industries and to interstate or foreign commerce, and concerning the location, capacity, development -costs, and relation to markets of power sites; ... to the extent the Commission may deem necessary or useful for the purposes of this Act."

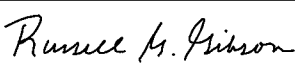
"Sec. 304. (a) Every Licensee and every public utility shall file with the Commission such annual and other periodic or special\* reports as the Commission may by rules and regulations or other prescribe as necessary or appropriate to assist the Commission in the -proper administration of this Act. The Commission may prescribe the manner and FERC Form in which such reports shall be made, and require from such persons specific answers to all questions upon which the Commission may need information. The Commission may require that such reports shall include, among other things, full information as to assets and Liabilities, capitalization, net investment, and reduction thereof, gross receipts, interest due and paid, depreciation, and other reserves, cost of project and other facilities, cost of maintenance and operation of the project and other facilities, cost of renewals and replacement of the project works and other facilities, depreciation, generation, transmission, distribution, delivery, use, and sale of electric energy. The Commission may require any such person to make adequate provision for currently determining such costs and other facts. Such reports shall be made under oath unless the Commission otherwise specifies".10

"Sec. 309. The Commission shall have power to perform any and all acts, and to prescribe, issue, make, and rescind such orders, rules and regulations as it may find necessary or appropriate to carry out the provisions of this Act. Among other things, such rules and regulations may define accounting, technical, and trade terms used in this Act; and may prescribe the FERC Form or FERC Forms of all statements, declarations, applications, and reports to be filed with the Commission, the information which they shall contain, and the time within which they shall be filed..."

#### **General Penalties**

The Commission may assess up to \$1 million per day per violation of its rules and regulations. *See* FPA § 316(a) (2005), 16 U.S.C. § 825o(a).

**FERC FORM NO. 1/3-Q:  
REPORT OF MAJOR ELECTRIC UTILITIES, LICENSEES AND OTHER**

| IDENTIFICATION  |  |   |
|---|--|---|
| 01 Exact Legal Name of Respondent<br>El Paso Electric Company   |  | 02 Year/Period of Report<br>End of <u>2019/Q4</u>         |
| 03 Previous Name and Date of Change <i>(if name changed during year)</i><br>/ /   |  |   |
| 04 Address of Principal Office at End of Period <i>(Street, City, State, Zip Code)</i><br>P O Box 982, El Paso, TX 79960-0982, 100 North Stanton Street, El Paso, TX  |  |   |
| 05 Name of Contact Person<br>Russell G Gibson   |  | 06 Title of Contact Person<br>Vice President & Controller |
| 07 Address of Contact Person <i>(Street, City, State, Zip Code)</i><br>P O Box 982, El Paso, TX 79960-0982, 100 North Stanton Street, El Paso, TX   |  |   |
| 08 Telephone of Contact Person/ <i>including Area Code</i><br>(915) 351-4222  | 09 This Report Is<br>(1) <input checked="" type="checkbox"/> An Original      (2) <input type="checkbox"/> A Resubmission    | 10 Date of Report<br><i>(Mo, Da, Yr)</i><br>/ /           |
| ANNUAL CORPORATE OFFICER CERTIFICATION  |  |   |
| <p>The undersigned officer certifies that</p> <p>I have examined this report and to the best of my knowledge, information, and belief all statements of fact contained in this report are correct statements of the business affairs of the respondent and the financial statements, and other financial information contained in this report, conform in all material respects to the Uniform System of Accounts</p> |  |   |
| 01 Name<br>/s/ Russell G Gibson   | 03 Signature<br><br>/s/ Russell G Gibson | 04 Date Signed<br><i>(Mo, Da, Yr)</i><br>04/08/2020       |
| 02 Title<br>Vice President & Controller   |  |   |
| <p>Title 18, U S C 1001 makes it a crime for any person to knowingly and willingly to make to any Agency or Department of the United States any false, fictitious or fraudulent statements as to any matter within its jurisdiction</p>   |  |   |

| Name of Respondent<br>El Paso Electric Company   |  | This Report Is<br>(1) <input checked="" type="checkbox"/> An Original<br>(2) <input type="checkbox"/> A Resubmission | Date of Report<br>(Mo, Da, Yr)<br>/ / | Year/Period of Report<br>End of 2019/Q4 |
|--|--|--|---------------------------------------|---|
| LIST OF SCHEDULES (Electric Utility)   |  |  |                                       |   |
| Enter in column (c) the terms "none," "not applicable," or "NA," as appropriate, where no information or amounts have been reported for certain pages Omit pages where the respondents are "none," "not applicable," or "NA" |  |  |                                       |   |
| Line No  | Title of Schedule<br>(a)   | Reference Page No<br>(b)   | Remarks<br>(c)                        |   |
| 1  | General Information  | 101  |                                       |   |
| 2  | Control Over Respondent  | 102  | Not Applicable                        |   |
| 3  | Corporations Controlled by Respondent                                  | 103  | Not Applicable                        |   |
| 4  | Officers   | 104  |                                       |   |
| 5  | Directors  | 105  |                                       |   |
| 6  | Information on Formula Rates   | 106(a)(b)  |                                       |   |
| 7  | Important Changes During the Year                                      | 108-109  |                                       |   |
| 8  | Comparative Balance Sheet  | 110-113  |                                       |   |
| 9  | Statement of Income for the Year                                       | 114-117  |                                       |   |
| 10   | Statement of Retained Earnings for the Year                            | 118-119  |                                       |   |
| 11   | Statement of Cash Flows  | 120-121  |                                       |   |
| 12   | Notes to Financial Statements  | 122-123  |                                       |   |
| 13   | Statement of Accum Comp Income, Comp Income, and Hedging Activities    | 122(a)(b)  |                                       |   |
| 14   | Summary of Utility Plant & Accumulated Provisions for Dep, Amort & Dep | 200-201  |                                       |   |
| 15   | Nuclear Fuel Materials   | 202-203  |                                       |   |
| 16   | Electric Plant in Service  | 204-207  |                                       |   |
| 17   | Electric Plant Leased to Others  | 213  | None                                  |   |
| 18   | Electric Plant Held for Future Use                                     | 214  | None                                  |   |
| 19   | Construction Work in Progress-Electric                                 | 216  |                                       |   |
| 20   | Accumulated Provision for Depreciation of Electric Utility Plant       | 219  |                                       |   |
| 21   | Investment of Subsidiary Companies                                     | 224-225  | None                                  |   |
| 22   | Materials and Supplies   | 227  |                                       |   |
| 23   | Allowances   | 228(ab)-229(ab)  |                                       |   |
| 24   | Extraordinary Property Losses  | 230  | None                                  |   |
| 25   | Unrecovered Plant and Regulatory Study Costs                           | 230  | None                                  |   |
| 26   | Transmission Service and Generation Interconnection Study Costs        | 231  |                                       |   |
| 27   | Other Regulatory Assets  | 232  |                                       |   |
| 28   | Miscellaneous Deferred Debits  | 233  |                                       |   |
| 29   | Accumulated Deferred Income Taxes                                      | 234  |                                       |   |
| 30   | Capital Stock  | 250-251  |                                       |   |
| 31   | Other Paid-in Capital  | 253  |                                       |   |
| 32   | Capital Stock Expense  | 254  |                                       |   |
| 33   | Long-Term Debt   | 256-257  |                                       |   |
| 34   | Reconciliation of Reported Net Income with Taxable Inc for Fed Inc Tax | 261  |                                       |   |
| 35   | Taxes Accrued, Prepaid and Charged During the Year                     | 262-263  |                                       |   |
| 36   | Long-Term Debt   | 266-267  |                                       |   |
|  |  |  |                                       |   |

| Name of Respondent<br>El Paso Electric Company  |   | This Report Is<br>(1) <input checked="" type="checkbox"/> An Original<br>(2) <input type="checkbox"/> A Resubmission | Date of Report<br>(Mo, Da, Yr)<br>/ / | Year/Period of Report<br>End of 2019/Q4 |
|---|---|--|---------------------------------------|---|
| LIST OF SCHEDULES (Electric Utility) (continued)  |   |  |                                       |   |
| Enter in column (c) the terms "none," "not applicable," or "NA," as appropriate, where no information or amounts have been reported for certain pages. Omit pages where the respondents are "none," "not applicable," or "NA" |   |  |                                       |   |
| Line No   | Title of Schedule<br>(a)  | Reference Page No<br>(b)   | Remarks<br>(c)                        |   |
| 37  | Other Deferred Credits  | 269  |                                       |   |
| 38  | Accumulated Deferred Income Taxes-Accelerated Amortization Property | 272-273  | Not Applicable                        |   |
| 39  | Accumulated Deferred Income Taxes-Other Property                    | 274-275  |                                       |   |
| 40  | Accumulated Deferred Income Taxes-Other                             | 276-277  |                                       |   |
| 41  | Other Regulatory Liabilities  | 278  |                                       |   |
| 42  | Electric Operating Revenues   | 300-301  |                                       |   |
| 43  | Regional Transmission Service Revenues (Account 457.1)              | 302  | Not Applicable                        |   |
| 44  | Sales of Electricity by Rate Schedules                              | 304  |                                       |   |
| 45  | Sales for Resale  | 310-311  |                                       |   |
| 46  | Electric Operation and Maintenance Expenses                         | 320-323  |                                       |   |
| 47  | Purchased Power   | 326-327  |                                       |   |
| 48  | Transmission of Electricity for Others                              | 328-330  |                                       |   |
| 49  | Transmission of Electricity by ISO/RTOs                             | 331  | Not Applicable                        |   |
| 50  | Transmission of Electricity by Others                               | 332  |                                       |   |
| 51  | Miscellaneous General Expenses-Electric                             | 335  |                                       |   |
| 52  | Depreciation and Amortization of Electric Plant                     | 336-337  |                                       |   |
| 53  | Regulatory Commission Expenses                                      | 350-351  |                                       |   |
| 54  | Research, Development and Demonstration Activities                  | 352-353  | None                                  |   |
| 55  | Distribution of Salaries and Wages                                  | 354-355  |                                       |   |
| 56  | Common Utility Plant and Expenses                                   | 356  | Not Applicable                        |   |
| 57  | Amounts included in ISO/RTO Settlement Statements                   | 397  | Not Applicable                        |   |
| 58  | Purchase and Sale of Ancillary Services                             | 398  |                                       |   |
| 59  | Monthly Transmission System Peak Load                               | 400  |                                       |   |
| 60  | Monthly ISO/RTO Transmission System Peak Load                       | 400a   | Not Applicable                        |   |
| 61  | Electric Energy Account   | 401  |                                       |   |
| 62  | Monthly Peaks and Output  | 401  |                                       |   |
| 63  | Steam Electric Generating Plant Statistics                          | 402-403  |                                       |   |
| 64  | Hydroelectric Generating Plant Statistics                           | 406-407  | Not Applicable                        |   |
| 65  | Pumped Storage Generating Plant Statistics                          | 408-409  | Not Applicable                        |   |
| 66  | Generating Plant Statistics Pages                                   | 410-411  |                                       |   |
|   |   |  |                                       |   |

| Name of Respondent<br>El Paso Electric Company  |   | This Report Is<br>(1) <input checked="" type="checkbox"/> An Original<br>(2) <input type="checkbox"/> A Resubmission | Date of Report<br>(Mo, Da, Yr)<br>/ / | Year/Period of Report<br>End of 2019/Q4 |
|---|---|--|---------------------------------------|---|
| LIST OF SCHEDULES (Electric Utility) (continued)  |   |  |                                       |   |
| Enter in column (c) the terms "none," "not applicable," or "NA," as appropriate, where no information or amounts have been reported for certain pages. Omit pages where the respondents are "none," "not applicable," or "NA" |   |  |                                       |   |
| Line No   | Title of Schedule<br>(a)                            | Reference Page No<br>(b)   | Remarks<br>(c)                        |   |
| 67  | Transmission Line Statistics Pages                  | 422-423  |                                       |   |
| 68  | Transmission Lines Added During the Year            | 424-425  | None                                  |   |
| 69  | Substations   | 426-427  |                                       |   |
| 70  | Transactions with Associated (Affiliated) Companies | 429  | None                                  |   |
| 71  | Footnote Data                                       | 450  |                                       |   |
| <b>Stockholders' Reports</b> Check appropriate box<br><input checked="" type="checkbox"/> Two copies will be submitted<br><input type="checkbox"/> No annual report to stockholders is prepared                               |   |  |                                       |   |



|   |   |  |  |   |  |
|---|---|--|--|---|--|
| <b>Name of Respondent</b><br>El Paso Electric Company   | <b>This Report Is</b><br>(1) <input checked="" type="checkbox"/> An Original<br>(2) <input type="checkbox"/> A Resubmission | <b>Date of Report</b><br>(Mo, Da, Yr)<br>/ / | <b>Year/Period of Report</b><br>End of 2019/Q4 |   |  |
| <b>GENERAL INFORMATION</b>  |   |  |  |   |  |
| <p>1 Provide name and title of officer having custody of the general corporate books of account and address of office where the general corporate books are kept, and address of office where any other corporate books of account are kept, if different from that where the general corporate books are kept</p> <table border="0" style="width: 100%;"> <tr> <td style="width: 50%;"> Russell G. Gibson<br/> Vice President &amp; Controller<br/> Stanton Tower, 100 North Stanton Street<br/> El Paso, Texas 79901 </td> <td style="width: 50%;"> <b>Mailing Address:</b><br/> Russell G. Gibson<br/> Post Office Box 982<br/> El Paso, Texas 79960-0982 </td> </tr> </table> |   |  |  | Russell G. Gibson<br>Vice President & Controller<br>Stanton Tower, 100 North Stanton Street<br>El Paso, Texas 79901 | <b>Mailing Address:</b><br>Russell G. Gibson<br>Post Office Box 982<br>El Paso, Texas 79960-0982 |
| Russell G. Gibson<br>Vice President & Controller<br>Stanton Tower, 100 North Stanton Street<br>El Paso, Texas 79901   | <b>Mailing Address:</b><br>Russell G. Gibson<br>Post Office Box 982<br>El Paso, Texas 79960-0982                            |  |  |   |  |
| <p>2 Provide the name of the State under the laws of which respondent is incorporated, and date of incorporation. If incorporated under a special law, give reference to such law. If not incorporated, state that fact and give the type of organization and the date organized.</p> <p>Texas - August 30, 1901</p>  |   |  |  |   |  |
| <p>3 If at any time during the year the property of respondent was held by a receiver or trustee, give (a) name of receiver or trustee, (b) date such receiver or trustee took possession, (c) the authority by which the receivership or trusteeship was created, and (d) date when possession by receiver or trustee ceased.</p> <p>Not applicable.</p>   |   |  |  |   |  |
| <p>4 State the classes or utility and other services furnished by respondent during the year in each State in which the respondent operated.</p> <p>Electric power generation, transmission and distribution for sale at retail in the states of Texas and New Mexico; and wholesale sales including sales for resale to other electric utilities primarily in the states of Texas, New Mexico and Arizona and sales for resale to power marketers.</p>   |   |  |  |   |  |
| <p>5 Have you engaged as the principal accountant to audit your financial statements an accountant who is not the principal accountant for your previous year's certified financial statements?</p> <p>(1) <input type="checkbox"/> Yes Enter the date when such independent accountant was initially engaged<br/> (2) <input checked="" type="checkbox"/> No</p>   |   |  |  |   |  |

| Name of Respondent<br>El Paso Electric Company  |  | This Report Is<br>(1) <input checked="" type="checkbox"/> An Original<br>(2) <input type="checkbox"/> A Resubmission | Date of Report<br>(Mo, Da, Yr)<br>/ / | Year/Period of Report<br>End of 2019/Q4 |
|---|--|--|---------------------------------------|---|
| OFFICERS  |  |  |                                       |   |
| <p>1 Report below the name, title and salary for each executive officer whose salary is \$50,000 or more. An "executive officer" of a respondent includes its president, secretary, treasurer, and vice president in charge of a principal business unit, division or function (such as sales, administration or finance), and any other person who performs similar policy making functions.</p> <p>2 If a change was made during the year in the incumbent of any position, show name and total remuneration of the previous incumbent, and the date the change in incumbency was made.</p> |  |  |                                       |   |
| Line No   | Title<br>(a)   | Name of Officer<br>(b)   | Salary for Year<br>(c)                |   |
| 1   | President and Chief Executive Officer                  | Mary E. Kipp   | 463,962                               |   |
| 2   | Interim Chief Executive Officer, General Counsel and   |  |                                       |   |
| 3   | Assistant Secretary                                    | Adrian J. Rodriguez  | 483,200                               |   |
| 4   | Senior Vice President and Chief Financial Officer      | Nathan T. Hirschi  | 411,723                               |   |
| 5   | Senior Vice President and Interim Chief                |  |                                       |   |
| 6   | Operating Officer                                      | Elaina L. Ball   | 341,020                               |   |
| 7   | Senior Vice President, Operations                      | Steven T. Buraczyk   | 345,000                               |   |
| 8   | Senior Vice President, Corporate Development and       |  |                                       |   |
| 9   | Chief Compliance Officer                               | Rocky R. Miracle   | 339,884                               |   |
| 10  | Senior Vice President and Chief Human Resources        |  |                                       |   |
| 11  | Officer  | William A. Stiller   | 19,519                                |   |
| 12  | Vice President, Transmission and Distribution          | Robert C. Doyle  | 262,885                               |   |
| 13  | Vice President, Controller                             | Russell G. Gibson  | 254,884                               |   |
| 14  | Vice President, Strategic Communications, Customer and |  |                                       |   |
| 15  | Community Engagement                                   | Eduardo Gutierrez  | 224,884                               |   |
| 16  | Vice President, Generation, System Planning            |  |                                       |   |
| 17  | and Dispatch   | David C. Hawkins   | 249,885                               |   |
| 18  | Vice President, Governmental Affairs                   | Patrick V. Reinhart  | 210,000                               |   |
| 19  | Vice President, Human Resources                        | Victor F. Rueda  | 264,885                               |   |
| 20  | Vice President, Regulatory Affairs                     | James A. Schichtl  | 244,769                               |   |
| 21  | Vice President, Compliance and Chief Risk Officer      | Henry W. Soza  | 243,862                               |   |
| 22  | Vice President, Business Development                   | Richard E. Turner  | 220,862                               |   |
| 23  | Corporate Secretary                                    | Jessica M. Goldman   | 152,810                               |   |
| 24  |  |  |                                       |   |
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|--------------------------|--|---------------------------------------|----------------------------------|
| Name of Respondent       | This Report is<br>(1) <input checked="" type="checkbox"/> An Original<br>(2) <input type="checkbox"/> A Resubmission | Date of Report<br>(Mo, Da, Yr)<br>/ / | Year/Period of Report<br>2019/Q4 |
| El Paso Electric Company |  |                                       |                                  |
| FOOTNOTE DATA            |  |                                       |                                  |

**Schedule Page: 104 Line No.: 1 Column: b**

Effective on August 1, 2019, Mary E. Kipp, President and Chief Executive Officer, resigned from her positions at the Company and as a member of the Board of Directors of the Company.

**Schedule Page: 104 Line No.: 3 Column: b**

On June 28, 2019, the Company's Board of Directors appointed Adrian J. Rodriguez as the Company's Interim Chief Executive Officer, making his title Interim Chief Executive Officer, General Counsel and Assistant Secretary effective August 1, 2019. On July 25, 2019, Mr. Rodriguez was appointed to the Board of Directors effective August 1, 2019. Formerly, Mr. Rodriguez served as Senior Vice President, General Counsel and Assistant Secretary from September 2017 through July 2019.

**Schedule Page: 104 Line No.: 6 Column: b**

On June 28, 2019, Elaina L. Ball was appointed Senior Vice President and Interim Chief Operating Officer effective August 1, 2019. Formerly, Ms. Ball served as Senior Vice President and Chief Administrative Officer, from April 2018 through July 2019.

**Schedule Page: 104 Line No.: 11 Column: b**

On February 1, 2019, William A. Stiller, Senior Vice President, retired from the Company.

**Schedule Page: 104 Line No.: 19 Column: b**

On February 18, 2019, Victor Rueda was appointed Vice President, Human Resources. Formerly, Mr. Rueda served as Vice President, Human Resources and Community Outreach, from March 2018 to February 2019.

**Schedule Page: 104 Line No.: 22 Column: b**

On January 21, 2019, Richard E. Turner was appointed Vice President, Business Development. Formerly, Mr. Turner served as Vice President, Renewables Development, from December 2015 to January 2019.

|  |  |  |                                       |   |
|--|--|--|---------------------------------------|---|
| Name of Respondent<br>El Paso Electric Company   |  | This Report Is<br>(1) <input checked="" type="checkbox"/> An Original<br>(2) <input type="checkbox"/> A Resubmission | Date of Report<br>(Mo, Da, Yr)<br>/ / | Year/Period of Report<br>End of 2019/Q4 |
| DIRECTORS  |  |  |                                       |   |
| 1 Report below the information called for concerning each director of the respondent who held office at any time during the year Include in column (a), abbreviated titles of the directors who are officers of the respondent |  |  |                                       |   |
| 2 Designate members of the Executive Committee by a triple asterisk and the Chairman of the Executive Committee by a double asterisk   |  |  |                                       |   |
| Line No  | Name (and Title) of Director<br>(a)  | Principal Business Address<br>(b)  |                                       |   |
| 1  | Catherine A. Allen - Former Director***  | The Santa Fe Group   |                                       |   |
| 2  |  | 3 Chamisa Drive North, Suite 2   |                                       |   |
| 3  |  | Santa Fe, New Mexico 87508   |                                       |   |
| 4  |  |  |                                       |   |
| 5  | Paul M. Barbas - Director***   | Post Office Box 458  |                                       |   |
| 6  |  | Barnstable, Massachusetts 02630  |                                       |   |
| 7  |  |  |                                       |   |
| 8  | James W. Cicconi - Director***   | AT&T   |                                       |   |
| 9  |  | 1120 20th Street, N.W., Suite 1000   |                                       |   |
| 10   |  | Washington, D.C. 20036   |                                       |   |
| 11   |  |  |                                       |   |
| 12   | Edward Escudero - Director and Vice Chairman of the Board***   | High Desert Capital, LLC   |                                       |   |
| 13   |  | 6080 Surety Drive  |                                       |   |
| 14   |  | El Paso, Texas 79905   |                                       |   |
| 15   |  |  |                                       |   |
| 16   | Mary E. Kipp - Former Director, President and Chief Executive Officer                                    | El Paso Electric Company   |                                       |   |
| 17   |  | 100 North Stanton Street   |                                       |   |
| 18   |  | El Paso, Texas 79901   |                                       |   |
| 19   |  |  |                                       |   |
| 20   | Raymond Palacios, Jr. - Director   | Bravo Cadillac   |                                       |   |
| 21   |  | 6555 Montana Avenue  |                                       |   |
| 22   |  | El Paso, Texas 79925   |                                       |   |
| 23   |  |  |                                       |   |
| 24   | Adrian J. Rodriguez - Director, Interim Chief Executive Officer, General Counsel and Assistant Secretary | El Paso Electric Company   |                                       |   |
| 25   |  | 100 North Stanton Street   |                                       |   |
| 26   |  | El Paso, Texas 79901   |                                       |   |
| 27   |  |  |                                       |   |
| 28   | Eric B. Siegel - Director**  | 11100 Santa Monica Boulevard, Suite 2000   |                                       |   |
| 29   |  | Los Angeles, California 90025  |                                       |   |
| 30   |  |  |                                       |   |
| 31   | Stephen N. Wertheimer - Director***  | W Capital Partners   |                                       |   |
| 32   |  | 400 Park Avenue, Suite 910   |                                       |   |
| 33   |  | New York, New York 10022   |                                       |   |
| 34   |  |  |                                       |   |
| 35   | Charles A. Yamarone - Director and Chairman of the Board***  | Houlihan Lokey   |                                       |   |
| 36   |  | 10250 Constellation Boulevard, 5th Floor   |                                       |   |
| 37   |  | Los Angeles, California 90067  |                                       |   |
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|--------------------------|--|---------------------------------------|----------------------------------|
| Name of Respondent       | This Report is<br>(1) <input checked="" type="checkbox"/> An Original<br>(2) <input type="checkbox"/> A Resubmission | Date of Report<br>(Mo, Da, Yr)<br>/ / | Year/Period of Report<br>2019/Q4 |
| El Paso Electric Company |  |                                       |                                  |
| FOOTNOTE DATA            |  |                                       |                                  |

**Schedule Page: 105 Line No.: 1 Column: a**  
On May 23, 2019, Catherine A. Allen retired from the Board of Directors of the Company in accordance with the director retirement policy in the Company's Corporate Governance Guidelines.

**Schedule Page: 105 Line No.: 5 Column: a**  
On May 23, 2019, Paul M. Barbas was appointed as a member and Chairman of the Security Committee and a member of the Executive Committee.

**Schedule Page: 105 Line No.: 16 Column: a**  
On August 1, 2019, Mary E. Kipp resigned from the Board of Directors.

**Schedule Page: 105 Line No.: 24 Column: a**  
On August 1, 2019, Adrian J. Rodriguez was appointed to the Board of Directors filling the unexpired term of Mary E. Kipp.

|  |                                     |  |                 |  |   |
|--|-------------------------------------|--|-----------------|--|---|
| Name of Respondent<br>El Paso Electric Company   |                                     | This Report Is<br>(1) <input checked="" type="checkbox"/> An Original<br>(2) <input type="checkbox"/> A Resubmission |                 | Date of Report<br>(Mo, Da, Yr)<br>/ /                                  | Year/Period of Report<br>End of 2019/Q4 |
| INFORMATION ON FORMULA RATES<br>FERC Rate Schedule/Tariff Number FERC Proceeding   |                                     |  |                 |  |   |
| Does the respondent have formula rates?  |                                     |  |                 | <input checked="" type="checkbox"/> Yes<br><input type="checkbox"/> No |   |
| 1 Please list the Commission accepted formula rates including FERC Rate Schedule or Tariff Number and FERC proceeding (i.e. Docket No) accepting the rate(s) or changes in the accepted rate |                                     |  |                 |  |   |
| Line No  | FERC Rate Schedule or Tariff Number |  | FERC Proceeding |  |   |
| 1  | Rate Schedule FERC No 18            |  | ER08-742-001    |  |   |
| 2  |                                     |  |                 |  |   |
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| Name of Respondent<br>El Paso Electric Company   |               | This Report Is<br>(1) <input checked="" type="checkbox"/> An Original<br>(2) <input type="checkbox"/> A Resubmission |           | Date of Report<br>(Mo, Da, Yr)<br>/ /                                  | Year/Period of Report<br>End of 2019/Q4                       |
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| INFORMATION ON FORMULA RATES<br>FERC Rate Schedule/Tariff Number FERC Proceeding   |               |  |           |  |   |
| Does the respondent file with the Commission annual (or more frequent) filings containing the inputs to the formula rate(s)? |               |  |           | <input checked="" type="checkbox"/> Yes<br><input type="checkbox"/> No |   |
| 2 If yes, provide a listing of such filings as contained on the Commission's eLibrary website                                |               |  |           |  |   |
| Line No  | Accession No  | Document Date<br>Filed Date  | Docket No | Description  | Formula Rate FERC Rate<br>Schedule Number or<br>Tariff Number |
| 1  | 20190930-5224 | 09/30/2019   | ER08-742  | 2019 Annual Update Filing  | 18  |
| 2  |               | 09/30/2019   |           |  |   |
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| Name of Respondent<br>El Paso Electric Company   |            | This Report Is<br>(1) <input checked="" type="checkbox"/> An Original<br>(2) <input type="checkbox"/> A Resubmission |        | Date of Report<br>(Mo, Da, Yr)<br>/ / | Year/Period of Report<br>End of 2019/Q4 |
| <b>INFORMATION ON FORMULA RATES</b><br>Formula Rate Variances  |            |  |        |                                       |   |
| 1 If a respondent does not submit such filings then indicate in a footnote to the applicable Form 1 schedule where formula rate inputs differ from amounts reported in the Form 1<br>2 The footnote should provide a narrative description explaining how the "rate" (or billing) was derived if different from the reported amount in the Form 1<br>3 The footnote should explain amounts excluded from the ratebase or where labor or other allocation factors, operating expenses, or other items impacting formula rate inputs differ from amounts reported in Form 1 schedule amounts<br>4 Where the Commission has provided guidance on formula rate inputs, the specific proceeding should be noted in the footnote |            |  |        |                                       |   |
| Line No  | Page No(s) | Schedule   | Column | Line No                               |   |
| 1  | N/A        |  |        |                                       |   |
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| Name of Respondent       | This Report is<br>(1) <input checked="" type="checkbox"/> An Original<br>(2) <input type="checkbox"/> A Resubmission | Date of Report<br>(Mo, Da, Yr)<br>/ / | Year/Period of Report<br>2019/Q4 |
| El Paso Electric Company |  |                                       |                                  |
| FOOTNOTE DATA            |  |                                       |                                  |

**Schedule Page: 1061 Line No.: 1 Column: d**

The 2019 annual update is to the cost-based formula rate included in the Power Sales Agreement under ER08-742.

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| IMPORTANT CHANGES DURING THE QUARTER/YEAR   |  |                       |   |
| <p>Give particulars (details) concerning the matters indicated below. Make the statements explicit and precise, and number them in accordance with the inquiries. Each inquiry should be answered. Enter "none," "not applicable," or "NA" where applicable. If information which answers an inquiry is given elsewhere in the report, make a reference to the schedule in which it appears.</p> <p>1 Changes in and important additions to franchise rights. Describe the actual consideration given therefore and state from whom the franchise rights were acquired. If acquired without the payment of consideration, state that fact.</p> <p>2 Acquisition of ownership in other companies by reorganization, merger, or consolidation with other companies. Give names of companies involved, particulars concerning the transactions, name of the Commission authorizing the transaction, and reference to Commission authorization.</p> <p>3 Purchase or sale of an operating unit or system. Give a brief description of the property, and of the transactions relating thereto, and reference to Commission authorization, if any was required. Give date journal entries called for by the Uniform System of Accounts were submitted to the Commission.</p> <p>4 Important leaseholds (other than leaseholds for natural gas lands) that have been acquired or given, assigned or surrendered. Give effective dates, lengths of terms, names of parties, rents, and other condition. State name of Commission authorizing lease and give reference to such authorization.</p> <p>5 Important extension or reduction of transmission or distribution system. State territory added or relinquished and date operations began or ceased and give reference to Commission authorization, if any was required. State also the approximate number of customers added or lost and approximate annual revenues of each class of service. Each natural gas company must also state major new continuing sources of gas made available to it from purchases, development, purchase contract or otherwise, giving location and approximate total gas volumes available, period of contracts, and other parties to any such arrangements, etc.</p> <p>6 Obligations incurred as a result of issuance of securities or assumption of liabilities or guarantees including issuance of short-term debt and commercial paper having a maturity of one year or less. Give reference to FERC or State Commission authorization, as appropriate, and the amount of obligation or guarantee.</p> <p>7 Changes in articles of incorporation or amendments to charter. Explain the nature and purpose of such changes or amendments.</p> <p>8 State the estimated annual effect and nature of any important wage scale changes during the year.</p> <p>9 State briefly the status of any materially important legal proceedings pending at the end of the year, and the results of any such proceedings culminated during the year.</p> <p>10 Describe briefly any materially important transactions of the respondent not disclosed elsewhere in this report in which an officer, director, security holder reported on Page 104 or 105 of the Annual Report Form No. 1, voting trustee, associated company or known associate of any of these persons was a party or in which any such person had a material interest.</p> <p>11 (Reserved)</p> <p>12 If the important changes during the year relating to the respondent company appearing in the annual report to stockholders are applicable in every respect and furnish the data required by Instructions 1 to 11 above, such notes may be included on this page.</p> <p>13 Describe fully any changes in officers, directors, major security holders and voting powers of the respondent that may have occurred during the reporting period.</p> <p>14 In the event that the respondent participates in a cash management program(s) and its proprietary capital ratio is less than 30 percent please describe the significant events or transactions causing the proprietary capital ratio to be less than 30 percent, and the extent to which the respondent has amounts loaned or money advanced to its parent, subsidiary, or affiliated companies through a cash management program(s). Additionally, please describe plans, if any to regain at least a 30 percent proprietary ratio.</p> |  |                       |   |
| PAGE 108 INTENTIONALLY LEFT BLANK<br>SEE PAGE 109 FOR REQUIRED INFORMATION  |  |                       |   |

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| IMPORTANT CHANGES DURING THE QUARTER/YEAR (Continued) |  |                                       |                       |

1 Changes in and Important Additions to Franchise Rights

None

2 Acquisition of Ownership in Other Companies

On June 1, 2019, the Company entered into an Agreement and Plan of Merger (the "Merger Agreement"), by and among the Company, Sun Jupiter Holdings LLC, a Delaware limited liability company ("Parent"), and Sun Merger Sub Inc, a Texas corporation and wholly owned subsidiary of Parent ("Merger Sub") Pursuant to the Merger Agreement, on and subject to the terms and conditions set forth therein, Merger Sub will merge with and into the Company (the "Merger"), with the Company continuing as the surviving corporation in the Merger and becoming a wholly owned subsidiary of Parent Parent and Merger Sub are affiliates of the Infrastructure Investments Fund, an investment vehicle advised by J P Morgan Investment Management Inc ("IIF") Among other things, the Company, Parent and Merger Sub are required to obtain certain regulatory approvals of the Merger See additional discussion in Item 12 below

On and subject to the terms and conditions set forth in the Merger Agreement, upon closing of the Merger, each share of common stock of the Company outstanding immediately prior to the effective time of the Merger shall be cancelled and converted into the right to receive \$68.25 in cash, without interest

Also, see Notes D and R of "Notes to the Financial Statements "

3 Purchase or Sale of an Operating Unit or System

None

4 Important Leaseholds That Have Been Acquired or Given, Assigned or Surrendered

None

5 Important Extension or Reduction of Transmission or Distribution System

None

6 Obligations Incurred as a Result of Issuance of Securities or Assumption of Liabilities or Guarantees

On January 30, 2019, the Company submitted applications with the New Mexico Public Regulation Commission ("NMPRC") and the Federal Energy Regulatory Commission ("FERC") seeking approvals to issue shares of common stock, including the reissuance of treasury shares, in an amount up to \$200.0 million in one or more transactions The application with the NMPRC was assigned Case No 19-00033-UT, and the NMPRC issued a final order approving the Company's request on March 27, 2019 Included in the FERC application, which was assigned Docket No ES19-15-000, the Company also requested various debt-related authorizations to utilize the Revolving Credit Facility (the "RCF") for short-term borrowing not to exceed \$400.0 million at any one time, to issue up to \$225.0 million in new long-term debt, and to remarket the \$63.5 million 2009 Series A 7.25% Pollution Control Bonds ("PCBs") and the \$37.1 million 2009 Series B 7.25% PCBs in the form of replacement bonds or senior notes of equivalent value, not to exceed \$100.6 million On April 18, 2019, the FERC issued an order authorizing the Company's request through April 18, 2021

On February 1, 2019, and April 1, 2019, the Company purchased in lieu of redemption all \$63.5 million aggregate principal amount of 2009 Series A 7.25% PCBs and \$37.1 million aggregate principal amount of 2009 Series B 7.25% PCBs, respectively The bonds were purchased utilizing funds borrowed under the RCF On May 22, 2019, the Company

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| El Paso Electric Company                              |  |                                       | 2019/Q4               |
| IMPORTANT CHANGES DURING THE QUARTER/YEAR (Continued) |  |                                       |                       |

reoffered and sold \$63.5 million aggregate principal amount of 2009 Series A 7.25% PCBs and \$37.1 million aggregate principal amount of 2009 Series B 7.25% PCBs with a fixed interest rate of 3.60% per annum until such PCBs mature on February 1, 2040 and April 1, 2040, respectively. The bonds are subject to optional redemption at a redemption price of par on or after June 1, 2029.

The Merger would constitute a "Change in Control" under the RCF and the consummation of the Merger would result in an event of default under the RCF. On and subject to the terms and conditions of the Merger Agreement, the Company requested that the lenders under the RCF consent to the Merger and waive any default or event of default that would occur as a result of the Merger. On August 9, 2019, the lenders agreed to such consent and waiver.

Under the Merger Agreement, subject to certain exceptions, the Company cannot incur additional indebtedness over \$200.0 million (excluding borrowings up to the existing borrowing capacity of the RCF), without the prior written consent from Parent, however, the Company cannot issue shares of common stock, subject to limited exceptions, without the prior written consent of Parent.

On September 13, 2018, the Company and The Bank of New York Mellon Trust Company, N.A., as trustee of the RGRT, entered into a third amended and restated credit agreement (the "RCF Agreement") with MUFG Union Bank, N.A., as administrative agent and as syndication agent, various issuing banks and lending banks party thereto. Under the terms of the RCF Agreement, the Company has available a \$350.0 million RCF with a \$50.0 million subfacility for the issuance of letters of credit, and the Company extended the term of the Company's existing \$350.0 million revolving credit agreement from January 14, 2020 to September 13, 2023. On March 20, 2020, the Company exercised its option to extend the maturity date of the RCF by one year to September 13, 2024 and to increase the borrowing commitments under the facility by \$50.0 million to \$400.0 million, and the lenders under the RCF Agreement agreed to the extension and increase. The Company still has the option to extend the maturity date of the RCF by one additional year to September 13, 2025 upon the satisfaction of certain conditions more fully set forth in the RCF Agreement, including requisite lender approval.

See Notes D, H and I of "Notes to Financial Statements."

#### 7 Changes in Articles of Incorporation

None

#### 8 Important Wage Scale Changes

Base salaries for non-union employees were increased by an average of approximately 3% effective on December 24, 2018, through the annual merit award process. The annual effect of this increase was approximately \$1.8 million.

Base salaries for union employees under contract were increased by 3.25% effective in September 2019 compared to the previous level. The annual effect of this increase was approximately \$1.2 million.

See Notes L of "Notes to Financial Statements."

#### 9 Materially Important Legal Proceedings

The Company is a party to various legal actions. In many of these matters, the Company has excess casualty liability insurance that covers the various claims, actions and complaints. Based upon a review of the matters and applicable insurance coverage, the Company believes that none of these matters will have a material adverse effect on the financial position, results of operations or cash flows of the Company.

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| El Paso Electric Company                              |  |                                       |                                  |
| IMPORTANT CHANGES DURING THE QUARTER/YEAR (Continued) |  |                                       |                                  |

Also, see Notes D, L, and M of "Notes to Financial Statements "

10. Materially Important Transactions

None

11. Reserved

12. Important changes during the year

*Subsequent Event – Novel Coronavirus ("COVID-19 virus") Pandemic* As widely reported, the spread of the COVID-19 virus has migrated from predominately a regional concern in Asia, notably Wuhan City, China, in December 2019 to a global epidemic, which on March 11, 2020 the World Health Organization declared a pandemic. As of the date of this FERC Form No. 1, the Company is operating in a modified work environment, where all employees have been requested to operate from home except those who have responsibilities essential to servicing the Company's customers and that require them to be on site. The Company is working closely with community leaders to monitor the situation and to continue to provide safe, reliable and cost-effective energy to its customers. The Company cannot predict the impact that this pandemic will have on its financial condition, results of operations and cash flows.

*Agreement and Plan of Merger* On August 2, 2019, the Company filed a definitive proxy statement with the United States ("U S ") Securities and Exchange Commission ("SEC") in connection with the Merger. On August 13, 2019, the Company, Parent and IIF US Holding 2 LP, an affiliate of IIF, as applicable, filed (i) the joint report and application for regulatory approvals with the Public Utility Commission of Texas (the "PUCT") requesting approval of the Merger pursuant to the Texas Public Utility Regulatory Act ("PURA"), which was assigned PUCT Docket No. 49849, (ii) the joint application for regulatory approvals with the NMPRC requesting approval of the Merger pursuant to the New Mexico Public Utility Act ("NMPUA") and NMPRC Rule 450, which was assigned NMPRC Case No. 19-00234-UT, (iii) the joint application requesting approval of the Merger with the FERC under Section 203 of the Federal Power Act, which was assigned FERC Docket No. EC19-120-000, and (iv) the joint application for regulatory approval for the indirect transfer of the Company's Nuclear Regulatory Commission ("NRC") licenses to Parent from the NRC under the Atomic Energy Act of 1954, which was assigned Docket ID NRC-2019-0214. In addition, on August 13, 2019, the Company and Parent sought the authorization of the Federal Communications Commission ("FCC") to assign or transfer control of the Company's FCC licenses under FCC File No. 008737430. On December 4, 2019, the Company and Parent received consent from the FCC to transfer the Company's FCC licenses.

On August 16, 2019, the Company and Parent filed the notification and report form with the Antitrust Division of the Department of Justice and the Federal Trade Commission ("FTC") under the Hart-Scott-Rodino Antitrust Improvements Act of 1976 (the "HSR Act"), as amended, and the rules and regulations promulgated thereunder, which was assigned Transaction Identification No. 2019 1858. On September 3, 2019, the Company and Parent received notice from the FTC granting early termination of the waiting period under the HSR Act.

At a special meeting of the Company's shareholders held on September 19, 2019, the Company's shareholders approved the Merger Agreement and the transactions contemplated thereby, including the Merger, and the compensation that will or may become payable by the Company to its named executive officers in connection with the Merger.

Under the Merger Agreement, the consent to the Merger by the City of El Paso under its franchise agreement with the Company is a condition to the closing of the Merger. Under the franchise agreement, if the City of El Paso does not grant its consent to the Merger, the franchise agreement would terminate upon the closing of the Merger. On September 20, 2019, the Company submitted the Franchise Agreement Assignment Application to the City of El Paso to receive the City's consent to the Merger. On February 4, 2020, the City of El Paso passed Ordinance No. 019022 approving the Franchise Agreement Assignment Application and granting the City of El Paso's consent to the Merger.

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| El Paso Electric Company                              |  | / /                                   | 2019/Q4               |
| IMPORTANT CHANGES DURING THE QUARTER/YEAR (Continued) |  |                                       |                       |

On November 21, 2019, the Company and IIF reached an agreement in principle with the PUCT staff and most intervenors regarding the Merger. The PUCT issued an order delaying the hearing on the merits in order to assist in reaching a unanimous settlement. The parties continued discussions and provided an update on the status of settlement at the PUCT meeting on December 13, 2019. A non-unanimous settlement was filed with the PUCT on December 18, 2019, resolving substantially all issues in the application. The hearing at the PUCT on the non-unanimous issues was held on January 7, 2020, at the conclusion of which the PUCT requested the Company and IIF attend the PUCT's January 16, 2020 open meeting to answer any follow-up questions. On January 16, 2020, the PUCT approved the Merger and issued its final order on January 28, 2020.

On January 3, 2020, the Company and IIF filed an unopposed stipulation with the NMPRC regarding the Merger. A hearing at the NMPRC for the unopposed stipulation was held on January 16, 2020. On January 16, 2020, the Hearing Examiner agreed with the consent of parties to waive briefing. On February 12, 2020, the Hearing Examiner issued an Amended Certification of the Stipulation in which it is recommended that the NMPRC approve the unopposed stipulation subject to the parties agreeing to the Hearing Examiner's modifications. A final order adopting the Certification of the Stipulation and approving the Merger was issued by the NMPRC on March 11, 2020, which was assigned Case No 19-00234-UT.

On December 5, 2019, the FERC requested additional information regarding the parties to the Merger. On January 6, 2020, the Company and IIF filed a joint response to FERC's inquiry. On January 17, 2020, the Company and IIF filed a second supplement to the application. The FERC established a January 27, 2020 deadline date for comments on the filings. Several motions to intervene were filed, along with a protest of the January 6, 2020 response. On February 6, 2020, the Company and IIF filed a reply to the January 27, 2020 protest. On March 30, 2020, FERC issued an order authorizing IIF's proposed acquisition of the company, subject to the FERC's approval of mitigation to address certain discrete competitive effects of the transaction that could arise. FERC concluded that the acquisition, as conditioned, satisfies governing federal standards and authorized the acquisition as consistent with the public interest. The proposed mitigation must be filed within 45 days of the issuance of the FERC Order.

On March 6, 2020, the NRC's staff approved the joint application for the indirect transfer of control of the Company's ownership in Palo Verde Nuclear Generation Station ("Palo Verde") to IIF.

The FERC's approval is the last regulatory approval needed to close the proposed acquisition. The Company anticipates that the closing of the Merger will occur in the first half of 2020, upon FERC's approval of the required mitigation and satisfaction or waiver of the other closing conditions.

The Company and IIF have agreed to numerous regulatory commitments in connection with the Merger under the agreements with the PUCT, NMPRC, and the City of El Paso discussed above. Among the commitments that will 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 million and to New Mexico customers of \$8.7 million. Both rate credits will be distributed among customers in 36 monthly installments. The Company is required to make tariff filings to implement the rate credits no later than 45 days and 7 days, respectively, in Texas and New Mexico after the closing of the Merger. The Company made its required tariff filing in Texas on March 13, 2020. The Company will not attempt to recover the value of these rate credits in future rate cases.

In connection with the Merger, the Company recorded \$12.1 million of strategic transaction costs, principally related to advisory fees, legal, and other consulting costs, in the twelve months ended December 31, 2019, which are reflected in Other Deductions in the Company's Regulatory-Basis Statement of Income. The Company will not attempt to recover strategic transaction costs in future rate cases. The Company will reflect any non-deductible amounts in the effective tax rate at the Merger closing date.

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| IMPORTANT CHANGES DURING THE QUARTER/YEAR (Continued) |  |                                       |                                  |

*Fuel Reconciliation Proceeding* On September 27, 2019, the Company filed an application with the PUCT, which was assigned PUCT Docket No 50058, to reconcile \$363.0 million of Texas fuel and purchased power expenses incurred during the period of April 1, 2016, through March 31, 2019. The Company cannot predict the outcome of this filing at this time.

*Transmission Cost Recovery Factor* On January 25, 2019, the Company filed an application with the PUCT to establish its Transmission Cost Recovery Factor ("TCRF"), which was assigned PUCT Docket No 49148 (the "2019 TCRF rate filing"). The 2019 TCRF rate filing is designed to recover a requested \$8.2 million of Texas jurisdictional transmission revenue requirement that is not currently being recovered in the Company's Texas base rates for transmission-related investments placed in service from October 1, 2016, through September 30, 2018, net of retirements. On September 12, 2019, the Company filed an unopposed settlement agreement and proposed order for a TCRF revenue requirement of \$7.5 million with a provision for recovery of revenue relating to the period from July 30, 2019 to December 31, 2019. Such revenue through December 31, 2019, approximated \$3.0 million. On December 16, 2019, the PUCT issued a final order approving the settlement agreement, and the Company's TCRF rates became effective in customer bills beginning January 1, 2020. On January 14, 2020, the Company filed with the PUCT a proposed surcharge in compliance with the final order issued in PUCT Docket No 49148 for recovery of the \$3.0 million related to 2019, over a period of 12 months beginning on April 1, 2020. The filing was assigned PUCT Docket No 50256, and on February 7, 2020, the surcharge was approved through delegated authority by a Commission Administrative Law Judge.

*Distribution Cost Recovery Factor* On March 28, 2019, the Company filed an application with the PUCT and each of its Texas municipalities to establish its Distribution Cost Recovery Factor ("DCRF"), which was assigned PUCT Docket No 49395 (the "2019 DCRF rate filing"). The 2019 DCRF rate filing is designed to recover a requested \$7.9 million of Texas jurisdictional distribution revenue requirement that is not currently being recovered in the Company's Texas base rates for distribution-related investments placed in service from October 1, 2016, through December 31, 2018, net of retirements. On August 13, 2019, the Company filed an unopposed settlement agreement and proposed order which resolved all issues in the proceeding and approved a DCRF revenue requirement of \$7.8 million. On September 27, 2019, the PUCT issued a final order approving the settlement agreement, and the Company's DCRF rates became effective in customer bills beginning October 1, 2019.

*Future New Mexico Rate Case Filing* The Company was required to file its next New Mexico base rate case no later than July 31, 2019. On July 10, 2019, the NMRPC issued an order approving a joint request by the Company, NMPRC Staff, and the New Mexico Attorney General to delay filing of the Company's next base rate case until after the conclusion of a proceeding addressing the Merger. The NMPRC order requires the Company to file its next rate case application within three months of the conclusion of the proceeding addressing the Merger in New Mexico. A final order adopting the Certification of the Stipulation and approving the Merger was issued by the NMPRC on March 11, 2020, which was assigned Case No. 19-00234-UT. See Note R of "Notes to Financial Statements" for further discussion.

*Amendments to the New Mexico Renewable Energy Act ("REA")* The REA requires electric utilities to meet an RPS of twenty percent of its total retail sales to New Mexico customers by 2020. Effective June 14, 2019, the New Mexico Energy Transition Act amends the REA (the "Amended REA") to, among other things: (i) increase the RPS to forty percent by 2025, fifty percent by 2030, and eighty percent by 2040, (ii) impose a zero-carbon standard by 2045, (iii) eliminate the reduction to the RPS requirement for sales to qualifying large non-governmental customers whose costs are capped under the REA, (iv) set a statutory reasonable cost threshold, and (v) provide cost recovery for certain undepreciated investments and decommissioning costs, such as coal-fired generation, associated with generation required by the NMPRC to be discontinued and replaced with lower or zero-carbon generation. In administering the eighty percent RPS and zero-carbon standards, the Amended REA requires the NMPRC to consider certain factors, including safety, reliability, and rate impact to customers. On October 10, 2019, the NMPRC initiated a rulemaking proceeding to implement the Amended REA in Case No. 19-00296-UT. The Company is currently evaluating the impact that the Amended REA may have on its operations. Further, the Company has not determined the costs associated with complying with the Amended REA including potential fines that could be associated with non-compliance.

|   |  |                                       |                       |
|---|--|---------------------------------------|-----------------------|
| Name of Respondent                                    | This Report is<br>(1) <input checked="" type="checkbox"/> An Original<br>(2) <input type="checkbox"/> A Resubmission | Date of Report<br>(Mo, Da, Yr)<br>/ / | Year/Period of Report |
| El Paso Electric Company                              |  |                                       | 2019/Q4               |
| IMPORTANT CHANGES DURING THE QUARTER/YEAR (Continued) |  |                                       |                       |

*FERC Audit* On February 6, 2019, the FERC notified the Company that it is commencing an audit that is intended to evaluate the Company's compliance with (i) the approved terms, conditions, and rates of its Open Access Transmission Tariff ("OATT"), (ii) the accounting requirements of the Uniform System of Accounts, (iii) the reporting requirements of the FERC Form No 1 Annual Report and Supplemental Form 3-Q Quarterly Financial Reports, and (iv) the regulations regarding Open Access Same-time Information Systems. The audit covers the period January 1, 2016 to the present and was assigned FERC Docket No PA19-3-000. The Company cannot predict the outcome or findings, if any, of the FERC at this time.

Also, see response to items 1 to 11 and 13 to 14

13 Changes in officers, directors, major security holders and voting powers of the respondent that may have occurred during the reporting period

On January 21, 2019, Richard Turner was appointed Vice President, Business Development. Formerly, Mr. Turner served as Vice President, Renewables Development, from December 2015 to January 2019.

On February 1, 2019, William A. Stiller, Senior Vice President, retired from the Company.

On February 18, 2019, Victor Rueda, was appointed Vice President, Human Resources. Formerly, Mr. Rueda served as Vice President, Human Resources and Community Outreach, from March 2018 to February 2019.

On May 23, 2019, Catherine A. Allen retired from the Board of Directors of the Company in accordance with the director retirement policy in the Company's Corporate Governance Guidelines.

On June 28, 2019, the Company's Board of Directors appointed Adrian J. Rodriguez as the Company's Interim Chief Executive Officer, making his title Interim Chief Executive Officer, General Counsel and Assistant Secretary effective August 1, 2019. On July 25, 2019, Mr. Rodriguez was appointed to the Board of Directors effective August 1, 2019. Formerly, Mr. Rodriguez served as Senior Vice President, General Counsel and Assistant Secretary from September 2017 through July 2019.

On June 28, 2019, Elaina L. Ball was appointed Senior Vice President and Interim Chief Operating Officer effective August 1, 2019. Formerly, Ms. Ball served as Senior Vice President and Chief Administrative Officer, from April 2018 through July 2019.

Effective on August 1, 2019, Mary E. Kipp, President and Chief Executive Officer, resigned from her positions at the Company and as a member of the Board of Directors of the Company.

On February 13, 2020, BlackRock, Inc. reported to the SEC on Form 13F that it owned 16.1% of the outstanding shares of El Paso Electric Company common stock as of December 31, 2019.

On February 14, 2020, Vanguard Group, Inc. reported to the SEC on Form 13F that it owned 11.6% of the outstanding shares of El Paso Electric Company common stock as of December 31, 2019.

As discussed in Item 2 above, on June 1, 2019, the Company entered into the Merger Agreement.

14 Cash management programs and events causing the proprietary capital to be less than 30 percent

None



| Name of Respondent<br>El Paso Electric Company             |   | This Report Is<br>(1) <input checked="" type="checkbox"/> An Original<br>(2) <input type="checkbox"/> A Resubmission | Date of Report<br>(Mo, Da, Yr)<br>/ /                 | Year/Period of Report<br>End of 2019/Q4   |
|--|---|--|---|---|
| <b>COMPARATIVE BALANCE SHEET (ASSETS AND OTHER DEBITS)</b> |   |  |   |   |
| Line No  | Title of Account<br>(a)                                       | Ref Page No<br>(b)   | Current Year<br>End of Quarter/Year<br>Balance<br>(c) | Prior Year<br>End Balance<br>12/31<br>(d) |
| 1  | <b>UTILITY PLANT</b>  |  |   |   |
| 2  | Utility Plant (101-106, 114)                                  | 200-201  | 5,335,900,234   | 5,112,940,123                             |
| 3  | Construction Work in Progress (107)                           | 200-201  | 157,850,999   | 169,327,229                               |
| 4  | TOTAL Utility Plant (Enter Total of lines 2 and 3)            |  | 5,493,751,233   | 5,282,267,352                             |
| 5  | (Less) Accum Prov for Depr Amort Depl (108, 110, 111, 115)    | 200-201  | 2,381,984,861   | 2,312,681,378                             |
| 6  | Net Utility Plant (Enter Total of line 4 less 5)              |  | 3,111,766,372   | 2,969,585,974                             |
| 7  | Nuclear Fuel in Process of Ref, Conv, Enrich, and Fab (120 1) | 202-203  | 0   | 0   |
| 8  | Nuclear Fuel Materials and Assemblies-Stock Account (120 2)   |  | 0   | 0   |
| 9  | Nuclear Fuel Assemblies in Reactor (120 3)                    |  | 0   | 0   |
| 10   | Spent Nuclear Fuel (120 4)                                    |  | 0   | 0   |
| 11   | Nuclear Fuel Under Capital Leases (120 6)                     |  | 199,671,152   | 199,843,869                               |
| 12   | (Less) Accum Prov for Amort of Nucl Fuel Assemblies (120 5)   | 202-203  | 72,778,365  | 73,742,663                                |
| 13   | Net Nuclear Fuel (Enter Total of lines 7-11 less 12)          |  | 126,892,787   | 126,101,206                               |
| 14   | Net Utility Plant (Enter Total of lines 6 and 13)             |  | 3,238,659,159   | 3,095,687,180                             |
| 15   | Utility Plant Adjustments (116)                               |  | 0   | 0   |
| 16   | Gas Stored Underground - Noncurrent (117)                     |  | 0   | 0   |
| 17   | <b>OTHER PROPERTY AND INVESTMENTS</b>                         |  |   |   |
| 18   | Nonutility Property (121)                                     |  | 1,070,267   | 709,446                                   |
| 19   | (Less) Accum Prov for Depr and Amort (122)                    |  | 0   | 0   |
| 20   | Investments in Associated Companies (123)                     |  | 0   | 0   |
| 21   | Investment in Subsidiary Companies (123 1)                    | 224-225  | 0   | 0   |
| 22   | (For Cost of Account 123 1, See Footnote Page 224, line 42)   |  |   |   |
| 23   | Noncurrent Portion of Allowances                              | 228-229  | 0   | 0   |
| 24   | Other Investments (124)                                       |  | 1,608,814   | 1,674,825                                 |
| 25   | Sinking Funds (125)   |  | 0   | 0   |
| 26   | Depreciation Fund (126)                                       |  | 0   | 0   |
| 27   | Amortization Fund - Federal (127)                             |  | 0   | 0   |
| 28   | Other Special Funds (128)                                     |  | 329,603,541   | 282,609,818                               |
| 29   | Special Funds (Non Major Only) (129)                          |  | 0   | 0   |
| 30   | Long-Term Portion of Derivative Assets (175)                  |  | 0   | 0   |
| 31   | Long-Term Portion of Derivative Assets - Hedges (176)         |  | 0   | 0   |
| 32   | TOTAL Other Property and Investments (Lines 18-21 and 23-31)  |  | 332,282,622   | 284,994,089                               |
| 33   | <b>CURRENT AND ACCRUED ASSETS</b>                             |  |   |   |
| 34   | Cash and Working Funds (Non-major Only) (130)                 |  | 0   | 0   |
| 35   | Cash (131)  |  | 10,281,061  | 12,376,736                                |
| 36   | Special Deposits (132-134)                                    |  | 0   | 0   |
| 37   | Working Fund (135)  |  | 174,154   | 235,646                                   |
| 38   | Temporary Cash Investments (136)                              |  | 362,922   | 287,686                                   |
| 39   | Notes Receivable (141)  |  | 0   | 0   |
| 40   | Customer Accounts Receivable (142)                            |  | 44,177,635  | 52,718,629                                |
| 41   | Other Accounts Receivable (143)                               |  | 11,889,190  | 5,548,422                                 |
| 42   | (Less) Accum Prov for Uncollectible Acct -Credit (144)        |  | 1,900,275   | 2,070,446                                 |
| 43   | Notes Receivable from Associated Companies (145)              |  | 0   | 0   |
| 44   | Accounts Receivable from Assoc Companies (146)                |  | 0   | 0   |
| 45   | Fuel Stock (151)  | 227  | 1,900,338   | 2,063,056                                 |
| 46   | Fuel Stock Expenses Undistributed (152)                       | 227  | 0   | 0   |
| 47   | Residuals (Elec) and Extracted Products (153)                 | 227  | 0   | 0   |
| 48   | Plant Materials and Operating Supplies (154)                  | 227  | 58,914,476  | 53,303,101                                |
| 49   | Merchandise (155)   | 227  | 0   | 0   |
| 50   | Other Materials and Supplies (156)                            | 227  | 0   | 0   |
| 51   | Nuclear Materials Held for Sale (157)                         | 202-203/227  | 0   | 0   |
| 52   | Allowances (158 1 and 158 2)                                  | 228-229  | 56,084  | 56,642                                    |
|  |   |  |   |   |

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|---|---|--|---|---|---|
| COMPARATIVE BALANCE SHEET (ASSETS AND OTHER DEBITS) (Continued) |   |  |   |   |   |
| Line No   | Title of Account<br>(a)   | Ref Page No<br>(b)   | Current Year<br>End of Quarter/Year<br>Balance<br>(c) | Prior Year<br>End Balance<br>12/31<br>(d) |   |
| 53  | (Less) Noncurrent Portion of Allowances                                 |  | 0   | 0   |   |
| 54  | Stores Expense Undistributed (163)                                      | 227  | 1,145   | 8,692                                     |   |
| 55  | Gas Stored Underground - Current (164 1)                                |  | 0   | 0   |   |
| 56  | Liquefied Natural Gas Stored and Held for Processing (164 2-164 3)      |  | 0   | 0   |   |
| 57  | Prepayments (165)   |  | 10,941,642  | 20,325,683                                |   |
| 58  | Advances for Gas (166-167)  |  | 0   | 0   |   |
| 59  | Interest and Dividends Receivable (171)                                 |  | 5,219   | 10,442                                    |   |
| 60  | Rents Receivable (172)  |  | 0   | 0   |   |
| 61  | Accrued Utility Revenues (173)  |  | 25,643,000  | 21,648,000                                |   |
| 62  | Miscellaneous Current and Accrued Assets (174)                          |  | 64,829  | 29,654                                    |   |
| 63  | Derivative Instrument Assets (175)                                      |  | 0   | 0   |   |
| 64  | (Less) Long-Term Portion of Derivative Instrument Assets (175)          |  | 0   | 0   |   |
| 65  | Derivative Instrument Assets - Hedges (176)                             |  | 0   | 0   |   |
| 66  | (Less) Long-Term Portion of Derivative Instrument Assets - Hedges (176) |  | 0   | 0   |   |
| 67  | Total Current and Accrued Assets (Lines 34 through 66)                  |  | 162,511,420   | 166,541,943                               |   |
| 68  | DEFERRED DEBITS   |  |   |   |   |
| 69  | Unamortized Debt Expenses (181)   |  | 13,108,942  | 14,117,290                                |   |
| 70  | Extraordinary Property Losses (182 1)                                   | 230a   | 0   | 0   |   |
| 71  | Unrecovered Plant and Regulatory Study Costs (182 2)                    | 230b   | 0   | 0   |   |
| 72  | Other Regulatory Assets (182 3)   | 232  | 80,234,601  | 82,334,508                                |   |
| 73  | Prelim Survey and Investigation Charges (Electric) (183)                |  | 1,347,805   | 1,922,855                                 |   |
| 74  | Preliminary Natural Gas Survey and Investigation Charges 183 1)         |  | 0   | 0   |   |
| 75  | Other Preliminary Survey and Investigation Charges (183 2)              |  | 0   | 0   |   |
| 76  | Clearing Accounts (184)   |  | -48,574   | 6,771                                     |   |
| 77  | Temporary Facilities (185)  |  | 0   | 0   |   |
| 78  | Miscellaneous Deferred Debits (186)                                     | 233  | 6,138,919   | 6,345,712                                 |   |
| 79  | Def Losses from Disposition of Utility Plt (187)                        |  | 0   | 0   |   |
| 80  | Research, Devel and Demonstration Expend (188)                          | 352-353  | 0   | 0   |   |
| 81  | Unamortized Loss on Reaquired Debt (189)                                |  | 15,211,751  | 14,801,314                                |   |
| 82  | Accumulated Deferred Income Taxes (190)                                 | 234  | 177,952,554   | 196,918,075                               |   |
| 83  | Unrecovered Purchased Gas Costs (191)                                   |  | 0   | 0   |   |
| 84  | Total Deferred Debits (lines 69 through 83)                             |  | 293,945,998   | 316,446,525                               |   |
| 85  | TOTAL ASSETS (lines 14-16, 32, 67, and 84)                              |  | 4,027,399,199   | 3,863,669,737                             |   |
|   |   |  |   |   |   |



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|--|--|--|---|---|---|
| COMPARATIVE BALANCE SHEET (LIABILITIES AND OTHER CREDITS) (Continued)    |  |  |   |   |   |
| Line No  | Title of Account<br>(a)  | Ref Page No<br>(b)   | Current Year<br>End of Quarter/Year<br>Balance<br>(c) | Prior Year<br>End Balance<br>12/31<br>(d) |   |
| 46   | Matured Interest (240)   |  | 0   | 0   |   |
| 47   | Tax Collections Payable (241)  |  | 1,450,467   | 1,645,278                                 |   |
| 48   | Miscellaneous Current and Accrued Liabilities (242)                    |  | 27,191,910  | 25,502,259                                |   |
| 49   | Obligations Under Capital Leases-Current (243)                         |  | 77,170,332  | 28,408,157                                |   |
| 50   | Derivative Instrument Liabilities (244)                                |  | 0   | 0   |   |
| 51   | (Less) Long-Term Portion of Derivative Instrument Liabilities          |  | 0   | 0   |   |
| 52   | Derivative Instrument Liabilities - Hedges (245)                       |  | 0   | 0   |   |
| 53   | (Less) Long-Term Portion of Derivative Instrument Liabilities-Hedges   |  | 0   | 0   |   |
| 54   | Total Current and Accrued Liabilities (lines 37 through 53)            |  | 313,320,664   | 196,522,179                               |   |
| 55   | DEFERRED CREDITS   |  |   |   |   |
| 56   | Customer Advances for Construction (252)                               |  | 27,874,477  | 24,045,722                                |   |
| 57   | Accumulated Deferred Investment Tax Credits (255)                      | 266-267  | 20,959,358  | 22,578,998                                |   |
| 58   | Deferred Gains from Disposition of Utility Plant (256)                 |  | 0   | 0   |   |
| 59   | Other Deferred Credits (253)   | 269  | 9,513,597   | 4,472,978                                 |   |
| 60   | Other Regulatory Liabilities (254)                                     | 278  | 309,063,694   | 303,645,252                               |   |
| 61   | Unamortized Gain on Reaquired Debt (257)                               |  | 0   | 0   |   |
| 62   | Accum Deferred Income Taxes-Accel Amort (281)                          | 272-277  | 0   | 0   |   |
| 63   | Accum Deferred Income Taxes-Other Property (282)                       |  | 489,812,397   | 500,140,517                               |   |
| 64   | Accum Deferred Income Taxes-Other (283)                                |  | 32,347,600  | 18,172,304                                |   |
| 65   | Total Deferred Credits (lines 56 through 64)                           |  | 889,571,123   | 873,055,771                               |   |
| 66   | TOTAL LIABILITIES AND STOCKHOLDER EQUITY (lines 16, 24, 35, 54 and 65) |  | 4,027,399,199   | 3,863,669,737                             |   |
|  |  |  |   |   |   |
| <div> <div>FERC FORM NO. 1 (rev. 12-03)</div> <div>Page 113</div> </div> |  |  |   |   |   |

|  |  |                                       |   |
|--|--|---------------------------------------|---|
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|--|--|---------------------------------------|---|

**STATEMENT OF INCOME**

Quarterly

1 Report in column (c) the current year to date balance. Column (c) equals the total of adding the data in column (g) plus the data in column (i) plus the data in column (k). Report in column (d) similar data for the previous year. This information is reported in the annual filing only.

2 Enter in column (e) the balance for the reporting quarter and in column (f) the balance for the same three month period for the prior year.

3 Report in column (g) the quarter to date amounts for electric utility function, in column (i) the quarter to date amounts for gas utility, and in column (k) the quarter to date amounts for other utility function for the current year quarter.

4 Report in column (h) the quarter to date amounts for electric utility function, in column (j) the quarter to date amounts for gas utility, and in column (l) the quarter to date amounts for other utility function for the prior year quarter.

5 If additional columns are needed, place them in a footnote.

Annual or Quarterly if applicable

5 Do not report fourth quarter data in columns (e) and (f).

6 Report amounts for accounts 412 and 413, Revenues and Expenses from Utility Plant Leased to Others, in another utility column in a similar manner to a utility department. Spread the amount(s) over lines 2 thru 26 as appropriate. Include these amounts in columns (c) and (d) totals.

7 Report amounts in account 414, Other Utility Operating Income, in the same manner as accounts 412 and 413 above.

| Line No | Title of Account<br>(a)   | (Ref )<br>Page No<br>(b) | Total<br>Current Year to<br>Date Balance for<br>Quarter/Year<br>(c) | Total<br>Prior Year to<br>Date Balance for<br>Quarter/Year<br>(d) | Current 3 Months<br>Ended<br>Quarterly Only<br>No 4th Quarter<br>(e) | Prior 3 Months<br>Ended<br>Quarterly Only<br>No 4th Quarter<br>(f) |
|---------|---|--------------------------|---|---|--|--|
| 1       | UTILITY OPERATING INCOME  |                          |   |   |  |  |
| 2       | Operating Revenues (400)  | 300-301                  | 861,994,243   | 903,602,606   |  |  |
| 3       | Operating Expenses  |                          |   |   |  |  |
| 4       | Operation Expenses (401)  | 320-323                  | 418,556,779   | 469,467,984   |  |  |
| 5       | Maintenance Expenses (402)  | 320-323                  | 68,933,493  | 74,706,241  |  |  |
| 6       | Depreciation Expense (403)  | 336-337                  | 93,956,078  | 89,201,977  |  |  |
| 7       | Depreciation Expense for Asset Retirement Costs (403 1)               | 336-337                  | -1,327,584  | -1,327,570  |  |  |
| 8       | Amort & Depl of Utility Plant (404-405)                               | 336-337                  | 8,167,451   | 7,297,250   |  |  |
| 9       | Amort of Utility Plant Acq Adj (406)                                  | 336-337                  |   |   |  |  |
| 10      | Amort Property Losses, Unrecov Plant and Regulatory Study Costs (407) |                          |   |   |  |  |
| 11      | Amort of Conversion Expenses (407)                                    |                          |   |   |  |  |
| 12      | Regulatory Debits (407 3)   |                          | 2,129,940   | 2,129,940   |  |  |
| 13      | (Less) Regulatory Credits (407 4)                                     |                          | 130,623   | 261,240   |  |  |
| 14      | Taxes Other Than Income Taxes (408 1)                                 | 262-263                  | 73,351,183  | 70,999,869  |  |  |
| 15      | Income Taxes - Federal (409 1)  | 262-263                  | 2,398,087   | -9,932,853  |  |  |
| 16      | - Other (409 1)   | 262-263                  | 2,018,702   | 1,109,863   |  |  |
| 17      | Provision for Deferred Income Taxes (410 1)                           | 234, 272-277             | 86,891,847  | 112,365,214   |  |  |
| 18      | (Less) Provision for Deferred Income Taxes-Cr (411 1)                 | 234, 272-277             | 66,446,826  | 81,351,799  |  |  |
| 19      | Investment Tax Credit Adj - Net (411 4)                               | 266                      | -1,619,640  | 2,186,626   |  |  |
| 20      | (Less) Gains from Disp of Utility Plant (411 6)                       |                          |   |   |  |  |
| 21      | Losses from Disp of Utility Plant (411 7)                             |                          |   |   |  |  |
| 22      | (Less) Gains from Disposition of Allowances (411 8)                   |                          |   |   |  |  |
| 23      | Losses from Disposition of Allowances (411 9)                         |                          |   |   |  |  |
| 24      | Accretion Expense (411 10)  |                          | 9,114,821   | 8,343,046   |  |  |
| 25      | TOTAL Utility Operating Expenses (Enter Total of lines 4 thru 24)     |                          | 695,993,708   | 744,934,548   |  |  |
| 26      | Net Util Oper Inc (Enter Tot line 2 less 25) Carry to Pg117, line 27  |                          | 166,000,535   | 158,668,058   |  |  |
|         |   |                          |   |   |  |  |

|   |  |  |  |   |  |   |  |
|---|--|--|--|---|--|---|--|
| Name of Respondent<br>El Paso Electric Company  |  | This Report Is<br>(1) <input checked="" type="checkbox"/> An Original<br>(2) <input type="checkbox"/> A Resubmission |  | Date of Report<br>(Mo, Da, Yr)<br>/ /       |  | Year/Period of Report<br>End of 2019/Q4 |  |
| STATEMENT OF INCOME FOR THE YEAR (Continued)  |  |  |  |   |  |   |  |
| <p>9 Use page 122 for important notes regarding the statement of income for any account thereof</p> <p>10 Give concise explanations concerning unsettled rate proceedings where a contingency exists such that refunds of a material amount may need to be made to the utility's customers or which may result in material refund to the utility with respect to power or gas purchases. State for each year effected the gross revenues or costs to which the contingency relates and the tax effects together with an explanation of the major factors which affect the rights of the utility to retain such revenues or recover amounts paid with respect to power or gas purchases</p> <p>11 Give concise explanations concerning significant amounts of any refunds made or received during the year resulting from settlement of any rate proceeding affecting revenues received or costs incurred for power or gas purchases, and a summary of the adjustments made to balance sheet, income, and expense accounts</p> <p>12 If any notes appearing in the report to stockholders are applicable to the Statement of Income, such notes may be included at page 122</p> <p>13 Enter on page 122 a concise explanation of only those changes in accounting methods made during the year which had an effect on net income, including the basis of allocations and apportionments from those used in the preceding year. Also, give the appropriate dollar effect of such changes</p> <p>14 Explain in a footnote if the previous year's/quarter's figures are different from that reported in prior reports</p> <p>15 If the columns are insufficient for reporting additional utility departments, supply the appropriate account titles report the information in a footnote to this schedule</p> |  |  |  |   |  |   |  |
| ELECTRIC UTILITY  |  | GAS UTILITY  |  | OTHER UTILITY                               |  | Line No                                 |  |
| Current Year to Date<br>(in dollars)<br>(g)   | Previous Year to Date<br>(in dollars)<br>(h) | Current Year to Date<br>(in dollars)<br>(i)  | Previous Year to Date<br>(in dollars)<br>(j) | Current Year to Date<br>(in dollars)<br>(k) | Previous Year to Date<br>(in dollars)<br>(l) |   |  |
| 861,994,243   | 903,602,606                                  |  |  |   |  | 1                                       |  |
|   |  |  |  |   |  | 2                                       |  |
|   |  |  |  |   |  | 3                                       |  |
| 418,556,779   | 469,467,984                                  |  |  |   |  | 4                                       |  |
| 68,933,493  | 74,706,241                                   |  |  |   |  | 5                                       |  |
| 93,956,078  | 89,201,977                                   |  |  |   |  | 6                                       |  |
| -1,327,584  | -1,327,570                                   |  |  |   |  | 7                                       |  |
| 8,167,451   | 7,297,250                                    |  |  |   |  | 8                                       |  |
|   |  |  |  |   |  | 9                                       |  |
|   |  |  |  |   |  | 10                                      |  |
|   |  |  |  |   |  | 11                                      |  |
| 2,129,940   | 2,129,940                                    |  |  |   |  | 12                                      |  |
| 130,623   | 261,240                                      |  |  |   |  | 13                                      |  |
| 73,351,183  | 70,999,869                                   |  |  |   |  | 14                                      |  |
| 2,398,087   | -9,932,853                                   |  |  |   |  | 15                                      |  |
| 2,018,702   | 1,109,863                                    |  |  |   |  | 16                                      |  |
| 86,891,847  | 112,365,214                                  |  |  |   |  | 17                                      |  |
| 66,446,826  | 81,351,799                                   |  |  |   |  | 18                                      |  |
| -1,619,640  | 2,186,626                                    |  |  |   |  | 19                                      |  |
|   |  |  |  |   |  | 20                                      |  |
|   |  |  |  |   |  | 21                                      |  |
|   |  |  |  |   |  | 22                                      |  |
|   |  |  |  |   |  | 23                                      |  |
| 9,114,821   | 8,343,046                                    |  |  |   |  | 24                                      |  |
| 695,993,708   | 744,934,548                                  |  |  |   |  | 25                                      |  |
| 166,000,535   | 158,668,058                                  |  |  |   |  | 26                                      |  |
|   |  |  |  |   |  |   |  |

| Name of Respondent<br>El Paso Electric Company |   | This Report Is<br>(1) <input checked="" type="checkbox"/> An Original<br>(2) <input type="checkbox"/> A Resubmission |                     | Date of Report<br>(Mo, Da, Yr)<br>/ / |  | Year/Period of Report<br>End of 2019/Q4                            |  |
|--|---|--|---------------------|---------------------------------------|--|--|--|
| STATEMENT OF INCOME FOR THE YEAR (continued)   |   |  |                     |                                       |  |  |  |
| Line No  | Title of Account<br>(a)   | (Ref )<br>Page No<br>(b)   | TOTAL               |                                       | Current 3 Months<br>Ended<br>Quarterly Only<br>No 4th Quarter<br>(e) | Prior 3 Months<br>Ended<br>Quarterly Only<br>No 4th Quarter<br>(f) |  |
|  |   |  | Current Year<br>(c) | Previous Year<br>(d)                  |  |  |  |
| 27   | Net Utility Operating Income (Carried forward from page 114)          |  | 166,000,535         | 158,668,058                           |  |  |  |
| 28   | Other Income and Deductions   |  |                     |                                       |  |  |  |
| 29   | Other Income  |  |                     |                                       |  |  |  |
| 30   | Nonutility Operating Income   |  |                     |                                       |  |  |  |
| 31   | Revenues From Merchandising, Jobbing and Contract Work (415)          |  | 1,212,242           | 724,093                               |  |  |  |
| 32   | (Less) Costs and Exp of Merchandising, Job & Contract Work (416)      |  | 1,277,709           | 882,341                               |  |  |  |
| 33   | Revenues From Nonutility Operations (417)                             |  |                     |                                       |  |  |  |
| 34   | (Less) Expenses of Nonutility Operations (417 1)                      |  |                     |                                       |  |  |  |
| 35   | Nonoperating Rental Income (418)                                      |  |                     |                                       |  |  |  |
| 36   | Equity in Earnings of Subsidiary Companies (418 1)                    | 119  |                     |                                       |  |  |  |
| 37   | Interest and Dividend Income (419)                                    |  | 7,568,418           | 7,913,182                             |  |  |  |
| 38   | Allowance for Other Funds Used During Construction (419 1)            |  | 2,545,181           | 3,452,950                             |  |  |  |
| 39   | Miscellaneous Nonoperating Income (421)                               |  | 50,082,176          | 13,195,568                            |  |  |  |
| 40   | Gain on Disposition of Property (421 1)                               |  |                     |                                       |  |  |  |
| 41   | TOTAL Other Income (Enter Total of lines 31 thru 40)                  |  | 60,130,308          | 24,403,452                            |  |  |  |
| 42   | Other Income Deductions   |  |                     |                                       |  |  |  |
| 43   | Loss on Disposition of Property (421 2)                               |  | 17,043              |                                       |  |  |  |
| 44   | Miscellaneous Amortization (425)                                      |  |                     |                                       |  |  |  |
| 45   | Donations (426 1)   |  | 1,501,575           | 1,187,981                             |  |  |  |
| 46   | Life Insurance (426 2)  |  | 478,248             | 535,748                               |  |  |  |
| 47   | Penalties (426 3)   |  | 24,916              | -2,037                                |  |  |  |
| 48   | Exp for Certain Civic, Political & Related Activities (426 4)         |  | 824,892             | 756,364                               |  |  |  |
| 49   | Other Deductions (426 5)  |  | 15,099,069          | 20,171,369                            |  |  |  |
| 50   | TOTAL Other Income Deductions (Total of lines 43 thru 49)             |  | 17,945,743          | 22,649,425                            |  |  |  |
| 51   | Taxes Applic to Other Income and Deductions                           |  |                     |                                       |  |  |  |
| 52   | Taxes Other Than Income Taxes (408 2)                                 | 262-263  | 13,372              | 11,252                                |  |  |  |
| 53   | Income Taxes-Federal (409 2)  | 262-263  | 2,451,949           | 4,868,940                             |  |  |  |
| 54   | Income Taxes-Other (409 2)  | 262-263  | 12,004              | 138,274                               |  |  |  |
| 55   | Provision for Deferred Inc Taxes (410 2)                              | 234, 272-277   | 10,348,871          | 12,731,396                            |  |  |  |
| 56   | (Less) Provision for Deferred Income Taxes-Cr (411 2)                 | 234, 272-277   | 3,794,646           | 17,509,180                            |  |  |  |
| 57   | Investment Tax Credit Adj -Net (411 5)                                |  |                     |                                       |  |  |  |
| 58   | (Less) Investment Tax Credits (420)                                   |  |                     |                                       |  |  |  |
| 59   | TOTAL Taxes on Other Income and Deductions (Total of lines 52-58)     |  | 9,031,550           | 240,682                               |  |  |  |
| 60   | Net Other Income and Deductions (Total of lines 41, 50, 59)           |  | 33,153,015          | 1,513,345                             |  |  |  |
| 61   | Interest Charges  |  |                     |                                       |  |  |  |
| 62   | Interest on Long-Term Debt (427)                                      |  | 72,948,640          | 73,709,754                            |  |  |  |
| 63   | Amort of Debt Disc and Expense (428)                                  |  | 1,035,433           | 956,832                               |  |  |  |
| 64   | Amortization of Loss on Reaquired Debt (428 1)                        |  | 937,423             | 885,924                               |  |  |  |
| 65   | (Less) Amort of Premium on Debt-Credit (429)                          |  | 134,022             | 127,842                               |  |  |  |
| 66   | (Less) Amortization of Gain on Reaquired Debt-Credit (429 1)          |  |                     |                                       |  |  |  |
| 67   | Interest on Debt to Assoc Companies (430)                             |  |                     |                                       |  |  |  |
| 68   | Other Interest Expense (431)  |  | 4,665,806           | 3,318,484                             |  |  |  |
| 69   | (Less) Allowance for Borrowed Funds Used During Construction-Cr (432) |  | 4,015,109           | 3,612,047                             |  |  |  |
| 70   | Net Interest Charges (Total of lines 62 thru 69)                      |  | 75,438,171          | 75,131,105                            |  |  |  |
| 71   | Income Before Extraordinary Items (Total of lines 27, 60 and 70)      |  | 123,715,379         | 85,050,298                            |  |  |  |
| 72   | Extraordinary Items   |  |                     |                                       |  |  |  |
| 73   | Extraordinary Income (434)  |  |                     |                                       |  |  |  |
| 74   | (Less) Extraordinary Deductions (435)                                 |  |                     |                                       |  |  |  |
| 75   | Net Extraordinary Items (Total of line 73 less line 74)               |  |                     |                                       |  |  |  |
| 76   | Income Taxes-Federal and Other (409 3)                                | 262-263  |                     |                                       |  |  |  |
| 77   | Extraordinary Items After Taxes (line 75 less line 76)                |  |                     |                                       |  |  |  |
| 78   | Net Income (Total of line 71 and 77)                                  |  | 123,715,379         | 85,050,298                            |  |  |  |

|  |  |  |                                       |   |
|--|--|--|---------------------------------------|---|
| Name of Respondent<br>El Paso Electric Company |  | This Report Is<br>(1) <input checked="" type="checkbox"/> An Original<br>(2) <input type="checkbox"/> A Resubmission | Date of Report<br>(Mo, Da, Yr)<br>/ / | Year/Period of Report<br>End of 2019/Q4 |
|--|--|--|---------------------------------------|---|

**STATEMENT OF RETAINED EARNINGS**

1 Do not report Lines 49-53 on the quarterly version  
2 Report all changes in appropriated retained earnings, unappropriated retained earnings, year to date, and unappropriated undistributed subsidiary earnings for the year  
3 Each credit and debit during the year should be identified as to the retained earnings account in which recorded (Accounts 433, 436 - 439 inclusive) Show the contra primary account affected in column (b)  
4 State the purpose and amount of each reservation or appropriation of retained earnings  
5 List first account 439, Adjustments to Retained Earnings, reflecting adjustments to the opening balance of retained earnings Follow by credit, then debit items in that order  
6 Show dividends for each class and series of capital stock  
7 Show separately the State and Federal income tax effect of items shown in account 439, Adjustments to Retained Earnings  
8 Explain in a footnote the basis for determining the amount reserved or appropriated If such reservation or appropriation is to be recurrent, state the number and annual amounts to be reserved or appropriated as well as the totals eventually to be accumulated  
9 If any notes appearing in the report to stockholders are applicable to this statement, include them on pages 122-123

| Line No | Item (a)  | Contra Primary Account Affected (b) | Current Quarter/Year Year to Date Balance (c) | Previous Quarter/Year Year to Date Balance (d) |
|---------|---|-------------------------------------|---|--|
|         | UNAPPROPRIATED RETAINED EARNINGS (Account 216)                      |                                     |   |  |
| 1       | Balance-Beginning of Period   |                                     | 1,256,673,995                                 | 1,188,438,459                                  |
| 2       | Changes   |                                     |   |  |
| 3       | Adjustments to Retained Earnings (Account 439)                      |                                     |   |  |
| 4       | Cummulative Effect Retained Earnings Adjustments                    |                                     |   |  |
| 5       | (ASU) 2016-01 Financial Instruments-Overall (Subtopic 825-10)       |                                     |   |  |
| 6       | Recognition and Measurement of Financial Assets-Net of Income Taxes | 219                                 |   | 40,724,356                                     |
| 7       |   |                                     |   |  |
| 8       |   |                                     |   |  |
| 9       | TOTAL Credits to Retained Earnings (Acct 439)                       |                                     |   | 40,724,356                                     |
| 10      | Retirement of Treasury Shares                                       | 217                                 | -16,372,067                                   |  |
| 11      |   |                                     |   |  |
| 12      |   |                                     |   |  |
| 13      |   |                                     |   |  |
| 14      |   |                                     |   |  |
| 15      | TOTAL Debits to Retained Earnings (Acct 439)                        |                                     | -16,372,067                                   |  |
| 16      | Balance Transferred from Income (Account 433 less Account 418 1)    |                                     | 123,715,379                                   | 85,050,298                                     |
| 17      | Appropriations of Retained Earnings (Acct 436)                      |                                     |   |  |
| 18      |   |                                     |   |  |
| 19      |   |                                     |   |  |
| 20      |   |                                     |   |  |
| 21      |   |                                     |   |  |
| 22      | TOTAL Appropriations of Retained Earnings (Acct 436)                |                                     |   |  |
| 23      | Dividends Declared-Preferred Stock (Account 437)                    |                                     |   |  |
| 24      |   |                                     |   |  |
| 25      |   |                                     |   |  |
| 26      |   |                                     |   |  |
| 27      |   |                                     |   |  |
| 28      |   |                                     |   |  |
| 29      | TOTAL Dividends Declared-Preferred Stock (Acct 437)                 |                                     |   |  |
| 30      | Dividends Declared-Common Stock (Account 438)                       |                                     |   |  |
| 31      | Class Common Stock \$1 Par Value                                    |                                     | -61,718,056                                   | ( 57,539,118)                                  |
| 32      |   |                                     |   |  |
| 33      |   |                                     |   |  |
| 34      |   |                                     |   |  |
| 35      |   |                                     |   |  |
| 36      | TOTAL Dividends Declared-Common Stock (Acct 438)                    |                                     | -61,718,056                                   | ( 57,539,118)                                  |
| 37      | Transfers from Acct 216 1, Unapprop Undistrib Subsidiary Earnings   |                                     |   |  |
| 38      | Balance - End of Period (Total 1,9,15,16,22,29,36,37)               |                                     | 1,302,299,251                                 | 1,256,673,995                                  |
|         | APPROPRIATED RETAINED EARNINGS (Account 215)                        |                                     |   |  |
| 39      |   |                                     |   |  |
| 40      |   |                                     |   |  |



[illegible]

|  |  |  |                                       |   |
|--|--|--|---------------------------------------|---|
| Name of Respondent<br>El Paso Electric Company |  | This Report Is<br>(1) <input checked="" type="checkbox"/> An Original<br>(2) <input type="checkbox"/> A Resubmission | Date of Report<br>(Mo, Da, Yr)<br>/ / | Year/Period of Report<br>End of 2019/Q4 |
|--|--|--|---------------------------------------|---|

**STATEMENT OF CASH FLOWS**

(1) Codes to be used (a) Net Proceeds or Payments, (b) Bonds, debentures and other long-term debt, (c) Include commercial paper, and (d) Identify separately such items as investments, fixed assets, intangibles, etc  
(2) Information about noncash investing and financing activities must be provided in the Notes to the Financial statements. Also provide a reconciliation between "Cash and Cash Equivalents at End of Period" with related amounts on the Balance Sheet  
(3) Operating Activities - Other Include gains and losses pertaining to operating activities only. Gains and losses pertaining to investing and financing activities should be reported in those activities. Show in the Notes to the Financials the amounts of interest paid (net of amount capitalized) and income taxes paid  
(4) Investing Activities Include at Other (line 31) net cash outflow to acquire other companies. Provide a reconciliation of assets acquired with liabilities assumed in the Notes to the Financial Statements. Do not include on this statement the dollar amount of leases capitalized per the USofA General Instruction 20, instead provide a reconciliation of the dollar amount of leases capitalized with the plant cost

| Line No | Description (See Instruction No 1 for Explanation of Codes)<br>(a)    | Current Year to Date<br>Quarter/Year<br>(b) | Previous Year to Date<br>Quarter/Year<br>(c) |
|---------|---|---|--|
| 1       | Net Cash Flow from Operating Activities                               |   |  |
| 2       | Net Income (Line 78(c) on page 117)                                   | 123,715,379                                 | 85,050,298                                   |
| 3       | Noncash Charges (Credits) to Income                                   |   |  |
| 4       | Depreciation and Depletion  | 93,956,078                                  | 89,201,977                                   |
| 5       | Amortization of Other   | 24,643,798                                  | 23,198,985                                   |
| 6       | Amortization of Nuclear Fuel  | 41,252,823                                  | 38,353,099                                   |
| 7       |   |   |  |
| 8       | Deferred Income Taxes (Net)   | 26,999,246                                  | 26,235,631                                   |
| 9       | Investment Tax Credit Adjustment (Net)                                | -1,619,640                                  | 2,186,626                                    |
| 10      | Net (Increase) Decrease in Receivables                                | -101,341                                    | 5,712,325                                    |
| 11      | Net (Increase) Decrease in Inventory                                  | -5,512,759                                  | -4,101,092                                   |
| 12      | Net (Increase) Decrease in Allowances Inventory                       | 558   | -16,082                                      |
| 13      | Net Increase (Decrease) in Payables and Accrued Expenses              | 12,321,429                                  | 5,611,399                                    |
| 14      | Net (Increase) Decrease in Other Regulatory Assets                    | -3,834,088                                  | 13,737,493                                   |
| 15      | Net Increase (Decrease) in Other Regulatory Liabilities               | 7,695,694                                   | 4,821,740                                    |
| 16      | (Less) Allowance for Other Funds Used During Construction             | 2,545,181                                   | 3,452,950                                    |
| 17      | (Less) Undistributed Earnings from Subsidiary Companies               |   |  |
| 18      | Other (provide details in footnote)                                   | -34,931,903                                 | 18,261,013                                   |
| 19      |   |   |  |
| 20      | Deferred Charges and Credits  | -4,484,569                                  | -14,751,948                                  |
| 21      | Net (Increase) Decrease in Prepayments and Other                      | -757,201                                    | -4,418,921                                   |
| 22      | Net Cash Provided by (Used in) Operating Activities (Total 2 thru 21) | 276,798,323                                 | 285,629,593                                  |
| 23      |   |   |  |
| 24      | Cash Flows from Investment Activities                                 |   |  |
| 25      | Construction and Acquisition of Plant (including land)                |   |  |
| 26      | Gross Additions to Utility Plant (less nuclear fuel)                  | -230,157,939                                | -247,086,398                                 |
| 27      | Gross Additions to Nuclear Fuel                                       | -42,788,038                                 | -44,068,319                                  |
| 28      | Gross Additions to Common Utility Plant                               |   |  |
| 29      | Gross Additions to Nonutility Plant                                   |   |  |
| 30      | (Less) Allowance for Other Funds Used During Construction             | -2,545,181                                  | -3,452,950                                   |
| 31      | Other (provide details in footnote)                                   |   |  |
| 32      |   |   |  |
| 33      |   |   |  |
| 34      | Cash Outflows for Plant (Total of lines 26 thru 33)                   | -270,400,796                                | -287,701,767                                 |
| 35      |   |   |  |
| 36      | Acquisition of Other Noncurrent Assets (d)                            |   |  |
| 37      | Proceeds from Disposal of Noncurrent Assets (d)                       | 368,413                                     | 287,330                                      |
| 38      |   |   |  |
| 39      | Investments in and Advances to Assoc. and Subsidiary Companies        |   |  |
| 40      | Contributions and Advances from Assoc. and Subsidiary Companies       |   |  |
| 41      | Disposition of Investments in (and Advances to)                       |   |  |
| 42      | Associated and Subsidiary Companies                                   |   |  |
| 43      |   |   |  |
| 44      | Purchase of Investment Securities (a)                                 |   |  |
| 45      | Proceeds from Sales of Investment Securities (a)                      |   |  |

|  |  |  |  |   |
|--|--|--|--|---|
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| STATEMENT OF CASH FLOWS  |  |  |  |   |
| <p>(1) Codes to be used (a) Net Proceeds or Payments, (b) Bonds, debentures and other long-term debt, (c) Include commercial paper, and (d) Identify separately such items as investments, fixed assets, intangibles, etc</p> <p>(2) Information about noncash investing and financing activities must be provided in the Notes to the Financial statements. Also provide a reconciliation between "Cash and Cash Equivalents at End of Period" with related amounts on the Balance Sheet</p> <p>(3) Operating Activities - Other Include gains and losses pertaining to operating activities only. Gains and losses pertaining to investing and financing activities should be reported in those activities. Show in the Notes to the Financials the amounts of interest paid (net of amount capitalized) and income taxes paid</p> <p>(4) Investing Activities Include at Other (line 31) net cash outflow to acquire other companies. Provide a reconciliation of assets acquired with liabilities assumed in the Notes to the Financial Statements. Do not include on this statement the dollar amount of leases capitalized per the USofA General Instruction 20, instead provide a reconciliation of the dollar amount of leases capitalized with the plant cost</p> |  |  |  |   |
| Line No  | Description (See Instruction No 1 for Explanation of Codes)<br>(a) | Current Year to Date<br>Quarter/Year<br>(b)  | Previous Year to Date<br>Quarter/Year<br>(c) |   |
| 46   | Loans Made or Purchased  |  |  |   |
| 47   | Collections on Loans   |  |  |   |
| 48   | Insurance Proceeds Received for Equipment                          |  | 5,350,789                                    |   |
| 49   | Net (Increase) Decrease in Receivables                             |  |  |   |
| 50   | Net (Increase) Decrease in Inventory                               |  |  |   |
| 51   | Net (Increase) Decrease in Allowances Held for Speculation         |  |  |   |
| 52   | Net Increase (Decrease) in Payables and Accrued Expenses           |  |  |   |
| 53   | Investment in Decommissioning Trust Fund (Purchases)               | -377,414,789   | -86,366,105                                  |   |
| 54   | Investment in Decommissioning Trust Fund (Sales and Maturities)    | 370,677,188  | 80,732,166                                   |   |
| 55   | Other (provided details in footnote)                               | -2,410,533   | 4,185,567                                    |   |
| 56   | Net Cash Provided by (Used in) Investing Activities                |  |  |   |
| 57   | Total of lines 34 thru 55)   | -279,180,517   | -283,512,020                                 |   |
| 58   |  |  |  |   |
| 59   | Cash Flows from Financing Activities                               |  |  |   |
| 60   | Proceeds from Issuance of  |  |  |   |
| 61   | Long-Term Debt (b)   | 100,600,000  | 125,000,000                                  |   |
| 62   | Preferred Stock  |  |  |   |
| 63   | Common Stock   |  |  |   |
| 64   | Other Financing and Other Capital Lease Obligations - Proceeds     | 566,322,133  | 632,893,721                                  |   |
| 65   |  |  |  |   |
| 66   | Net Increase in Short-Term Debt (c)                                |  |  |   |
| 67   | Other (provide details in footnote)                                |  |  |   |
| 68   |  |  |  |   |
| 69   |  |  |  |   |
| 70   | Cash Provided by Outside Sources (Total 61 thru 69)                | 666,922,133  | 757,893,721                                  |   |
| 71   |  |  |  |   |
| 72   | Payments for Retirement of   |  |  |   |
| 73   | Long-term Debt (b)   | -100,600,000   |  |   |
| 74   | Preferred Stock  |  |  |   |
| 75   | Common Stock   |  |  |   |
| 76   | Other (provide details in footnote)                                | -2,576,490   | -4,341,834                                   |   |
| 77   | Financing and Capital Lease Obligations - Payments                 | -501,727,324   | -692,220,119                                 |   |
| 78   | Net Decrease in Short-Term Debt (c)                                |  |  |   |
| 79   |  |  |  |   |
| 80   | Dividends on Preferred Stock                                       |  |  |   |
| 81   | Dividends on Common Stock  | -61,718,056  | -57,539,118                                  |   |
| 82   | Net Cash Provided by (Used in) Financing Activities                |  |  |   |
| 83   | (Total of lines 70 thru 81)  | 300,263  | 3,792,650                                    |   |
| 84   |  |  |  |   |
| 85   | Net Increase (Decrease) in Cash and Cash Equivalents               |  |  |   |
| 86   | (Total of lines 22,57 and 83)                                      | -2,081,931   | 5,910,223                                    |   |
| 87   |  |  |  |   |
| 88   | Cash and Cash Equivalents at Beginning of Period                   | 12,900,068   | 6,989,845                                    |   |
| 89   |  |  |  |   |
| 90   | Cash and Cash Equivalents at End of period                         | 10,818,137   | 12,900,068                                   |   |
|  |  |  |  |   |

| Name of Respondent       | This Report is<br>(1) <input checked="" type="checkbox"/> An Original<br>(2) <input type="checkbox"/> A Resubmission | Date of Report<br>(Mo, Da, Yr) | Year/Period of Report |
|--------------------------|--|--------------------------------|-----------------------|
| El Paso Electric Company |  | / /                            | 2019/Q4               |
| FOOTNOTE DATA            |  |                                |                       |

**Schedule Page: 120 Line No.: 18 Column: a**

|  | 2019            | 2018          |
|--|-----------------|---------------|
| Other:   |                 |               |
| Net (Gains) Losses on Decommissioning Trust Funds      | \$ (38,248,661) | \$ 12,829,637 |
| Amortization of Unearned Compensation                  | 2,472,938       | 5,468,993     |
| Unrealized Losses on Investments<br>in Debt Securities | 68,374          | 79,676        |
| Other Operating Activities                             | 775,446         | (117,293)     |
| Total  | \$ (34,931,903) | \$ 18,261,013 |

**Schedule Page: 120 Line No.: 55 Column: a**

|  | 2019           | 2018         |
|--|----------------|--------------|
| Other:                                 |                |              |
| Net Customer Advances for Construction | \$ 3,828,755   | \$ 3,486,118 |
| Net Salvage Value and Cost of Removal  | (6,904,345)    | 699,449      |
| Customer Revenue Agreements            | 665,057        | 0            |
| Total                                  | \$ (2,410,533) | \$ 4,185,567 |

**Schedule Page: 120 Line No.: 76 Column: a**

|  | 2019           | 2018           |
|--|----------------|----------------|
| Other:   |                |                |
| Stock Awards Withheld for Taxes                                    | \$ (1,300,689) | \$ (1,676,142) |
| Issuance Costs Related to Pollution Control Bonds                  | (1,225,820)    | 0              |
| Issuance Costs Related to Senior Notes                             | (24,642)       | (868,834)      |
| Issuance Costs Related to RGRT Senior Notes                        | 1,727          | (449,978)      |
| Costs Related to Revolving Credit Facilities<br>Terms Modification | 0              | (1,321,880)    |
| Other Financing Activities   | (27,066)       | (25,000)       |
| Total  | \$ (2,576,490) | \$ (4,341,834) |

|   |  |                       |   |
|---|--|-----------------------|---|
| Name of Respondent<br>El Paso Electric Company  | This Report Is<br>(1) <input checked="" type="checkbox"/> An Original<br>(2) <input type="checkbox"/> A Resubmission | Date of Report<br>/ / | Year/Period of Report<br>End of 2019/Q4 |
| NOTES TO FINANCIAL STATEMENTS   |  |                       |   |
| <p>1 Use the space below for important notes regarding the Balance Sheet, Statement of Income for the year, Statement of Retained Earnings for the year, and Statement of Cash Flows, or any account thereof. Classify the notes according to each basic statement, providing a subheading for each statement except where a note is applicable to more than one statement.</p> <p>2 Furnish particulars (details) as to any significant contingent assets or liabilities existing at end of year, including a brief explanation of any action initiated by the Internal Revenue Service involving possible assessment of additional income taxes of material amount, or of a claim for refund of income taxes of a material amount initiated by the utility. Give also a brief explanation of any dividends in arrears on cumulative preferred stock.</p> <p>3 For Account 116, Utility Plant Adjustments, explain the origin of such amount, debits and credits during the year, and plan of disposition contemplated, giving references to Commission orders or other authorizations respecting classification of amounts as plant adjustments and requirements as to disposition thereof.</p> <p>4 Where Accounts 189, Unamortized Loss on Reacquired Debt, and 257, Unamortized Gain on Reacquired Debt, are not used, give an explanation, providing the rate treatment given these items. See General Instruction 17 of the Uniform System of Accounts.</p> <p>5 Give a concise explanation of any retained earnings restrictions and state the amount of retained earnings affected by such restrictions.</p> <p>6 If the notes to financial statements relating to the respondent company appearing in the annual report to the stockholders are applicable and furnish the data required by instructions above and on pages 114-121, such notes may be included herein.</p> <p>7 For the 3Q disclosures, respondent must provide in the notes sufficient disclosures so as to make the interim information not misleading. Disclosures which would substantially duplicate the disclosures contained in the most recent FERC Annual Report may be omitted.</p> <p>8 For the 3Q disclosures, the disclosures shall be provided where events subsequent to the end of the most recent year have occurred which have a material effect on the respondent. Respondent must include in the notes significant changes since the most recently completed year in such items as: accounting principles and practices, estimates inherent in the preparation of the financial statements, status of long-term contracts, capitalization including significant new borrowings or modifications of existing financing agreements, and changes resulting from business combinations or dispositions. However, where material contingencies exist, the disclosure of such matters shall be provided even though a significant change since year end may not have occurred.</p> <p>9 Finally, if the notes to the financial statements relating to the respondent appearing in the annual report to the stockholders are applicable and furnish the data required by the above instructions, such notes may be included herein.</p> |  |                       |   |
| <p>PAGE 122 INTENTIONALLY LEFT BLANK<br/> SEE PAGE 123 FOR REQUIRED INFORMATION</p>   |  |                       |   |

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| Name of Respondent                        | This Report is<br>(1) <input checked="" type="checkbox"/> An Original<br>(2) <input type="checkbox"/> A Resubmission | Date of Report<br>(Mo, Da, Yr)<br>/ / | Year/Period of Report<br>2019/Q4 |
| El Paso Electric Company                  |  |                                       |                                  |
| NOTES TO FINANCIAL STATEMENTS (Continued) |  |                                       |                                  |

#### Note 1. Regulatory-Basis Financial Statements

The accompanying regulatory-basis financial statements are presented in accordance with the accounting requirements of the Federal Energy Regulatory Commission (the "FERC") as set forth in its applicable Uniform System of Accounts and published accounting releases which is a comprehensive basis of accounting other than United States ("U S ") Generally Accepted Accounting Principles ("GAAP") used in the Annual Report on Form 10-K for the fiscal year ended December 31, 2019 ("2019 Form 10-K") filed by El Paso Electric Company (the "Company") with the U S Securities and Exchange Commission ("SEC") Notes A through S of the regulatory-basis financial statements are from the 2019 Form 10-K and have been revised where the presentation of regulatory-basis financial statements, in accordance with requirements under the Uniform System of Accounts and published accounting releases of the FERC, result in different financial statement amounts or disclosures than under GAAP Because many types of transactions are susceptible to varying interpretations, the amounts and classifications reported in the accompanying regulatory-basis financial statements may be subject to change at a later date upon final determination by the FERC In the remainder of this Note 1, information contained in Notes A through S is supplemented for additional regulatory-basis disclosures

#### Regulatory-Basis Financial Statements Compared to GAAP

The significant differences between the Company's regulatory-basis financial statements and those prepared in accordance with GAAP include the application of fresh-start reporting to the GAAP financial statements and the discontinuance and subsequent re-application of the provisions of Financial Accounting Standards Board ("FASB") accounting guidance for regulated operations In 1996, the Company adopted fresh-start reporting for its GAAP financial statements in accordance with the FASB guidance related to financial reporting by entities in reorganization under the U S Bankruptcy Code The adoption of fresh-start reporting resulted in the creation of a new reporting entity having no retained earnings or accumulated deficit and significantly altered, compromised, or modified the Company's historical capital structure

|   |   |                                       |                       |
|---|---|---------------------------------------|-----------------------|
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| El Paso Electric Company                  |   |                                       | 2019/Q4               |
| NOTES TO FINANCIAL STATEMENTS (Continued) |   |                                       |                       |

In addition, certain items in the accompanying regulatory-basis financial statements are classified differently under FERC requirements than in the Company's GAAP financial statements. If GAAP were followed, items in the accompanying regulatory-basis financial statements would be increased (decreased) as follows (in thousands):

| Line No.   |  | 2019         | 2018         |
|--|--|--------------|--------------|
| <b>Assets and Other Debits (Pages 110-111)</b>   |  |              |              |
| 2  | Utility plant  | \$ (931,750) | \$ (931,531) |
| 5  | Accumulated provision for depreciation, amortization and depletion | (920,600)    | (921,415)    |
| 11   | Nuclear fuel under capital lease                                   | (1,596)      | (1,564)      |
| 12   | Accumulated provision for amortization of nuclear fuel             | (1,190)      | (1,040)      |
| 18   | Non utility property   | (1,070)      | (709)        |
| 24   | Other investments  | (1,609)      | (1,675)      |
| 28   | Other special funds  | (329,604)    | (282,610)    |
| 67   | Total current and accrued assets                                   | 10,135       | 6,991        |
| 84   | Total deferred debits  | 119,505      | 53,475       |
| <b>Liabilities and Other Credits (Pages 112-113)</b>   |  |              |              |
| 6  | Premium on capital stock   | 13,697       | 18,810       |
| 7  | Other paid-in capital  | (3,668)      | (8,781)      |
| 10   | Capital stock expense  | (341)        | (341)        |
| 11   | Retained earnings  | (29,881)     | (29,203)     |
| 15   | Accumulated other comprehensive income                             | (405)        | (193)        |
| 24   | Total long-term debt   | 52,962       | (2,041)      |
| 35   | Total other noncurrent liabilities                                 | (300,026)    | (322,942)    |
| 54   | Total current and accrued liabilities                              | 23,074       | 116,733      |
| 65   | Total deferred credits   | 29,707       | (7,892)      |
| <b>Statement of Income (Pages 114-117)</b>   |  |              |              |
| 25   | Total utility operating expenses                                   | (12,093)     | (13,561)     |
| 26   | Net utility operating income                                       | 12,093       | 13,561       |
| 60   | Net other income and deductions                                    | 32,232       | 21,160       |
| 70   | Net interest charges   | 10,972       | 9,089        |
| 78   | Net income   | (678)        | (735)        |
| <b>Statement of Retained Earnings (Pages 118-119)</b>  |  |              |              |
| 1  | Balance – beginning of period                                      | \$ (29,203)  | \$ (28,771)  |
| 48   | Total retained earnings  | (29,881)     | (29,203)     |
| <b>Statement of Cash Flows (Pages 120-121)</b>   |  |              |              |
| 22   | Net cash provided by (used in) operating activities                | \$ (1,655)   | \$ (232)     |
| 57   | Net cash provided by (used in) investing activities                | 1,655        | 232          |
| <b>Statement of Accumulated Comprehensive Income, Comprehensive Income and Hedging Activities (Page 122a-122b)</b> |  |              |              |
| 9  | Other comprehensive income   | \$ (212)     | \$ 111       |

|   |   |                                       |                       |
|---|---|---------------------------------------|-----------------------|
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| El Paso Electric Company                  |   |                                       | 2019/Q4               |
| NOTES TO FINANCIAL STATEMENTS (Continued) |   |                                       |                       |

#### Statement of Cash Flows

Cash and cash equivalents and amortization of other presented on the statement of cash flows for the years ended December 31, 2019 and 2018 consist of the following (in thousands):

|  | 2019             | 2018             |
|--|------------------|------------------|
| <b>Cash and Cash Equivalents:</b>          |                  |                  |
| Cash (131)                                 | \$ 10,281        | \$ 12,377        |
| Working funds (135)                        | 174              | 235              |
| Temporary cash investments (136)           | 363              | 288              |
| Cash and cash equivalents at end of period | <u>\$ 10,818</u> | <u>\$ 12,900</u> |
| <b>Amortization of Other:</b>              |                  |                  |
| ARO depreciation (403.1)                   | \$ (1,328)       | \$ (1,328)       |
| Other utility plant (404)                  | 8,167            | 7,297            |
| Regulatory assets (407.3)                  | 2,130            | 2,130            |
| Regulatory liabilities (407.4)             | (131)            | (261)            |
| ARO accretion expense (411.10)             | 9,115            | 8,343            |
| Debt expense (428)                         | 1,035            | 957              |
| Loss on reacquired debt (428.1)            | 937              | 886              |
| Debt premium (429)                         | (134)            | (128)            |
| Interest rate lock losses                  | 605              | 568              |
| Operating lease assets amortization        | 656              | —                |
| Nuclear fuel financing issuance costs      | 138              | 183              |
| Dry cask storage amortization              | 1,077            | 1,946            |
| Coal reclamation amortization              | 661              | 661              |
| Texas rate case amortization               | 1,501            | 1,516            |
| New Mexico rate case amortization          | 215              | 429              |
|  | <u>\$ 24,644</u> | <u>\$ 23,199</u> |

#### Accounting and Reporting for New Electric Storage Operations

As of December 31, 2019, the Company did not have electric storage assets or power purchased for storage operations, therefore did not have any operation and maintenance expense or purchased power expense to report in accordance with the interim guidance in FERC Docket No. AI14-1-000 issued on February 20, 2014, for reporting energy storage assets, operation and maintenance expense and purchased power expense in the regulatory-basis Notes to Financial Statements.

#### A. Summary of Significant Accounting Policies

*General.* The Company is a public utility engaged in the generation, transmission and distribution of electricity in an area of approximately 10,000 square miles in west Texas and southern New Mexico. The Company also serves a full requirements wholesale customer in Texas.

*Basis of Presentation.* The Company maintains its accounts in accordance with the accounting requirements of the FERC set forth in its applicable Uniform System of Accounts and published accounting releases, and applies such principles in its regulatory books of account to the rate treatment as ordered by each of the Company's three regulators (the Public Utility Commission of Texas (the "PUCT"), the New Mexico Public Regulation Commission (the "NMPRC"), and the FERC), which is a comprehensive basis of accounting other than GAAP.



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| El Paso Electric Company                  |  | / /                            | 2019/Q4               |
| NOTES TO FINANCIAL STATEMENTS (Continued) |  |                                |                       |

*Use of Estimates* The preparation of financial statements in conformity with regulatory accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the regulatory-basis financial statements and the reported amounts of revenues and expenses during the reporting period. The Company evaluates its estimates on an on-going basis, including those related to depreciation, unbilled revenue (or "Accrued Utility Revenues"), income taxes, fuel costs, pension and other post-retirement obligations and asset retirement obligations ("ARO"). Actual results could differ from those estimates.

*Comprehensive Income* Certain gains and losses that are not recognized currently in the regulatory-basis statement of income are reflected in the accompanying regulatory-basis balance sheet in Accumulated Other Comprehensive Income in accordance with the FERC guidance for reporting comprehensive income.

*Utility Plant* Utility plant is reported at cost, less regulatory disallowances and impairments. Costs include labor, materials, construction overheads and allowance for funds used during construction ("AFUDC"). Depreciation is provided on a straight-line basis at annual rates which will generally amortize the undepreciated cost of depreciable property over the estimated remaining lives of the assets (ranging in average from 5 to 48 years). The average composite depreciation rate utilized in 2019 and 2018 was 2.21% and 2.19%, respectively. When property subject to composite depreciation is retired or otherwise disposed of in the normal course of business, its cost together with the cost of removal, less salvage is charged to accumulated depreciation. For other property dispositions, the applicable cost and accumulated depreciation is removed from the balance sheet accounts and a gain or loss is recognized, if applicable.

The cost of nuclear fuel is amortized to fuel expense on a units-of-production basis. The Company is also amortizing its share of costs associated with on-site spent fuel storage casks at Palo Verde Generating Station ("Palo Verde") over the burn period of the fuel that will necessitate the use of the storage casks. See Note F of Notes to Financial Statements for further discussion.

*Impairment of Long-Lived Assets* Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated undiscounted future cash flows, an impairment charge is recognized for the amount by which the carrying amount of the asset exceeds the fair value of the asset.

*Allowance for Funds Used During Construction and Capitalized Interest* AFUDC is determined by applying an accrual rate to the balance of certain Construction Work in Progress ("CWIP"). The FERC has promulgated procedures for the computation (a prescribed formula) of the accrual rate. The average AFUDC rates used in 2019 and 2018 were 5.27% and 5.95%, respectively. The Company capitalizes interest on nuclear fuel in accordance with the FERC Uniform System of Accounts as provided for in the FASB guidance for regulated operations.

*Asset Retirement Obligations* The Company complies with FERC Order No. 631, "Accounting, Financial Reporting, and Rate Filing Requirements for Asset Retirement Obligations," which sets forth accounting requirements for the recognition and measurement of liabilities associated with the retirement of tangible long-lived assets. An ARO associated with long-lived assets included within the scope of FERC Order No. 631 is that for which a legal obligation exists under enacted laws, statutes, written or oral contracts, including obligations arising under the doctrine of promissory estoppel and legal obligations to perform an asset retirement activity even if the timing and/or settlement are conditioned on a future event that may or may not be within the control of an entity. See Note G of Notes to Financial Statements for further discussion. Under FERC Order No. 631, these liabilities are recognized as incurred if a reasonable estimate of fair value can be established and are capitalized as part of the cost of the related tangible long-lived assets. The Company records the increase in the ARO due to the passage of time as an operating expense (accretion expense).

*Cash and Cash Equivalents* Temporary cash investments with an original maturity of three months or less are considered cash equivalents. The Company's cash and cash equivalents do not include amounts held in trust by the Company's Palo Verde nuclear decommissioning trust funds ("NDT") or the pension and other post-retirement benefit trust funds.

|   |  |                                       |                                  |
|---|--|---------------------------------------|----------------------------------|
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| El Paso Electric Company                  |  |                                       |                                  |
| NOTES TO FINANCIAL STATEMENTS (Continued) |  |                                       |                                  |

*Investments* The Company's marketable securities, included in decommissioning trust funds that are reflected in Other Special Funds in the regulatory-basis balance sheet, are reported at fair value and consist of cash and equity securities held in the NDT. Investments in equity securities are measured at fair market value. Changes in fair value for equity securities are recognized in the regulatory-basis statement of income, with the exception of the FERC jurisdictional portion which is still accounted for in Regulatory-Basis Other Comprehensive Income. Debt securities are classified as "available-for-sale" securities and, as such, unrealized gains and losses are included in Accumulated Other Comprehensive Income. However, if declines in the fair value of debt securities below original cost basis are determined to be other than temporary, the declines are reported as losses in the regulatory-basis statement of income and a new cost basis is established for the affected securities at fair value. Gains and losses are determined using the cost of the security based on the specific identification basis. See Note P of Notes to Financial Statements for further discussion.

*Derivative Accounting* Accounting for derivative instruments and hedging activities requires the recognition of derivatives as either assets or liabilities in the regulatory-basis balance sheet with measurement of those instruments at fair value. Any changes in the fair value of these instruments are recorded in earnings or other comprehensive income. See Note P of Notes to Financial Statements for further discussion.

*Inventories* Inventories, primarily parts, materials, supplies, fuel oil and natural gas are stated at average cost, which is not to exceed recoverable cost.

*Operating Revenues* The Company accrues revenues for services rendered, including unbilled electric service revenues which are reflected within Accrued Utility Revenues. The Company recognizes revenue associated with contracts with customers when performance obligations under the terms of the contract with the customer are satisfied. Revenue is measured as the amount of consideration the Company receives in exchange for transferring goods or providing services to the customer. Taxes collected concurrently with revenue-producing activities are excluded from revenue. Accrued Utility Revenues are recorded for estimated amounts of energy delivered in the period following the customer's last billing cycle to the end of the reporting period. Accrued Utility Revenues are estimated based on monthly generation volumes and by applying an average revenue per kilowatt-hour ("kWh") to the number of estimated kWhs delivered but not billed. The Company recorded \$25.6 million and \$21.6 million of Accrued Utility Revenues as of December 31, 2019 and 2018, respectively. See Note C of Notes to Financial Statements for further discussion.

The Company's Texas retail customers are billed under base rates and a fixed fuel factor approved by the PUCT. The Company's New Mexico retail customers are billed under base rates and a fuel adjustment clause that is adjusted monthly, as approved by the NMPRC. The Company's FERC sales for resale customers are billed under formula base rates and fuel factors and a fuel adjustment clause that is adjusted monthly. The Company's recovery of fuel and purchased power expenses is subject to periodic reconciliations of actual fuel and purchased power expenses incurred to actual fuel revenues collected. The difference between fuel and purchased power expenses incurred and fuel revenues charged to customers is reflected in the accompanying regulatory-basis balance sheet in Other Regulatory Assets and Other Regulatory Liabilities, as appropriate. See Note D and Note E of Notes to Financial Statements for further discussion.

*Allowance for Doubtful Accounts* The allowance for doubtful accounts represents the Company's estimate of existing accounts receivable that will ultimately be uncollectible. The allowance is calculated by applying estimated write-off factors to various classes of outstanding receivables. The write-off factors used to estimate uncollectible accounts are based upon consideration of both historical collections experience and management's best estimate of future collections success given the existing collections environment. Additions, deductions and balances for allowance for doubtful accounts for 2019 and 2018 are as follows (in thousands):

|                                       | 2019     | 2018     |
|---------------------------------------|----------|----------|
| Balance at beginning of year          | \$ 2,070 | \$ 2,337 |
| Additions:                            |          |          |
| Charged to costs and expense          | 2,292    | 2,818    |
| Recovery of previous write-offs       | 1,197    | 1,215    |
| Uncollectible receivables written off | 3,659    | 4,300    |
| Balance at end of year                | \$ 1,900 | \$ 2,070 |

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|---|--|---------------------------------------|-----------------------|
| El Paso Electric Company                  |  | / /                                   | 2019/Q4               |
| NOTES TO FINANCIAL STATEMENTS (Continued) |  |                                       |                       |

*Income Taxes* The Company accounts for federal and state income taxes under the asset and liability method of accounting for income taxes. Deferred income taxes are recognized for the estimated future tax consequences of "temporary differences" by applying enacted statutory tax rates for each taxable jurisdiction applicable to future years to differences between the financial statement carrying amounts and the tax basis of existing assets and liabilities. Certain temporary differences are accorded flow-through treatment by the Company's regulators and impact the Company's effective tax rate. The FASB guidance requires that rate-regulated companies record deferred income taxes for temporary differences accorded flow-through treatment at the direction of the regulatory commission. The resulting deferred tax assets and liabilities are recorded at the expected cash flow to be reflected in future rates. Because the Company's regulators have consistently permitted the recovery of tax effects previously flowed-through earnings, the Company has recorded regulatory liabilities and assets offsetting such deferred tax assets and liabilities. The effect on deferred tax assets and liabilities of a change in tax rate is recognized in income in the period that includes the enactment date, unless those deferred taxes will be collected from or returned to customers in which case they are recorded as a regulatory asset or liability. The Company recognizes tax assets and liabilities for uncertain tax positions in accordance with the recognition and measurement criteria of the FASB guidance for uncertainty in income taxes as modified by FERC Docket No. A107-2-000. See Note K of Notes to Financial Statements for further discussion.

On December 22, 2017, the federal legislation commonly referred to as the Tax Cuts and Jobs Act of 2017 ("TCJA") was enacted. Substantially all of the provisions of the TCJA are effective for taxable years beginning after December 31, 2017. The TCJA includes significant changes to the Internal Revenue Code of 1986, as amended, including amendments that significantly changed the taxation of business entities and includes specific provisions related to regulated public utilities. The more significant changes that impact the Company included in the TCJA are a reduction in the federal corporate income tax rate from 35% to 21%, elimination of the corporate alternative minimum tax provisions, additional limitations on deductions of executive compensation, and limiting the utilization of net operating losses ("NOL") arising after December 31, 2017 to 80% of taxable income with no carryback but with an indefinite carryforward. The specific provisions related to regulated public utilities in the TCJA generally provide for the continued deductibility of interest expense, the elimination of bonus depreciation for property acquired and placed into service after December 31, 2017 and the continuance of rate normalization requirements for accelerated depreciation benefits and changes to deferred tax balances as a result of the change in the federal corporate income tax rate.

The tax effects of changes in tax laws must be recognized in the period in which the law is enacted. In accordance with FERC Docket No. A193-5-000, deferred tax assets and liabilities are required to be measured at the enacted tax rate expected to apply when temporary differences are to be realized or settled. Thus, at the date of enactment of the TCJA, the Company's deferred taxes were re-measured based upon the new federal corporate income tax rate. The decrease in deferred taxes was recorded as a regulatory liability as it will be subject to refund to customers and is recorded at the expected cash flow to be reflected in future rates. See Notes E and K of Notes to Financial Statements for further discussion.

*Stock-Based Compensation* The Company has a stock-based long-term incentive plan. The Company is required under the FASB guidance to measure the cost of employee services received in exchange for an award of equity instruments based on the grant-date fair value of the award. Such costs are recognized over the period during which an employee is required to provide service in exchange for the award (requisite service period), which typically is the vesting period. Compensation cost is not recognized for anticipated forfeitures prior to vesting of equity instruments. See Note H of Notes to Financial Statements for further discussion.

*Pension and Post-retirement Benefit Accounting* See Note N of Notes to Financial Statements for a discussion of the Company's accounting policies for its employee benefits.

*Leases* The Company determines if an arrangement contains a lease and the classification of that lease at inception. Operating lease right-of-use ("ROU") assets represent the Company's right to use an underlying asset for the lease term and operating lease liabilities represent the obligation to make payments under the lease. ROU assets and lease liabilities are recognized at the lease commencement date based on the estimated present value of the minimum lease payments over the lease term. In determining lease terms, the Company considers any options to extend or terminate the lease that are reasonably certain of being exercised. As the Company's leases do not include an implicit rate, the Company uses an estimated incremental borrowing rate, at lease commencement, to determine the present value of the future lease payments. In calculating the incremental borrowing rate, the Company takes into consideration recent debt issuances and other data for instruments with similar characteristics. The Company's lease agreements do not contain residual value guarantees or restrictive covenants. For leases with lease and non-lease components, the Company has elected to account for the consideration as a single lease component. The Company has also elected not to record leases with a term of

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|---|--|---------------------------------------|-----------------------|
| El Paso Electric Company                  |  | / /                                   | 2019/Q4               |
| NOTES TO FINANCIAL STATEMENTS (Continued) |  |                                       |                       |

12 months or less on the regulatory-basis balance sheet. The operating lease ROU assets are included as part of electric plant in service and lease liabilities are included as part of current and non-current Obligation Under Capital Lease in the Company's regulatory-basis balance sheet in accordance with FERC Docket No. AI19-1-000. See Note J of Notes to Financial Statements for further discussion.

#### B. New Accounting Standards

The new accounting standards discussed below are issued by the FASB and are to be applied to financial statements prepared in accordance with GAAP. Differences may occur between financial statements prepared in accordance with GAAP and financial statements prepared in accordance with the Uniform System of Accounts when these standards are adopted.

##### New Accounting Standards Adopted in 2019

In February 2016, the FASB issued Accounting Standards Update ("ASU") 2016-02, Leases (Topic 842), to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and requiring qualitative and quantitative disclosures on leasing agreements. ASU 2016-02 maintains a distinction between finance leases and operating leases similar to the distinction under previous lease guidance for capital leases and operating leases. Effective January 1, 2019, the Company adopted ASU 2016-02 using the modified retrospective method, applying the transition provisions to the beginning of the period of adoption rather than to the earliest comparative period presented, which continues to be reported in accordance with previous lease guidance, Accounting Standards Codification Topic 840. The Company adopted the package of practical expedients, which does not require the Company to reassess (i) whether an arrangement contained a lease, (ii) lease classification for any expired or existing leases, and (iii) initial direct costs for any expired or existing leases. The Company also adopted the practical expedient related to land easements, which allowed carry forward accounting treatment for existing land easements. The most significant impact of adopting ASU 2016-02, as of January 1, 2019, was the recording of approximately \$6.3 million of operating lease liabilities and related ROU assets with no cumulative effect adjustment to retained earnings. The Company anticipates the ongoing impact of this standard to be immaterial to net income and cash flows. See Note J of Notes to Financial Statements for further discussion.

In February 2018, the FASB issued ASU 2018-02, Income Statement - Reporting Comprehensive Income (Topic 220), as a result of concerns raised due to the enactment of the TCJA. More specifically, because the remeasurement of deferred taxes due to the change in the federal corporate income tax rate is required to be included in income from continuing operations, the tax effects of items within accumulated other comprehensive income ("AOCI") (referred to as stranded tax effects) do not reflect the appropriate tax rate. ASU 2018-02 allows companies an election to reclassify stranded taxes from AOCI to retained earnings. The amount of the reclassification would be the difference between the historical federal corporate income tax rate of 35% and the newly enacted 21% federal corporate income tax rate, which approximates \$7.2 million. The provisions of ASU 2018-02 are effective for fiscal years and interim periods within that reporting period beginning after December 15, 2018. The Company adopted ASU 2018-02 on January 1, 2019, and has elected to not reclassify stranded taxes from AOCI to retained earnings.

##### New Accounting Standards to be Adopted in the Future

In June 2016, the FASB issued ASU 2016-13, Financial Instruments - Credit Losses (Topic 326). ASU 2016-13 changes how companies measure and recognize credit impairment for many financial assets. The new expected credit loss model will require companies to immediately recognize an estimate of credit losses expected to occur over the remaining life of the financial assets that are in the scope of the standard. ASU 2016-13 will be required for reporting periods beginning after December 15, 2019. ASU 2016-13 will be applied in a modified retrospective approach through a cumulative-effect adjustment to retained earnings as of the beginning of the first reporting period in which the guidance is implemented. The Company adopted ASU 2016-13 on January 1, 2020. As part of its implementation process, the Company evaluated the impact of the new standard, which included evaluating the impact of (i) ASU 2019-04, Codification Improvements to Topic 326, Financial Instruments - Credit Losses, Topic 815, Derivatives and Hedging, and Topic 825, Financial Instruments; and (ii) ASU 2019-05, Financial Instruments - Credit Losses (Topic 326) Targeted Transition Relief. The adoption of this standard did not have a material impact or require a cumulative effect adjustment to retained earnings. The Company anticipates the ongoing impact of this standard to be immaterial to the Company's financial position, results of operations, and cash flows.