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In December 2019, the FASB issued ASU 2019-12, Income Taxes (Topic 740), as part of its initiative to reduce complexity in accounting standards ASU 2019-12 amends the accounting for income taxes by removing certain exceptions to the general principles in Topic 740 The amendments also improve consistent application of and simplify GAAP for other areas of Topic 740 by clarifying and amending existing guidance ASU 2019-12 will be effective for fiscal years and interim periods within those fiscal years beginning after December 15, 2020 Early adoption is permitted, including adoption in any interim periods for reporting periods for which financial statements have not been issued The Company is currently evaluating the future impact of ASU 2019-12

C. Revenues

The Company adopted ASU 2014-09, Revenue from Contracts with Customers (Topic 606), on January 1, 2018, for all of its contracts using the modified retrospective method There was no cumulative effect adjustment at the initial application of the new standard

The following table disaggregates revenue from contracts with customers, for the twelve months ended December 31, 2019 and 2018 (in thousands)

	Years Ended December 31, 2019	Years Ended December 31, 2018
Retail	$ 742,510	$ 789,676
Wholesale	92,396	90,673
Wheeling (transmission)	22,621	19,026
Total revenues from contracts with customers	857,527	899,375
Other	4,467	4,228
Total operating revenues	$ 861,994	$ 903,603

The Company recognizes revenue 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

Retail Retail contracts represent the Company's primary revenue source The Company has determined that retail electric service to residential, commercial and industrial, and public authority customers represents an implied daily contract with the customer The contract is comprised of an obligation to supply and distribute electricity and related capacity Revenue is recognized, over time, equal to the product of the applicable tariff rates, as approved by the PUCT and the NMPRC, and the volume of the electricity delivered to the customer, or through the passage of time based upon providing the service of standing ready Accrued Utility Revenues are recognized at month end based on estimated monthly generation volumes and by applying an average revenue per kWh to the number of estimated kWhs delivered but not billed to customers, and recorded as a receivable for the period following the last billing cycle to the end of the reporting period Retail customers receive a bill monthly, with payment due sixteen days after issuance

Wholesale Wholesale contracts primarily include forward power sales into markets outside the Company's service territory when the Company has competitive generation capacity available, after meeting its regulated service obligations Pricing is either fixed or based on an index rate with consideration potentially including variable components Uncertainties regarding the variable consideration will be resolved when the transaction price is known at the point of delivering the energy The obligation to deliver the electricity is satisfied over time as the customer receives and consumes the electricity Wholesale customers are invoiced monthly on the 10th day of each month, with payment due by the 20th day of the month In the case of the sale of renewable energy certificates, the transaction price is allocated to the performance obligation to deliver the confirmed quantity of the certificates based on the stand alone selling price of each certificate Revenue is recognized as control of the certificates is transferred to the customer The customer is invoiced upon the completed transfer of the certificates, with payment due within ten business days Wholesale also includes an annual agreement between the Company and one of its wholesale customers, Rio Grande Electric Cooperative ("RGEC"), which involves the provision of full requirements electric service from the Company to RGEC The rates for this service are recalculated annually and require FERC approval

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Wheeling (transmission) Wheeling involves the Company providing point-to-point transmission service, which includes the receipt of capacity and energy at designated point(s) and the transfer of such capacity and energy to designated point(s) of delivery on either a firm or non-firm basis for periods of one year or less The performance obligation to provide capacity and transmit energy is satisfied over time as the Company performs Transmission customers are invoiced on a monthly basis, with payment due within twenty days of receipt of the invoice

Other Other includes alternative revenue program revenue relating to the Company's potential bonus awards from the PUCT and the NMPRC mandated energy efficiency programs Both the PUCT and the NMPRC allow for the potential to earn an incentive bonus if the Company achieves its approved energy efficiency goals under the applicable programs The Company recognizes revenue related to the energy efficiency program incentives at the point in time that the amount is objectively determinable generally based upon an approved order from the regulator, is probable of recovery, and if it is expected to be collected within 24 months Other revenue also includes (i) late payment fees, (ii) leasing income, and (iii) the Company's allocated share, based on ownership, of sales of surplus effluent water from Palo Verde

Accounts receivable Accounts receivable is principally comprised of revenue from contracts with customers The Company recognizes expense for accounts that are deemed uncollectible in operating expense The Company recognized $2 3 million and $2 9 million of uncollectible expense for the twelve months ended December 31, 2019 and 2018, respectively

D. Regulation

General

The rates and services of the Company are regulated by incorporated municipalities in Texas, the PUCT, the NMPRC and the FERC Municipal orders, ordinances and other agreements regarding rates and services adopted by Texas municipalities are subject to review and approval by the PUCT The FERC has jurisdiction over the Company's wholesale (sales for resale - full requirement customer) transactions, transmission service and compliance with federally-mandated reliability standards The decisions of the PUCT, the NMPRC and the FERC are subject to judicial review

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 as discussed further in Note R of the Notes to the Financial Statements

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 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 the consent to transfer the FCC licenses

On August 16, 2019, the Company and Parent filed the notification and report form with the Antitrust Division of the U S 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

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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

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

Texas Regulatory Matters

2017 Texas Retail Rate Case Filing On February 13, 2017, the Company filed with the City of El Paso, other municipalities incorporated in the Company's Texas service territory, and the PUCT in Docket No 46831, a request for an increase in non-fuel base revenues (the "2017 Texas Retail Rate Case") On November 2, 2017, the Company filed the Joint Motion to Implement Uncontested Stipulation and Agreement with the Administrative Law Judges ("ALJ") for the 2017 Texas Retail Rate Case

On December 18, 2017, the PUCT issued a final order in Docket No 46831 ("2017 PUCT Final Order"), which provides, among other things, for the following (i) an annual non-fuel base rate increase of $14 5 million, (ii) a return on equity of 9 65%, (iii) all new plant in service as filed in the Company's rate filing package was prudent and used and useful and therefore is included in rate base, (iv) recovery of the costs of decommissioning Four Corners Generating Station ("Four Corners") in the amount of $5 5 million over a seven year period beginning August 1, 2017, (v) the Company to recover reasonable rate case expenses of approximately $3 4 million through a separate surcharge over a three year period, and (vi) a requirement that the Company file a refund tariff if the federal statutory income tax rate, as it relates to the Company, is decreased before the Company files its next rate case The 2017 PUCT Final Order also established baseline revenue requirements for recovery of future transmission and distribution investment costs (for which the Company could seek recovery after January 1, 2019) and includes a minimum monthly bill of $30 00 for new residential customers with distributed generation, such as private rooftop solar Additionally, the 2017 PUCT Final Order allowed for the annual recovery of $2 1 million of nuclear decommissioning funding and establishes annual depreciation expense that is approximately $1 9 million lower than the annual amount requested by the Company in its initial filing Finally, the 2017 PUCT Final Order allowed for the Company to recover revenues associated with the relate back of rates to consumption on and after July 18, 2017, through a separate surcharge

New base rates, including additional surcharges associated with rate case expenses and the relate back of rates to consumption on and after July 18, 2017, through December 31, 2017, were implemented in January 2018 The surcharge for the relate back of rates expired on January 9, 2019, with a net over-recovery balance of $0 5 million that was addressed in the fuel reconciliation proceeding filed on September 27, 2019, which was assigned PUCT Docket No 50058

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The 2017 PUCT Final Order required the Company to file a refund tariff if the federal statutory income tax rate, as it relates to the Company, was decreased before the Company files its next general rate case Following the enactment of the TCJA on December 22, 2017, and in compliance with the 2017 PUCT Final Order, on March 1, 2018, the Company filed with the PUCT and each of its Texas municipalities a proposed refund tariff designed to reduce base charges for Texas customers equivalent to the expected annual decrease of $22 7 million in federal income tax expense resulting from the TCJA changes, and an additional refund of $4 3 million for the amortization of a regulatory liability related to the reduced tax expense for the months of January through March of 2018 This filing was assigned PUCT Docket No 48124 On March 27, 2018, the PUCT approved the Company's proposed refund tariff on an interim basis, subject to refund or surcharge, for customer billing effective April 1, 2018 Each of the Company's municipalities also implemented the Company's proposed tax credits on an interim basis effective April 1, 2018 The refund is reflected in rates over a period of one year beginning April 1, 2018, and will be updated annually until new base rates are implemented pursuant to the Company's next Texas rate case filing The PUCT issued an order on December 10, 2018, approving the proposed refund tariff On February 22, 2019, the Company filed with the PUCT and each of its Texas municipalities an application to modify the tax refund tariff to remove the portion of the base rate credit associated with the $4 3 million of regulatory liability amortization, which expired March 31, 2019 The filing was assigned PUCT Docket No 49251 and approved by final order on June 27, 2019 On February 20, 2020, the Company filed its required annual update of the refund factor with the PUCT and each of its Texas municipalities In its application, the Company proposed that the existing refund factors remain in effect The filing is currently pending as PUCT Docket No 50575

Texas Energy Efficiency Cost Recovery Factor ("EECRF") On May 1, 2017, the Company filed its annual application with the PUCT, which was assigned PUCT Docket No 47125, to establish its EECRF for 2018 In addition to projected energy efficiency costs for 2018 and a reconciliation of collections to prior year actual costs, the Company requested approval of an incentive bonus for the 2016 energy efficiency program results in accordance with PUCT rules Interim rates were approved effective January 1, 2018 The Company, the PUCT Staff and the City of El Paso reached an agreement that includes an incentive bonus of $0 8 million The agreement was filed on January 25, 2018, and was approved by the PUCT on February 15, 2018

On May 1, 2018, the Company filed its annual application with the PUCT, which was assigned PUCT Docket No 48332, to establish its EECRF for 2019 In addition to projected energy efficiency costs for 2019 and a reconciliation of collections to actual costs for the prior year, the Company requested approval of a $1 0 million incentive bonus for the 2017 energy efficiency program results in accordance with PUCT rules Instead of convening a live hearing on the merits of this case, the parties agreed to enter into the record the pre-filed testimony of the parties and certain other exhibits and then file briefs on the contested issues The ALJ issued a proposal for final decision on November 15, 2018, including the Company's fully requested incentive bonus On January 17, 2019, the PUCT issued a final order approving a modified bonus amount of $0 9 million

On May 1, 2019, the Company filed its annual application with the PUCT, which was assigned PUCT Docket No 49496, to establish its EECRF for 2020 In addition to projected energy efficiency costs for 2020 and a reconciliation of collections to actual costs for the prior year, the Company requested approval of a $0 8 million incentive bonus for the 2018 energy efficiency program results in accordance with PUCT rules On July 1, 2019, the Company requested, and received approval for, a suspension of the procedural schedule in order to pursue settlement of the case On July 12, 2019, the Company informed the ALJ in the case that all parties had agreed in principle on terms for settlement On August 14, 2019, the Company filed an unopposed settlement agreement and proposed order which resolved all issues in the proceeding, including the requested incentive bonus The case was remanded on August 16, 2019, to the PUCT for a final order approving the settlement agreement and the Company's EECRF rates On November 14, 2019, the PUCT issued an order approving the filed settlement

Fuel and Purchased Power Costs The Company's actual fuel costs, including purchased power energy costs, net of the cost of off-system sales and related shared margins, are recovered from customers through a fixed fuel factor The PUCT has adopted a fuel cost recovery rule ("Texas Fuel Rule") that allows the Company to seek periodic adjustments to its fixed fuel factor The Company can seek to revise its fixed fuel factor based upon the approved formula at least four months after its last revision except in the month of December The Texas Fuel Rule requires the Company to request to refund fuel costs in any month when the over-recovery balance exceeds a threshold material amount and it expects fuel costs to continue to be materially over-recovered The Texas Fuel Rule also permits the Company to seek to surcharge fuel under-recoveries in any month the balance exceeds a threshold material amount and it expects fuel cost recovery to continue to be materially under-recovered Fuel over- and under-recoveries are considered material when they exceed 4% of the previous twelve months' fuel costs All such fuel revenue and expense activities are subject to periodic final review by the PUCT in periodic fuel reconciliation proceedings

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On October 13, 2017, the Company filed a request with the PUCT, which was assigned PUCT Docket No 47692, to decrease the Texas fixed fuel factor by approximately 19% to reflect decreased fuel expenses primarily related to a decrease in the price of natural gas used to generate power The decrease in the Texas fixed fuel factor became effective beginning with the November 2017 billing month

On April 13, 2018, the Company filed a request with the PUCT, which was assigned PUCT Docket No 48264, to decrease the Texas fixed fuel factor by approximately 29% to reflect decreased fuel expenses primarily related to a decrease in the price of natural gas used to generate power On April 25, 2018, the Company's proposed fuel factors were approved on an interim basis effective for the first billing cycle of the May 2018 billing month The revised factor was approved by the PUCT and the docket closed on May 22, 2018

On October 15, 2018, the Company filed a request with the PUCT, which was assigned PUCT Docket No 48781, to decrease the Texas fixed fuel factor by approximately 6 99% to reflect decreased fuel expenses primarily related to a decrease in the price of natural gas used to generate power On October 25, 2018, the Company's fixed fuel factor was approved on an interim basis effective for the first billing cycle of the November 2018 billing month The revised factor was approved by the PUCT and the docket closed on November 19, 2018

On April 29, 2019, the Company filed a petition with the PUCT, which was assigned PUCT Docket No 49482, requesting authority to implement, beginning on June 1, 2019, a four-month, interim fuel refund of $19 4 million in fuel cost over-recoveries, including interest, for the period from April 2016 through March 2019 On May 30, 2019, the Company's fuel refund credit was approved on an interim basis The Company implemented the fuel refund in customer bills beginning June 1, 2019 On September 27, 2019, the PUCT issued a final order approving the fuel refund credits The fuel refund was completed on September 30, 2019, with a total fuel refund of $20 1 million, including interest, returned to Texas customers

On September 13, 2019, the Company filed a request with the PUCT, which was assigned PUCT Docket No 49960, to decrease the Texas fixed fuel factor by approximately 12 2% to reflect decreased fuel expenses primarily related to a decrease in the price of natural gas used to generate power On September 25, 2019, the Company's fixed fuel factor was approved by the PUCT on an interim basis effective for the first billing cycle of the October 2019 billing month The Texas fixed fuel factor was determined to be final on October 15, 2019, and will continue until changed by the PUCT

On November 26, 2019, the Company filed a petition with the PUCT, which was assigned PUCT Docket No 50292, requesting authority to implement, beginning on January 1, 2020, a three-month, interim fuel refund of $15 0 million in fuel cost over-recoveries for the period from April 2019 through October 2019, including interest for the period from April 2019 through March 2020 On December 12, 2019, the Company's fuel refund credit was approved on an interim basis The Company implemented the fuel refund in customer bills beginning January 1, 2020 On March 26, 2020, the PUCT issued a final order As of December 31, 2019, the Company had a net fuel over-recovery balance of approximately $16 4 million in Texas

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 The April 1, 2019, through December 31, 2019, Texas jurisdictional fuel and purchased power costs subject to a future prudence review total approximately $51 5 million

Community Solar On June 8, 2015, the Company filed a petition with the PUCT to initiate a community solar program that includes the construction and ownership of a three-megawatt ("MW") solar photovoltaic system located at Montana Power Station Participation is on a voluntary basis, and customers contract for a set capacity (kW) amount and receive all energy produced This case was assigned PUCT Docket No 44800 The Company filed a settlement agreement among all parties on July 1, 2016, approving the program, and the PUCT approved the settlement agreement and program on September 1, 2016 On April 19, 2017, the Company announced that the entire three-MW program was fully subscribed by approximately 1,500 Texas customers The Community Solar facility began commercial operation on May 31, 2017

On March 20, 2018, the Company filed a petition with the PUCT and each of its Texas municipalities to expand its community solar program in Texas to include two-MW of solar powered generation from the ten-MW solar photovoltaic facility located at Newman Power Station ("Newman") and to reduce rates under the community solar tariff The case before the PUCT was assigned

PUCT Docket No 48181 and a hearing was held on December 4, 2018 The ALJ issued a proposal for decision on March 19, 2019, that approved the project as proposed by the Company On May 9, 2019, the PUCT approved the Company's request to expand the program utilizing the two-MW of solar powered generation available from Newman New subscriptions for the expanded program were accepted beginning in June 2019, and new rates for all existing and new customers were implemented in customer bills beginning July 1, 2019 As of June 30, 2019, the expanded program was fully subscribed

Transmission Cost Recovery Factor ("TCRF") On January 25, 2019, the Company filed an application with the PUCT to establish its 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 ("DCRF") On March 28, 2019, the Company filed an application with the PUCT and each of its Texas municipalities to establish its 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

Newman Unit 6 Certificate of Convenience and Necessity ("CCN") On November 22, 2019, the Company filed an application with the PUCT for a CCN to own and operate a new, approximately 228 MW, natural gas-fired unit to be constructed at the Company's existing Newman Power Station The case was assigned PUCT Docket No 50277 The proposed unit is called Newman Unit 6 An air permit application for Newman Unit 6 was concurrently submitted to the Texas Commission on Environmental Quality ("TCEQ") The new unit was selected through a competitive bidding process and is needed to serve growth in customer demand, to replace older and less efficient generators that the Company plans to retire in the next several years, and to help the Company meet its planning reserve margin The Company cannot predict the outcome of these filings at this time

Other Required Approvals The Company has obtained other required approvals for tariffs and other approvals required by the PURA and the PUCT

New Mexico Regulatory Matters

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 NMPRC 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

New Mexico Order Commencing Review of the Effects of the TCJA on Regulated New Mexico Utilities On January 24, 2018, the NMPRC initiated a proceeding in Case No 18-00016-UT on the impact of the TCJA on New Mexico regulated utilities On April 4, 2018, the NMPRC issued an order requiring the Company to file a proposed interim rate rider to adjust the Company's New Mexico base revenues in amounts equivalent to the Company's reduced income tax expense for New Mexico customers resulting from the TCJA, to be implemented on or before May 1, 2018 The NMPRC order further requires that the Company record and track a regulatory liability for the excess accumulated deferred income taxes created by the change in the federal corporate income tax rate,

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consistent with the effective date of the TCJA, and subject to amortization determined by the NMPRC in the Company's next general rate case The Company recorded such a regulatory liability in 2017 On April 16, 2018, after consultation with the New Mexico Attorney General pursuant to the NMPRC order, the Company filed an interim rate rider with the NMPRC with a proposed effective date of May 1, 2018 The annualized credits expected to be refunded to New Mexico customers approximate $4 9 million The Company implemented the interim rate rider in customer bills beginning May 1, 2018 pursuant to the NMPRC order

On September 5, 2018, the NMPRC issued an order in Case No 17-00255-UT involving Southwestern Public Service Company's ("SPS's") request to change rates in which the NMPRC directed SPS to refund the difference in corporate tax rate from January 1, 2018, through the effective date of new rates SPS appealed the NMPRC order to the New Mexico Supreme Court in *Southwestern Public Service Co v NMPRC, No S-1-SC-37248* ("*SPS Appeal No 1*"), challenging the refund as prohibited retroactive ratemaking among other reasons The New Mexico Supreme Court issued a partial and interim stay of the rates on September 26, 2018 On September 12, 2018, the NMPRC in Case No 18-00016-UT issued an Order Regarding the Disposition of Tax Savings Under the Federal Tax Cuts and Jobs Act of 2017, which put public utilities on notice that all revenue collected through general rates for the purpose of payment of federal income taxes is and will continue to be subject to possible refund upon a subsequent determination to be made in the appropriate pending or future NMPRC adjudicatory hearing On October 11, 2018, SPS filed a Notice of Appeal of that NMPRC order to the New Mexico Supreme Court in *Southwestern Public Service Co v NMPRC, No S-1-SC-37308 ("SPS Appeal No 2")* On February 15, 2019, the NMPRC and SPS filed a joint motion for remand and stipulated dismissal of SPS appeals of NMPRC orders with the New Mexico Supreme Court, which among other things, reflected agreements between the NMPRC and SPS, which in part provide that the NMPRC will replace the order in Case No 17-00255-UT with a new order that eliminates the retroactive TCJA refund and that SPS will request dismissal of SPS Appeals No 1 and No 2 On February 28, 2019, the New Mexico Supreme Court remanded *SPS Appeal No 1* back to the NMPRC and dismissed the appeal On March 6, 2019, the NMPRC issued a revised final order on remand in Case No 17-00255-UT that, in part, eliminated the retroactive TCJA refund

Fuel and Purchased Power Costs Pursuant to NMPRC Rule 550, fuel and purchased power costs, net of the cost of off-system sales and related shared margins, are reconciled to actual costs on a monthly basis and recovered or refunded to customers the second succeeding month through the New Mexico Fuel and Purchased Power Cost Adjustment Clause ("FPPCAC") The Company must file an application for continued use of its FPPCAC no more than four years from the date its last FPPCAC was continued As required, the Company filed a request to continue use of its FPPCAC with the NMPRC on January 5, 2018, which was assigned Case No 18-00006-UT The NMPRC issued a final order in the case on February 13, 2019, which authorized the Company to continue use of its FPPCAC without change and approved the Company's reconciliation of its fuel and purchased power costs for the period January 1, 2015, through December 31, 2016 New Mexico jurisdictional fuel and purchased power costs subject to a future prudence review are fuel and purchased power costs from January 1, 2017, through December 31, 2019, that total approximately $112 4 million At December 31, 2019, the Company had a net fuel under-recovery balance of approximately $0 3 million related to the FPPCAC in New Mexico

Amendments to the New Mexico Renewable Energy Act (the "REA") The REA requires electric utilities to meet a Renewable Portfolio Standard ("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

New Mexico RPS Effective January 1, 2018, pursuant to the final order in NMPRC Case No 17-00090-UT, the RPS costs for New Mexico are recovered through a separate RPS Cost Rider and not through the FPPCAC At December 31, 2019, the Company had a net fuel over-recovery balance related to the RPS Cost Rider of approximately $2 2 million The RPS Cost Rider is updated in an annual NMPRC filing, including a reconciliation of the prior year's RPS costs and RPS Cost Rider revenue On October 1, 2019, the Company filed its required application with the NMPRC for its 2019 Annual Renewable Plan in Case No 19-0099-UT and for

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adjustment of its RPS Cost Rider for reconciliation of 2018 costs and revenues and to recover RPS costs for 2020 The application requests approvals of the Company's plan to meet requirements of the Amended REA On November 18, 2019, following a second prehearing conference, the Hearing Examiner issued an order suspending the procedural schedule in order to allow the Company to amend its filed plan after the completion of an ongoing Request for Proposals to solicit possible new resources, by no later than March 31, 2020 The Company cannot predict the outcome of this filing at this time The order suspending the procedural schedule also required the Company to file a revised RPS Cost Rider to reconcile the net fuel over-recovery balance as of December 31, 2018, which the Company filed on December 2, 2019 and which became effective on January 1, 2020

5-MW Holloman Air Force Base ("HAFB") Facility CCN On October 7, 2015, in Case No 15-00185-UT, the NMPRC issued a final order approving a CCN for a five-MW solar power generation facility located on HAFB in the Company's service territory in New Mexico The Company and HAFB negotiated a retail contract, which includes a power sales agreement for the facility, to replace the existing load retention agreement that was approved by NMPRC final order issued October 5, 2016, in Case No 16-00224-UT The solar generation facility began commercial operation on October 18, 2018

Expedited Approval for CCN (Solar/Storage Project at New Mexico State University ("NMSU")) On November 20, 2019, the Company filed an application with the NMPRC requesting a certificate of public convenience and necessity to construct, own and operate a three-MW solar powered generation facility coupled with a one-MW battery storage system to be located on NMSU property in Arrowhead Park in the Company's service territory in New Mexico The Company's application also seeks approval of a special retail rate contract between the Company and NMSU to recover the costs of the new facility and its operations from NMSU The new facility will be a dedicated Company-owned resource serving NMSU The Company has requested approval such that the project can begin construction in 2020 to maximize potential tax benefits This case was assigned NMPRC Case No 19-00350-UT Hearings in this case currently are scheduled to begin June 4, 2020 The Company cannot predict the outcome of this filing at this time

New Mexico Efficient Use of Energy Recovery Factor ("EUERF") On July 1, 2016, the Company filed its annual application with the NMPRC requesting approval of its 2017 Energy Efficiency and Load Management Plan and to establish the EUERF for 2017 In addition to projected energy efficiency costs for 2017, the Company requested approval of a $0 4 million incentive for 2017 energy efficiency programs in accordance with NMPRC rules This application was assigned Case No 16-00185-UT On February 22, 2017, the NMPRC issued a final order approving the Company's 2017 Energy Efficiency and Load Management Plan The Company's EUERF was approved and effective in customer bills beginning on March 1, 2017 NMPRC rules authorize continuation of the energy efficiency programs and incentive approved in Case No 16-00185-UT through 2018 The Company recorded approved incentives in operating revenues of $0 3 million and $0 7 million in 2018 and 2017, respectively, related to its 2015 through 2017 Energy Efficiency and Load Management Plans During 2019, the Company recorded an incentive in operating revenues of $0 4 million related to its 2018 Energy Efficiency Programs

On July 2, 2018, the Company filed its required application with the NMPRC for approval of its 2019-2021 Energy Efficiency and Load Management Plan and EUERF The application was assigned Case No 18-00116-UT On March 6, 2019, the NMPRC issued a final order approving (i) the Company's 2019-2021 Energy Efficiency and Load Management Plan, with minor program modifications, (ii) the base incentive of 7 1% of program expenditures, or approximately $0 4 million annually for 2019-2021, and (iii) the continuation of the Company's EUERF During 2019, the Company recorded incentives in operating revenues of $0 4 million related to its 2019 Energy Efficiency and Load Management Plan

Integrated Resource Plan ("IRP") On September 17, 2018, the Company filed its IRP with the NMPRC for the period 2018-2037 ("2018 IRP") in Case No 18-00293-UT as required by regulation and the Joint Stipulation in NMPRC Case No 15-00241-UT, which was the Company's prior IRP filing The triennial filing requires a public advisory process as part of the development of the plan to identify a cost-effective portfolio of resources The filed plan is subject to written public comments filed with the NMPRC to which the Company responded on October 29, 2018 NMPRC Staff filed a written report on November 16, 2018, recommending that the NMPRC return the 2018 IRP to the Company with instructions for re-filing to correct 12 deficiencies identified by the NMPRC Staff report On December 5, 2018, the NMPRC issued an Order Partially Accepting Integrated Resource Plan, Order Requiring Refiling for Deficiencies Pursuant to that order, on January 3, 2019, the Company filed an amended 2018 IRP On January 10, 2019, in light of a pending motion for reconsideration, the NMPRC ordered its Staff to provide additional information and respond to issues raised regarding the filed 2018 IRP On March 15, 2019, NMPRC Staff filed the additional response and recommended that the Company correct one deficiency that was identified On September 18, 2019, the NMPRC issued a variance from the IRP rule on commission review, acceptance and action, and closed the docket

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Issuance of Long-Term Debt, Securities Financing, and Guarantee of Debt On October 7, 2015, the Company received approval in NMPRC Case No 15-00280-UT to guarantee the issuance of up to $65 0 million of long-term debt by the Rio Grande Resources Trust II ("RGRT") to finance future purchases of nuclear fuel and to refinance existing nuclear fuel debt obligations, which remains effective Under this authorization, on June 28, 2018, the RGRT issued $65 0 million in aggregate principal amount of 4 07% Senior Guaranteed Notes due August 15, 2025 On October 4, 2017, the Company received additional approval in NMPRC Case No 17-00217-UT to amend and extend the Company's Revolving Credit Facility ("RCF"), increase the commitments under the RCF by up to $450 0 million, issue up to $350 0 million in long-term debt and to redeem and refinance the $63 5 million 2009 Series A 7 25% Pollution Control Bonds ("PCBs") and the $37 1 million 2009 Series B 7 25% PCBs The NMPRC approval to issue $350 0 million in long-term debt supersedes its prior approval Under this authorization, on June 28, 2018, the Company issued $125 0 million in aggregate principal amount of the Company's 4 22% Senior Notes due August 15, 2028 Additionally, 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 $350 0 million third amended and restated credit agreement 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 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 See Note I of Notes to Financial Statements for further discussion

On January 30, 2019, the Company submitted an application with the NMPRC seeking approval 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 was assigned Case No 19-00033-UT, and the NMPRC issued a final order approving the Company's request on March 27, 2019

Newman Unit 6 CCN On November 18, 2019, the Company filed an application with the NMPRC for a CCN to own and operate a new, approximately 228 MW, natural gas-fired unit to be constructed at the Company's existing Newman Power Station The case was assigned NMPRC Case No 19-00349-UT The proposed unit is called Newman Unit 6 The new unit was selected through a competitive bidding process and is needed to serve growth in customer demand, to replace older and less efficient generators that the Company plans to retire in the next several years, and to help the Company meet its planning reserve margin Hearings in the case are currently scheduled to begin on May 11, 2020 The Company cannot predict the outcome of this case at this time

Long-Term Purchased Power Agreement ("LTPPA") Approval On November 18, 2019, the Company filed an application with the NMPRC to request prior approval for three LTPPAs pursuant to NMPRC Rule 17 9 551 of the New Mexico Administrative Code ("Rule 551") The case was assigned NMPRC Case No 19-00348-UT The three LTPPAs provide for the purchase of energy and capacity from (i) a 100 MW solar plant to be constructed in Santa Teresa, New Mexico, (ii) a 100 MW solar plant combined with a 50 MW of battery energy storage to be constructed in Otero County, New Mexico, and (iii) a 50 MW battery energy storage facility to be constructed in Canutillo, Texas Rule 551 requires that no utility become irrevocably obligated under a LTPPA without first obtaining the NMPRC's written approval of the agreement Hearings in the case were held March 3 to March 5, 2020, initial briefs in the case were filed on March 20, 2020, and response briefs filed March 27, 2020 The Company cannot predict the outcome of this case at this time

Other Required Approvals The Company has obtained other required approvals for tariffs and other approvals as required by the NMPUA and the NMPRC

Federal Regulatory Matters

Inquiry Regarding the Effect of the TCJA on Commission-Jurisdictional Rates and Order to Show Cause On March 15, 2018, the FERC issued two show cause orders under Section 206 of the Federal Power Act and Rule 209(a) of the FERC's Rules of Practice and Procedure, directing 48 individual public utilities with stated transmission rates or transmission formula rates with a fixed line item of 35% for the federal income tax component to, within 60 days of the date of the orders, either (i) propose revisions to their transmission rates under their open access transmission tariffs or transmission owner tariffs on file with the FERC, or (ii) show cause why they should not be required to do so ("Show Cause Proceeding") The Company was included in the list of public utilities impacted by the FERC orders On May 14, 2018, the Company submitted its response, as required by the FERC order, which demonstrated that the reduced annual income tax does not cause the Company's total transmission revenues to become excessive and therefore no rate reduction was justified Instead, the Company stated in its response that it will prepare for a future filing in which it

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will seek approval for revised Open Access Transmission Tariff ("OATT") rates that would include the recovery of an increased total transmission revenue requirement from OATT customers based on current circumstances and appropriate forward-looking adjustments On November 15, 2018, FERC issued an order finding that the Company had demonstrated that no rate reduction was justified and terminating the Show Cause Proceeding The Company expects to file its request for approval to revise OATT rates in 2020

Notice of Proposed Rulemaking ("NOPR") on Public Utility Transmission Changes to Address Accumulated Deferred Income Taxes On November 15, 2018, the FERC issued a NOPR that proposes to direct public utilities with transmission OATT rates, a transmission owner tariff or a rate schedule to determine the amount of excess or deficient accumulated deferred income taxes caused by the TCJA's reduction to the federal corporate income tax rate and return or recover this amount to or from customers The NOPR has been assigned FERC Docket No RM19-5-000 On November 21, 2019, the FERC issued a final rule, Order No 864, which declined to adopt the proposals to require public utilities such as the Company with transmission stated rates to determine the amount of excess or deficient accumulated deferred income tax caused by the TCJA's reduction to the federal corporate income tax and return or recover this amount to or from customers

Issuance of Long-Term Debt, Securities Financing, and Guarantee of Debt On October 31, 2017, the FERC issued an order in Docket No ES17-54-000 approving the Company's filing to (i) amend and extend the RCF, (ii) issue up to $350 0 million in long-term debt, (iii) guarantee the issuance of up to $65 0 million of long-term debt by the RGRT, and (iv) redeem, refinance, and/or replace the $63 5 million 2009 Series A 7 25% PCBs and the $37 1 million 2009 Series B 7 25% PCBs The order also approved the Company's request to continue to utilize the Company's existing RCF with the ability to amend and extend at a future date The authorization was effective from November 15, 2017, through November 14, 2019, and superseded prior FERC approvals Under this authorization, on June 28, 2018, the Company issued $125 0 million in aggregate principal amount of the Company's 4 22% Senior Notes due August 15, 2028, and the RGRT issued $65 0 million in aggregate principal amount of its 4 07% Senior Guaranteed Notes due August 15, 2025 Also, 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 $350 0 million third amended and restated credit agreement 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 January 30, 2019, the Company submitted an application with the FERC seeking approval 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 Included in the FERC application, which was assigned Docket No ES19-15-000, the Company also requested various debt-related authorizations approval to utilize the existing RCF for short-term borrowings 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% 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 issuances through April 18, 2021 On May 22, 2019, the Company 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 the 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 See Note I of Notes to Financial Statements for further discussion

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 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 audit at this time

Other Required Approvals The Company has obtained required approvals for rates, tariffs and other approvals as required by the Federal Power Act and the FERC

U S Department of Energy ("DOE") The DOE regulates the Company's exports of power to Mexico pursuant to a DOE grant of export authorization In addition, the Company is the holder of two presidential permits issued by the DOE under which the Company constructed and operates border crossing facilities at the U S /Mexico border

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Pursuant to the Nuclear Waste Policy Act of 1982, as amended in 1987, the DOE is legally obligated to accept and dispose of all spent nuclear fuel and other high-level radioactive waste generated by all domestic power reactors by 1998. See Note F of Notes to Financial Statements for further discussion of spent fuel storage and disposal costs.

Sales for Resale and Network Transmission Service to RGEC

The Company provides firm capacity and associated energy to the RGEC pursuant to an ongoing contract with a two-year notice to terminate provision. The Company also provides network integrated transmission service to the RGEC pursuant to the Company's OATT. The contract includes a formula-based rate that is updated annually to recover non-fuel generation costs and a fuel adjustment clause designed to recover all eligible fuel and purchased power costs allocable to the RGEC. The Company's service to RGEC is regulated by FERC.

E. Regulatory Assets and Liabilities

The Company's operations are regulated by the PUCT, the NMPRC and the FERC. Regulatory assets represent probable future recovery of previously incurred costs, which will be collected from customers through the ratemaking process. Regulatory liabilities represent probable future reductions in revenues associated with amounts that are to be credited to customers through the ratemaking process. Regulatory assets and liabilities reflected in the Company's regulatory-basis balance sheet are presented below (in thousands):

	Amortization Period Ends	December 31, 2019	December 31, 2018
Regulatory assets			
Regulatory tax assets	(a)	$ 52,120	$ 54,521
Final coal reclamation	(b)	3,405	4,065
Four Corners decommissioning	(c)	5,023	5,813
Nuclear fuel postload daily financing charge	(d)	4,551	4,032
Texas 2015 rate case costs (e)	January 2021	378	747
Texas 2017 rate case costs	January 2021	1,504	2,634
Texas TCRF surcharge (f)	March 2021	2,965	—
New Mexico renewable energy credits and related costs (g)	June 2022	3,588	4,709
New Mexico Palo Verde deferred depreciation	(h)	3,959	4,111
Fuel revenue under-recovery	(i)	327	—
Other regulatory assets	various	2,415	1,703
Total regulatory assets		$ 80,235	$ 82,335
Regulatory liabilities			
Regulatory tax liabilities	(j)	$ 289,378	$ 290,359
New Mexico energy efficiency	(k)	183	1,694
New Mexico gain on sale of assets	June 2019	175	306
Fuel revenue over-recovery	(i)	18,743	11,047
Other regulatory liabilities	various	585	239
Total regulatory liabilities		$ 309,064	$ 303,645

(a) This item relates to (i) the regulatory treatment of the equity portion of AFUDC which is recovered in rate base by an offset with the related accumulated deferred income tax liability, and (ii) excess deferred state income taxes which are recovered through amortization to tax expense in cost of service. The amortization period for the excess deferred state income taxes is 15 years as established in the PUCT Final Order in Docket No. 44941 and the NMPRC Final Order in Case No. 15-00127-UT ("NMPRC Final Order").

(b) This item relates to coal reclamation costs associated with Four Corners. The Texas portion was approved for recovery in PUCT Docket No. 46308 and is being recovered over seven years through June 2023. The New Mexico portion was approved in NMPRC Case No. 15-00109-UT and the amortization period will be established in the next general rate case.

(c) This item relates to the decommissioning of Four Corners. The Texas portion was approved for recovery in PUCT Docket No. 46308 and is being recovered over seven years through July 2024. The New Mexico portion was approved in NMPRC Case No. 15-00109-UT and the amortization period will be established in the next general rate case.

(d) This item is recovered through fuel recovery mechanisms established by tariffs.

(e) The 2017 PUCT Final Order approved a new recovery period for these costs, beginning January 10, 2018.

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(f) This item represents revenue associated with the Company's 2019 TCRF rate filing related to the period from July 30, 2019, through December 31, 2019. The recovery period is over a period of 12 months beginning on April 1, 2020. See Note D of Notes to Financial Statements for further discussion.
(g) This item relates to renewable energy credits and procurement plan costs, of which a component has been approved for recovery in the NMPRC Final Order. The remaining balance will be requested for recovery in the next general rate case.
(h) The amortization period for this item is based upon the NRC license life for each unit at Palo Verde.
(i) This item represents the net under or over-recovery of fuel and purchased power expense which is recovered or refunded through fuel rates.
(j) This item primarily relates to the reduction in the federal corporate income tax rate from 35% to 21% as enacted by the TCJA. The amortization period for the recovery on this item will be addressed in the next base rate filings in all jurisdictions. See Note K of Notes to Financial Statements for further discussion.
(k) This item is recovered or credited through the Company's EUERF. See Note D of Notes to Financial Statements for further discussion.

F. Utility Plant, Palo Verde and Other Jointly-Owned Utility Plant

The table below presents the balance of each major class of depreciable assets at December 31, 2019 (in thousands):

	Gross Plant	Accumulated Depreciation	Net Plant
Nuclear production	$ 1,972,747	$ (1,275,339)	$ 697,408
Steam and other	1,111,622	(319,247)	792,375
Total production	3,084,369	(1,594,586)	1,489,783
Transmission	534,903	(238,445)	296,458
Distribution	1,355,701	(394,920)	960,781
General	246,638	(84,612)	162,026
Intangible	114,289	(69,422)	44,867
Total	$ 5,335,900	$ (2,381,985)	$ 2,953,915

The Company owns a 15.8% interest in each of the three nuclear generating units and common facilities ("Common Facilities") at Palo Verde, in Wintersburg, Arizona. The utilities that share in power and energy entitlements, and bear certain allocated costs, with respect to Palo Verde pursuant to the ANPP Participation Agreement (the "Palo Verde Participants") include the Company and six other utilities: Arizona Public Service Company ("APS"), Southern California Edison Company, Public Service Company of New Mexico, Southern California Public Power Authority, Salt River Project Agricultural Improvement and Power District and the Los Angeles Department of Water and Power.

A summary of the Company's investment in jointly-owned utility plant, excluding fuel inventories, at December 31, 2019 and 2018 is as follows (in thousands):

	December 31, 2019		December 31, 2018	
	Palo Verde	Other (a)	Palo Verde	Other (a)
Electric plant in service	$ 1,972,747	$ 92,248	$ 1,939,405	$ 87,809
Accumulated depreciation	(1,275,339)	(70,175)	(1,257,956)	(67,881)
Construction work in progress	42,429	532	44,719	1,511
Total	$ 739,837	$ 22,605	$ 726,168	$ 21,439

(a) Includes three jointly-owned transmission lines.

Amortization of intangible plant (software) is provided on a straight-line basis over the estimated useful life of the asset (ranging from 3 to 15 years) The table below presents the actual and estimated amortization expense for intangible plant for 2019 and 2018 and for the next five years (in thousands)

2018	$	7,297
2019		8,167
2020 (estimated)		8,577
2021 (estimated)		7,840
2022 (estimated)		7,237
2023 (estimated)		6,419
2024 (estimated)		4,326

Palo Verde

The operation of Palo Verde and the relationship among the Palo Verde Participants is governed by the Arizona Nuclear Power Project Participation Agreement dated August 23, 1973, as amended ("ANPP Participation Agreement") APS serves as operating agent for Palo Verde, and under the ANPP Participation Agreement, the Company has limited ability to influence operations and costs at Palo Verde Pursuant to the ANPP Participation Agreement, the Palo Verde Participants share costs and generating entitlements in the same proportion as their percentage interests in the generating units, and each participant is required to fund its share of fuel, operations and maintenance ("O&M") expense, and capital costs The Company's share of direct expenses in Palo Verde and other jointly-owned utility plants is reflected in fuel expense, O&M expense, miscellaneous other deductions, and taxes other than income taxes in the Company's regulatory-basis statement of income The ANPP Participation Agreement provides that if a participant fails to meet its payment obligations, each non-defaulting participant shall pay its proportionate share of the payments owed by the defaulting participant Because it is impracticable to predict defaulting participants, the Company cannot estimate the maximum potential amount of future payment, if any, which could be required under this provision

Nuclear Regulatory Commission The NRC regulates the operation of all commercial nuclear power reactors in the U S , including Palo Verde The NRC periodically conducts inspections of nuclear facilities and monitors performance indicators to enable the agency to arrive at objective conclusions about a licensee's safety performance

Palo Verde Operating Licenses Operation of each of the three Palo Verde units requires an operating license from the NRC The NRC issued full power operating licenses for Unit 1 in June 1985, Unit 2 in April 1986 and Unit 3 in November 1987 and issued renewed operating licenses for each of the three units in April 2011, which extended the licenses for Units 1, 2 and 3 to June 2045, April 2046 and November 2047, respectively

Decommissioning Pursuant to the ANPP Participation Agreement and federal law, the Company funds its share of the estimated costs to decommission Palo Verde Units 1, 2 and 3, including the Common Facilities, through the term of their respective operating licenses and is required to maintain a minimum accumulation and funding level in its decommissioning account at the end of each annual reporting period during the life of the plant The Company has established the NDT with an independent trustee, which enables the Company to record a current deduction for federal income tax purposes for most of the amounts funded At December 31, 2019, the NDT had a balance of $326 0 million, which is above its minimum funding level The Company monitors the status of the NDT and adjusts contributions accordingly

Decommissioning costs are estimated every three years based upon engineering cost studies performed by outside engineers retained by APS In April 2017, the Palo Verde Participants approved the 2016 Palo Verde decommissioning study ("2016 Study") The 2016 Study estimated that the Company must fund approximately $432 8 million (stated in 2016 dollars) to cover its share of decommissioning costs which was an increase in decommissioning costs of $52 1 million (stated in 2016 dollars) from the 2013 Palo Verde decommissioning study ("2013 Study") The effect of this change increased the ARO by $3 5 million, which was recorded during the second quarter of 2017, and increased annual expenses starting in April 2017 Although the 2016 Study was based on the latest available information, there can be no assurance that decommissioning cost estimates will not increase in the future or that regulatory requirements will not change In addition, until a new low-level radioactive waste repository opens and operates for several years, estimates of the cost to dispose of low-level radioactive waste are subject to uncertainty As provided in the ANPP Participation Agreement, the participants are required to conduct a new decommissioning study every three years A 2019 Palo Verde

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decommissioning study (the "2019 Study") is underway and is expected to be finalized before June 30, 2020, at which time the Company will record the effects of the results of the study If the expected cash flows as identified in the 2019 Study exceed the expected cash flows identified in the 2016 Study (stated in 2019 dollars), the ARO will increase with a corresponding increase in the ARO asset Under such circumstances, increases in Palo Verde accretion expense and depreciation expense will occur While the Company attempts to seek amounts in rates to meet its decommissioning obligations, it is not able to conclude, given the evidence available to it now, that it is probable these costs will continue to be collected over the period until decommissioning begins in 2044 The Company is ultimately responsible for these costs and its future actions combined with future decisions from regulators will determine how successful the Company is in this effort

Spent Fuel and Waste Disposal Pursuant to the Nuclear Waste Policy Act of 1982, as amended in 1987, the DOE is legally obligated to accept and dispose of all spent nuclear fuel and other high-level radioactive waste generated by all domestic power reactors by 1998 The DOE's obligations are reflected in a contract for Disposal of Spent Nuclear Fuel and/or High-Level Radioactive Waste with each nuclear power plant The DOE failed to begin accepting spent nuclear fuel by 1998 On December 19, 2012, APS, acting on behalf of itself and the Palo Verde Participants, filed a second breach of contract lawsuit against the DOE This lawsuit sought to recover damages incurred due to the DOE's failure to accept Palo Verde's spent nuclear fuel for the period beginning January 1, 2007 through June 30, 2011 Pursuant to the terms of the August 18, 2014 settlement agreement, and as amended with the DOE, APS files annual claims for the period July 1 of the then-previous year to June 30 of the then-current year on behalf of itself and those utilities that share in power and energy entitlements, and bear certain allocated costs, with respect to Palo Verde based upon the ANPP Participation Agreement dated August 23, 1973 The settlement agreement, as amended, provides APS with a method for submitting claims and receiving recovery for costs incurred through December 31, 2016, which has been extended to December 31, 2019 The Company's share of costs recovered in 2019 and 2018, respectively are presented below (in thousands)

Costs Recovery Period	Amount Refunded	Amount Credited to Customers through Fuel Adjustment Clauses	Period Credited to Customers
July 2017 – June 2018	$ 1,604	$ 1,005	June 2019
July 2016 – June 2017	1,413	1,121	March 2018

On October 31, 2019, APS filed a $16 0 million claim for the period July 1, 2018 through June 30, 2019 The Company's share of this claim is approximately $2 4 million In February 2020, the DOE approved this claim The majority of the reimbursement received by the Company is expected to be credited to customers through the applicable fuel adjustment clauses The reimbursement is anticipated to be received in the second quarter of 2020

DOE's Construction Authorization Application for Yucca Mountain The DOE had planned to meet its disposal obligations by designing, licensing, constructing and operating a permanent geologic repository in Yucca Mountain, Nevada In March 2010, the DOE filed a motion to dismiss with prejudice its Yucca Mountain construction authorization application that was pending before the NRC Several interested parties have intervened in the NRC proceeding The Company cannot predict when spent fuel shipments to the DOE will commence

Palo Verde has sufficient capacity at its on-site independent spent fuel storage installation ("ISFSI") to store all of the nuclear fuel that will be irradiated during the initial operating license period, which ends in December 2027 Additionally, Palo Verde has sufficient capacity at its on-site ISFSI to store a portion of the fuel that will be irradiated during the period of extended operation, which ends in November 2047 If uncertainties regarding the U S government's obligation to accept and store spent fuel are not favorably resolved, APS will evaluate alternative storage solutions that may obviate the need to expand the ISFSI to accommodate all of the fuel that will be irradiated during the period of extended operation

Liability and Insurance Matters The Palo Verde Participants have insurance for public liability resulting from nuclear energy hazards to the full limit of liability under federal law, which is currently at $13 9 billion This potential liability is covered by primary liability insurance provided by commercial insurance carriers in the amount of $450 0 million, and the balance is covered by an industry-wide retrospective assessment program If a loss at a nuclear power plant covered by the programs exceeds the accumulated funds in the primary level of protection, the Company could be assessed retrospective premium adjustments on a per incident basis Under federal law, the maximum assessment per reactor under the program for each nuclear incident is approximately $137 6 million, subject to an annual limit of $20 5 million Based upon the Company's 15 8% interest in the three Palo Verde units, the Company's maximum potential assessment per incident for all three units is approximately $65 2 million, with an annual payment limitation of approximately $9 7 million

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The Palo Verde Participants maintain $2 8 billion of "all risk" nuclear property insurance The insurance provides coverage for property damage and decontamination at Palo Verde For covered incidents involving property damage not accompanied by a release of radioactive material, the policy's coverage limit is $2 3 billion The Company has also secured insurance against portions of any increased cost of generation or purchased power and business interruption resulting from a sudden and unforeseen outage of any of the three units The insurance coverage discussed in this and the previous paragraph is subject to certain policy conditions and exclusions A mutual insurance company whose members are utilities with nuclear facilities issues these policies If losses at any nuclear facility covered by this mutual insurance company were to exceed the accumulated funds for these insurance programs, the Company could be assessed retrospective premium adjustments of up to $13 8 million for the current policy period

Palo Verde O&M Expense Included in other O&M expenses are expenses associated with Palo Verde as follows (in thousands)

Years Ended December 31, 2019	2018
$ 95,525	$ 96,454

G. Accounting for Asset Retirement Obligations

The Company complies with FERC Order No 631 guidance for ARO FERC Order No 631 affects the accounting for the decommissioning of Palo Verde and the method used to report the decommissioning obligation The Company also complies with the FASB guidance for conditional ARO, which primarily affects the accounting for the disposal obligations of the Company's fuel oil storage tanks, water wells, evaporative ponds and asbestos found at the Company's gas-fired generating plants The Company's ARO are subject to various assumptions and determinations such as (i) whether a legal obligation exists to remove assets, (ii) estimation of the fair value of the costs of removal, (iii) when final removal will occur, (iv) future changes in decommissioning cost escalation rates, and (v) the credit-adjusted interest rates to be utilized in discounting future liabilities Changes that may arise over time with regard to these assumptions and determinations will change amounts recorded in the future as an expense for ARO The Company records the increase in the ARO due to the passage of time as an operating expense (accretion expense) If the Company incurs or assumes any liability in retiring any asset at the end of its useful life without a legal obligation to do so, it will record such retirement costs as incurred

The ARO liability for Palo Verde is based upon the estimated cost of decommissioning the plant from the 2016 Study See Note F of Notes to Financial Statements The ARO liability is calculated by adjusting the estimated decommissioning costs for spent fuel storage and a profit margin and market-risk premium factor The resulting costs are escalated over the remaining life of the plant and finally discounted using a credit-risk adjusted discount rate As Palo Verde approaches the end of its estimated useful life, the difference between the ARO liability and future current cost estimates will narrow over time due to the accretion of the ARO liability Because the DOE is obligated to assume responsibility for the permanent disposal of spent fuel, such costs have not been included in the ARO calculation The Company maintains six external trust funds with an independent trustee that are legally restricted to settling its ARO at Palo Verde The fair value of the funds at December 31, 2019 is $326 0 million

FERC Order No 631 requires the Company to revise its previously recorded ARO for any changes in estimated cash flows including changes in estimated probabilities related to timing of settlements Any changes that result in an upward revision to estimated cash flows shall be treated as a new liability Any downward revisions to the estimated cash flows result in a reduction to the previously recorded ARO In the second quarter of 2017, the Company implemented the results of the 2016 Study and revised its ARO related to Palo Verde to increase its estimated cash flows from the 2013 Study to the 2016 Study See Note F of Notes to Financial Statements The assumptions used to calculate the increases to the Palo Verde ARO liability are as follows

	Escalation Rates	Credit Risk Adjusted Discount Rate
Original ARO liability	3 60%	9 50%
Incremental ARO liability (2010)	3 60%	6 20%
Incremental ARO liability (2016)	3 25%	4 34%

An analysis of the activity of the Company's total ARO liability from January 1, 2018 through December 31, 2019, including the effects of each year's estimate revisions, is presented below (in thousands)

	2019	2018
ARO liability at beginning of year	$ 101,108	$ 93,029
Liabilities settled	(118)	(264)
Accretion expense	9,115	8,343
ARO liability at end of year	$ 110,105	$ 101,108

The Company has transmission and distribution lines which are operated under various land rights agreements Upon the expiration of any non-perpetual land rights agreement, the Company may have a legal obligation to remove the lines, however, the Company has assessed the likelihood of this occurring as remote The majority of these agreements are perpetual or include renewal options that the Company routinely exercises The amount of cost of removal collected in rates for non-legal liabilities has not been material

H. Common Stock

Overview

The Company's common stock has a stated value of $1 per share, with no cumulative voting rights or preemptive rights Holders of the common stock have the right to elect the Company's directors and to vote on other matters

Long-Term Incentive Plan

On May 29, 2014, the Company's shareholders approved an amended and restated stock-based long-term incentive plan ("Amended and Restated 2007 LTIP") and authorized the issuance of up to 1 7 million shares of the Company's common stock for the benefit of directors and employees Under the Amended and Restated 2007 LTIP, shares of the Company's common stock may be issued through the award or grant of non-statutory stock options, incentive stock options, stock appreciation rights, restricted stock, bonus stock, performance stock, cash-based awards and other stock-based awards The Company may purchase shares on the open market, or issue shares from shares of the Company's common stock the Company has repurchased to meet the share requirements of the Amended and Restated 2007 LTIP Beginning in 2015, shares of the Company's common stock issued for employee benefit and stock incentive plans have been issued from the shares repurchased and held in treasury stock However, under the Merger Agreement, the Company is subject to certain limitations in which it may issue common stock pursuant to the Amended and Restated 2007 LTIP As discussed in Note A of Notes to Financial Statements, the Company accounts for its stock-based long-term incentive plan under the FASB guidance for stock-based compensation

Restricted Stock with Service Condition and Other Stock-Based Awards The Company has awarded restricted stock and other stock-based awards under its long-term incentive plan Restrictions from resale on restricted stock awards generally lapse and awards vest over periods of one to three years, subject to continuous service requirements The market value of the unvested restricted stock at the date of grant is amortized to expense over the restriction period net of anticipated forfeitures Other stock-based awards, granted to directors in lieu of cash for retainers and meeting fees, are fully vested and are expensed at fair value on the date of grant and are not included in the tables below Under the Merger Agreement, stock-based awards that are unvested would be cancelled and converted into a vested right to receive cash upon the closing of the Merger See Note R of Notes to Financial Statements

The expense, deferred tax benefit, and current tax benefit recognized related to restricted stock and other stock-based awards in 2019 and 2018 is presented below (in thousands)

	2019	2018
Expense (a)	$ 2,320	$ 3,198
Deferred tax benefit	487	671
Current tax benefit recognized	112	117

(a) Any capitalized costs related to these expenses is less than $0 3 million for all years

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The aggregate intrinsic value and fair value at grant date of restricted stock and other stock-based awards which vested in 2019 and 2018 is presented below (in thousands):

	2019	2018
Aggregated intrinsic value	$ 3,202	$ 3,771
Fair value at grant date	2,667	3,212

The unvested restricted stock transactions for 2019 are presented below:

	Total Shares	Weighted Average Grant Date Fair Value	Unrecognized Compensation Expense (b) (In thousands)	Aggregate Intrinsic Value (In thousands)
Restricted shares outstanding at December 31, 2018	93,908	$ 51.60		
Stock awards (a)	83,585	58.71		
Vested	(50,504)	52.82		
Forfeitures	(31,185)	49.38		
Restricted shares outstanding at December 31, 2019	95,804	57.89	$ 2,853	$ 6,504

(a) On July 31, 2019, the Company issued a special grant to the Company's former President and Chief Executive Officer ("CEO") of 27,624 shares in accordance with the Amended and Restated 2007 LTIP that is eligible for vesting immediately prior to the closing of the Merger. In the event the Merger Agreement is terminated without the closing of the Merger, these shares will be forfeited.

(b) The unrecognized compensation expense is expected to be recognized over the weighted average remaining contractual term of the outstanding restricted stock of approximately one year, subject to acceleration under the provisions of the Merger Agreement.

The weighted average fair value per share at grant date for restricted stock and other stock-based awards granted during 2019 and 2018 were:

	2019	2018
Weighted average fair value per share	$ 58.71	$ 54.49

The holder of a restricted stock award has rights as a shareholder of the Company, including the right to vote and receive cash dividends on restricted stock.

Restricted Stock with a Market Condition (Performance Shares). The Company has granted performance share awards to certain officers under the Company's Amended and Restated 2007 LTIP, which provides for issuance of Company stock based on the achievement of certain performance criteria over a three-year period. The payout varies between 0% to 200% of performance share awards.

Detail of performance shares vested follows:

Date Vested	Payout Ratio	Performance Shares Awarded	Compensation Costs Expensed (In thousands)	Period Compensation Costs Expensed	Aggregated Intrinsic Value (In thousands)
January 29, 2020	150%	39,027(a)	$ 1,109	2017-2019	2,660
January 30, 2019	71%	39,923	2,143	2016-2018	2,046
January 31, 2018	175%	68,379	1,499	2015-2017	3,569

(a) 6,908 shares vested on December 20, 2019.

In 2020, 2021 and 2022, subject to meeting certain performance criteria and continuous service requirements, additional performance shares could vest. Under the Merger Agreement, shares would vest upon the closing of the Merger. Under the Merger Agreement, performance shares that are unvested would be cancelled and converted into a vested right to receive cash upon the closing for the Merger. In accordance with the FASB guidance related to stock-based compensation, the Company recognizes the related compensation expense by ratably amortizing the grant date fair value of awards over the requisite service period and the compensation expense is only adjusted for forfeitures. As of December 31, 2019, the maximum number of shares that can be issued under the Company's Amended and Restated 2007 LTIP are 145,585 shares.

The fair value at the date of each separate grant of performance shares was based upon a Monte Carlo simulation. The Monte Carlo simulation reflected the structure of the performance plan which calculates the share payout on performance of the Company relative to a defined peer group over a three-year performance period based upon total return to shareholders. The fair value was determined as the average payout of one million simulation paths discounted to the grant date using a risk-free interest rate based upon the constant maturity treasury rate yield curve at the grant date. The expected volatility of total return to shareholders is calculated in accordance with the performance shares' term structure and includes the volatilities of all members of the defined peer group.

The outstanding performance share awards at the 100% performance level is summarized below:

	Number Outstanding	Weighted Average Grant Date Fair Value	Unrecognized Compensation Expense (b) (In thousands)	Aggregate Intrinsic Value (In thousands)
Performance shares outstanding at December 31, 2018	175,845	$ 40.90		
Performance share awards	49,826	48.85		
Performance shares vested	(46,831)	38.78		
Performance shares expired	(16,317)	38.11		
Performance shares forfeited (a)	(86,677)	41.52		
Performance shares outstanding at December 31, 2019	75,846	47.33	$ 302	$ 5,149

(a) On August 1, 2019, the Company's former President and CEO forfeited the retention grant of 27,624 shares issued on December 15, 2015.
(b) The unrecognized compensation expense is expected to be recognized over the weighted average remaining contractual term of the awards of approximately one year. Under the Merger Agreement, performance shares that are unvested would be cancelled and converted into a vested right to receive cash upon the closing for the Merger.

A summary of information related to performance shares for 2019 and 2018 is presented below:

	2019	2018
Weighted average per share grant date fair value per share of performance shares awarded	$ 48.85	$ 48.99
Fair value of performance shares vested (in thousands)	1,816	1,499
Intrinsic value of performance shares vested (in thousands) (a)	2,514	2,040
Compensation expense (in thousands) (b) (c)	153	2,271
Deferred tax benefit related to compensation expense (in thousands) (b)	32	477

(a) Based on a 71% and 100% performance level, respectively.
(b) Includes adjustments for estimated forfeitures.
(c) 2019 includes forfeiture of the Company's former President and CEO's retention grant included in 2018.

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Repurchase Program

No shares of the Company's common stock were repurchased during the twelve months ended December 31, 2019 Detail regarding the Company's stock repurchase program are presented below

	Since 1999 (a)	Authorized Shares
Shares repurchased (b) (c)	25,406,184	
Cost, including commission (in thousands)	$ 423,647	
Total remaining shares available for repurchase at December 31, 2019 (d)		393,816

(a) Represents repurchased shares and cost since inception of the stock repurchase program in 1999
(b) Shares repurchased does not include 86,735 treasury shares related to employee compensation arrangements that were not part of the Company's repurchase program
(c) Beginning in 2015, shares of the Company's common stock issued for employee benefit and stock incentive plans have been issued from the shares repurchased and held in treasury stock The Company has issued 396,657 treasury shares since 2015 including 51,305 shares during 2019
(d) The Company may make purchases of shares of its common stock pursuant to its authorized program in open market transactions at prevailing prices and may engage in private transactions where appropriate The repurchased shares will be available for issuance under employee benefit and stock incentive plans or the repurchased shares may be retired

Authorization to Issue and Retire Shares

On January 30, 2019, the Company submitted an application with both the NMPRC and the FERC seeking approval 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 Company received final approvals for such issuances from the NMPRC and the FERC on March 27, 2019 and April 18, 2019 respectively Under the Merger Agreement, the Company cannot issue shares of common stock, subject to limited exceptions, without the prior written consent of Parent In order to align the number of shares of common stock held as treasury stock by the Company with various regulatory applications, filings and orders, on May 23, 2019, the Board of Directors of the Company (the "Board of Directors") approved the cancellation of 1 4 million shares of common stock held as treasury shares by the Company effective May 31, 2019

Dividend Policy

On December 27, 2019, the Company paid $15 7 million in quarterly cash dividends to shareholders The Company paid a total of $61 7 million and $57 5 million in cash dividends during the twelve months ended December 31, 2019 and 2018, respectively On February 28, 2020, the Board of Directors declared a quarterly cash dividend of $0 385 per share payable on March 31, 2020 to shareholders of record as of the close of business on March 17, 2020

Under the Merger Agreement, the Company is not allowed to declare or pay dividends or distributions on shares of common stock in an amount in excess of $0 385 per share for quarterly dividends declared before June 1, 2020 and $0 41 per share for quarterly dividends declared on or after June 1, 2020 See Note R of Notes to Financial Statements for further discussion

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I. Long-Term Debt, Financing Obligations and Capital Lease Obligations

Outstanding long-term debt, financing obligations and capital lease obligations, are as follows:

	December 31, 2019	December 31, 2018
	(In thousands)	
Bonds (Account 221):		
Pollution Control Bonds (1):		
3.60% 2009 Series A refunding bonds, due 2040 (3.82% effective interest rate)	$ 63,500	$ —
3.60% 2009 Series B refunding bonds, due 2040 (3.84% effective interest rate)	37,100	—
7.25% 2009 Series A refunding bonds, (7.46% effective interest rate)	—	63,500
7.25% 2009 Series B refunding bonds, (7.49% effective interest rate)	—	37,100
4.50% 2012 Series A refunding bonds, due 2042 (4.63% effective interest rate)	59,235	59,235
Total Bonds Account 221	159,835	159,835
Other Long-Term Debt (Accounts 224, 225, and 226):		
Senior Notes (2):		
3.30% Senior Notes, net of discount, due 2022 (3.43% effective interest rate)	150,000	150,000
6.00% Senior Notes, net of discount, due 2035 (6.58% effective interest rate)	400,000	400,000
7.50% Senior Notes, net of discount, due 2038 (7.67% effective interest rate)	150,000	150,000
5.00% Senior Notes, net of premium, due 2044 (4.93% effective interest rate)	300,000	300,000
Senior Notes Private Placement:		
4.22% Senior Notes, net of discount, due 2028 (4.31% effective interest rate)	125,000	125,000
Total Other Long Term Debt Account 224	1,125,000	1,125,000
Unamortized premium on long-term debt Account 225	6,551	6,685
Unamortized discount on long-term debt Account 226	(3,367)	(3,499)
Total Long-Term Debt	$ 1,288,019	$ 1,288,021
Obligations Under Capital Lease – Noncurrent (Account 227):		
5.04% Senior Notes, Series C, due 2020 (5.16% effective interest rate) (3)	$ —	$ 45,000
4.07% Senior Guaranteed Notes, due 2025 (4.18% effective interest rate) (3)	65,000	65,000
Capitalized Operating Leases (4)	5,094	—
Total Capital Lease Obligations Noncurrent	$ 70,094	$ 110,000
Obligations Under Capital Lease – Current (Account 243):		
Revolving Credit Facility (5)	$ 31,657	$ 28,408
5.04% Senior Notes, Series C, due 2020 (5.16% effective interest rate) (3)	45,000	—
Capitalized Operating Leases (4)	513	—
Total Capital Lease Obligations Current	$ 77,170	$ 28,408

(1) Pollution Control Bonds

The Company has three series of tax exempt unsecured PCBs in aggregate principal amount of $159.8 million as of December 31, 2019. The 2009 Series A 7.25% PCBs and the 2009 Series B 7.25% PCBs (together, the "2009 PCBs") with an aggregate principal amount, together, of $100.6 million had optional redemptions beginning in February 2019 and April 2019, respectively.

The Company purchased in lieu of redemption all of the 2009 Series A 7.25% PCBs with an aggregate principal amount of $63.5 million, and all of the 2009 Series B 7.25% PCBs with an aggregate principal amount of $37.1 million, on February 1, 2019 and April 1, 2019, respectively, utilizing funds borrowed under the RCF.

On May 22, 2019, the Company 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 the

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2009 PCBs mature on February 1, 2040 and April 1, 2040, respectively The 2009 PCBs are subject to optional redemption at a redemption price of par on or after June 1, 2029 Proceeds from the remarketing of the 2009 PCBs were primarily used to repay outstanding short-term borrowings under the RCF

(2) Senior Notes

The Senior Notes are unsecured obligations of the Company They were issued pursuant to bond covenants that provide limitations on the Company's ability to enter into certain transactions The 6 00% Senior Notes have an aggregate principal amount of $400 0 million and were issued in May 2005 The proceeds, net of a $2 3 million discount, were used to fund the retirement of the Company's first mortgage bonds The Company amortizes the loss associated with a cash flow hedge recorded in AOCI to earnings as interest expense over the life of the 6 00% Senior Notes See Note P of Notes to Financial Statements This amortization is included in the effective interest rate of the 6 00% Senior Notes

The 7 50% Senior Notes have an aggregate principal amount of $150 0 million and were issued in June 2008 The proceeds, net of a $1 3 million discount, were used to repay outstanding short-term borrowings of $44 0 million, fund capital expenditures and for other general corporate purposes

The 3 30% Senior Notes have an aggregate principal amount of $150 0 million and were issued in December 2012 The proceeds, net of a $0 3 million discount, were used to repay outstanding short-term borrowings, fund construction expenditures and for working capital and general corporate purposes

In December 2014, the Company issued 5 00% Senior Notes with an aggregate principal amount of $150 0 million The proceeds, net of a $0 5 million discount, were used to fund construction expenditures and for working capital and general corporate purposes In March 2016, the Company issued additional 5 00% Senior Notes with an aggregate principal amount of $150 0 million The proceeds from this issuance, after deducting the underwriters' commission, were $158 1 million These proceeds included accrued interest of $2 4 million and a $7 1 million premium before expenses The net proceeds from the sale of these senior notes were used to repay outstanding short-term borrowings under the RCF After the March 2016 issuance, the Company's 5 00% Senior Notes due 2044 had a total principal amount outstanding of $300 0 million
On June 28, 2018, the Company entered into a note purchase agreement with several institutional purchasers under which the Company issued and sold $125 0 million aggregate principal amount of 4 22% Senior Notes due August 15, 2028 The net proceeds from the issuance of these senior notes were used to repay outstanding short-term borrowings under the RCF for working capital and general corporate purposes The Company pays interest on the notes semi-annually on February 15 and August 15 of each year until maturity, beginning on February 15, 2019 The Company may redeem the notes, in whole or in part, at any time at a redemption price equal to 100% of the principal amount to be redeemed together with the interest on such principal amount accrued to the date of redemption, plus a make-whole amount based on the prevailing market interest rates The issuance and sale of these senior notes was made in reliance on a private placement exemption from the registration provisions of the Securities Act of 1933, as amended (the "Securities Act")

(3) RGRT Senior Notes

In 2010, the Company and RGRT, a Texas grantor trust through which the Company finances its portion of fuel for Palo Verde, entered into a note purchase agreement with various institutional purchasers Under the terms of the agreement, RGRT issued and sold to the purchasers $110 0 million aggregate principal amount of Senior Notes ("RGRT Notes") In August 2015 and 2017, $15 0 million and $50 0 million of the RGRT Notes, respectively, matured and were paid with borrowings from the RCF The Company guarantees the payment of principal and interest on the RGRT Notes In the Company's regulatory-basis financial statements, the obligations to the RGRT are reported as obligations under capital leases of nuclear fuel In August 2020, the remaining $45 0 million of these RGRT Notes mature

The sale of the RGRT Notes was made by RGRT in reliance on a private placement exemption from registration under the Securities Act The proceeds of $109 4 million, net of issuance costs, from the sale of the RGRT Notes was used by RGRT to repay amounts borrowed under the RCF and enabled future nuclear fuel financing requirements of RGRT to be met with a combination of the RGRT Notes and amounts borrowed from the RCF

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On June 28, 2018, the RGRT and the Company entered into a note purchase agreement with several institutional purchasers under which the RGRT issued and sold $65 0 million aggregate principal amount of 4 07% Senior Guaranteed Notes due August 15, 2025 ("RGRT Senior Notes") The net proceeds from the RGRT Senior Notes were used to repay outstanding short-term borrowings under the RCF to finance nuclear fuel purchases The Company guaranteed the payment of principal and interest on the RGRT Senior Notes RGRT's assets, liabilities and operations are consolidated in the Company's regulatory-basis financial statements and the RGRT Senior Notes are included as long-term debt on the regulatory-basis balance sheet The issuance and sale of the RGRT Senior Notes was made in reliance on a private placement exemption from the registration provisions of the Securities Act

RGRT pays interest on the senior notes above on February 15 and August 15 of each year until maturity, beginning on February 15, 2019 RGRT may redeem the senior notes, in whole or in part, at any time at a redemption price equal to 100% of the principal amount to be redeemed together with the interest on such principal amount accrued to the date of redemption, plus a make-whole amount based on the prevailing market interest rates

(4) Capitalized Operating Leases

See Note J of Notes to Financial Statements for further discussion

(5) Revolving Credit Facility

On January 14, 2014, the Company and RGRT entered into a second amended and restated credit agreement related to the RCF with JP Morgan Chase Bank, N A , as administrative agent and issuing bank, and Union Bank, N A , as syndication agent, and various lending banks party thereto As of December 31, 2016, the Company had available $300 0 million and the ability to increase the RCF by up to $100 0 million with a term ending January 2019 On January 9, 2017, the Company exercised its option to extend the maturity of the RCF by one year to January 14, 2020 and to increase the size of the facility by $50 0 million to $350 0 million

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 ("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 RCF Agreement by $50 0 million to $400 0 million, and the lenders under the RCF Agreement agreed to the increase and extension 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

The RCF Agreement provides that amounts borrowed by the Company may be used for, among other things, working capital and general corporate purposes Any amounts borrowed by the RGRT may be used, among other things, to finance the acquisition and cost to process nuclear fuel Amounts borrowed by the RGRT are guaranteed by the Company and the balance borrowed under the RCF Agreement is recorded as a capital lease of nuclear fuel on the regulatory-basis balance sheet Quarterly lease payments are made based upon units of heat production used by the plant The RCF Agreement is unsecured In August 2017, $50 0 million aggregate principal amount of Series B 4 47% Senior Notes of the RGRT matured and was paid with borrowings from the RCF On February 1, 2019 and April 1, 2019, respectively, the Company purchased in lieu of redemption all of the 2009 Series A 7 25% PCBs with a principal amount of $63 5 million and 2009 Series B 7 25% PCBs with a principal amount of $37 1 million, utilizing funds borrowed under the RCF On May 22, 2019, the Company 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 The proceeds from the remarketing of the PCBs were principally used to repay outstanding short-term borrowings under the RCF As of December 31, 2019, the total amount borrowed by the RGRT was $31 7 million for nuclear fuel under the RCF As of December 31, 2019, $84 0 million of borrowings were outstanding under this facility for working capital and general corporate purposes The weighted average interest rate on the RCF was 3 0% as of December 31, 2019, with an additional $236 0 million available to borrow

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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 of Parent.

As of December 31, 2019, the principal amount of scheduled maturities for the next five years of long-term debt are as follows (in thousands):

2020	$	45,000
2021		—
2022		150,000
2023		—
2024		—

Pursuant to the Company's debt agreements, the Company is required to comply with various covenants and restrictions, including a total debt to capitalization ratio as required by each one of the Company's and RGRT's private placement debt securities and the RCF. The Company is in compliance with all of its debt covenants and restrictions.

J. Leases

The Company's lease population is composed of operating leases. The Company leases land in El Paso, Texas, adjacent to Newman under a lease that expires in June 2033 with a renewal option of 25 years. The Company also has several other leases for offices, parking facilities and equipment that expire within the next 5 years, including an office in Austin, Texas. The Company has transmission and distribution lines that are operated under various land rights agreements, including easements, leases, permits and franchises. The components of lease expense are as follows:

		Year Ended December 31, 2019
Lease cost (in thousands):		
Operating lease cost	$	1,012
Short-term lease cost		798
Variable lease cost		65
Total lease cost	$	1,875

Supplemental balance sheet information related to leases was as follows (in thousands, except lease term and discount rate):

		December 31, 2019
Operating leases:		
Operating lease ROU assets (included in Utility Plant)	$	5,550
Operating lease liabilities (current included in Obligation Under Capital Leases-Current)		513
Operating lease liabilities (net of current included in Obligation Under Capital Leases-Noncurrent)		5,094
Total lease liabilities	$	5,607
Weighted average remaining lease terms (in years)		11.91
Weighted average discount rate		4.66%

Supplemental cash flow information related to leases was as follows (in thousands):

		Year Ended December 31, 2019
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows used for operating leases	$	897

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ROU assets obtained in exchange for lease obligations (in thousands):

	Year Ended December 31, 2019
Operating leases	$ 5,550

Maturities of operating lease liabilities at December 31, 2019 were as follows (in thousands):

Year ending December 31,	
2020	$ 751
2021	676
2022	619
2023	571
2024	559
Thereafter	4,126
Total lease payments	7,302
Less imputed interest	(1,695)
Total	$ 5,607

Disclosures related to periods prior to adoption of the new lease standard

The Company's total rental expense related to operating leases was $1.7 million for the twelve months ended December 31, 2018. As of December 31, 2018, the Company's minimum future rental payments for the next five years were as follows (in thousands):

Year ending December 31,	
2019	$ 923
2020	820
2021	700
2022	544
2023	526

K. Income Taxes

On December 22, 2017, the TCJA was enacted. The TCJA includes significant changes to the Internal Revenue Code of 1986, 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 reductions in the federal corporate income tax rate from 35% to 21%, elimination of the corporate alternative minimum tax provision, additional limitations on deductions of executive compensation, and limitations on the utilization of NOLs 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. Although the Company recorded provisional estimates of the impact of the TCJA, as of the date of enactment, no significant subsequent adjustments to the provisional estimates were recorded during the one-year measurement period as permitted by the SEC in Staff Accounting Bulletin No. 118.

Reductions in accumulated deferred federal income taxes due to the reduction in the corporate income tax rate to 21% under the provisions of the TCJA will result in amounts previously collected from utility customers for these deferred taxes to be refundable to such customers, generally through reductions in future rates. The TCJA includes provisions that stipulate how these excess deferred taxes are to be returned to customers for certain accelerated tax depreciation benefits. Potential refunds of other excess deferred taxes will be determined by the Company's regulators.

In February 2018, the FASB issued ASU 2018-02, which addresses concerns that the tax reduction due to the change in the corporate tax rate from 35% to 21% would be "stranded" in AOCI. ASU 2018-02 allows companies an election to reclassify stranded taxes from AOCI to retained earnings. The Company adopted ASU 2018-02 on January 1, 2019, and elected to not reclassify stranded taxes from AOCI to retain earnings. See Note B of Notes to Financial Statements for further discussion on new accounting standards.

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The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and liabilities at December 31, 2019 and 2018 are presented below (in thousands):

	December 31, 2019	December 31, 2018
Deferred tax assets:		
Plant, principally due to capitalized costs	$ 38,310	$ 36,690
Benefit of tax loss carryforwards	—	12,574
Pensions and benefits	33,456	31,801
Alternative minimum tax credit carryforward	—	8,855
Regulatory liabilities related to income taxes	66,824	67,167
Asset retirement obligations	23,239	21,305
Other	16,124	18,526
Total gross deferred tax assets	177,953	196,918
Deferred tax liabilities:		
Plant, principally related to depreciation and basis differences	(435,525)	(438,719)
Regulatory assets related to income taxes	(37,509)	(42,758)
Decommissioning	(41,164)	(32,674)
Other	(7,962)	(4,162)
Total gross deferred tax liabilities	(522,160)	(518,313)
Net accumulated deferred income taxes	$ (344,207)	$ (321,395)

As of December 31, 2019, the Company had fully utilized all alternative minimum tax credit carryforwards and all other tax loss and credit carryforwards. Based on the average annual earnings before taxes for the prior two years, and excluding the effects of unusual or infrequent items, the Company believes that the deferred tax assets will be fully realized.

The Company recognized income tax expense for 2019 and 2018 as follows (in thousands):

	Years Ended December 31, 2019	Years Ended December 31, 2018
Income tax expense (benefit):		
Federal:		
Current	$ 4,850	$ (5,064)
Deferred	28,070	24,394
Investment tax credit	(1,620)	2,187
Total federal income tax	31,300	21,517
State:		
Current	2,031	1,248
Deferred	(1,071)	1,841
Total state income tax	960	3,089
Total income tax expense	$ 32,260	$ 24,606
Effective income tax rate	20.7%	22.4%

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Federal income tax provisions differ from amounts computed by applying the statutory federal income tax rate of 21% in 2019 and 2018 to book income before federal income tax as follows (in thousands):

	Years Ended December 31, 2019	Years Ended December 31, 2018
Federal income tax expense computed on income at statutory rate	$ 32,755	23,028
Difference due to:		
State income taxes (federal effect)	(202)	(615)
Investment Tax Credit, net of deferred taxes	(1,280)	(1,240)
Allowance for equity funds used during construction	455	222
Amortization for excess deferred taxes	953	953
Amortization of regulatory assets and liabilities	(340)	(330)
Permanent tax differences	(1,041)	(501)
Total federal income tax expense	$ 31,300	$ 21,517

The Company files income tax returns in the U.S. federal jurisdiction and in the states of Texas, New Mexico and Arizona. The Company is no longer subject to tax examination by the taxing authorities in the federal, Arizona and New Mexico jurisdictions for years prior to 2015.

The FASB guidance prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. There were no changes to the recognized tax positions for the years ended December 31, 2019 and 2018.

The Company recognizes in interest and penalties expense accounts, interest and penalties related to tax benefits that are uncertain. For the years ended December 31, 2019 and 2018, the Company recognized tax expense interest of $0.2 million and $0.6 million, respectively. The Company had approximately $1.4 million and $1.2 million accrued for the payment of interest and penalties at December 31, 2019 and 2018, respectively.

L. Commitments, Contingencies and Uncertainties

Power Purchase and Sale Contracts

To supplement its own generation and operating reserve requirements and to meet its RPS requirements, the Company engages in power purchase arrangements that may vary in duration and amount based on an evaluation of the Company's resource needs, the economics of the transactions and specific RPS requirements. On November 18, 2019, the Company filed for regulatory approval with the NMPRC for three power purchase agreements relating to both solar and battery storage resources as a result of the Company's 2017 All Source Request for Proposal for Electric Power Supply and Load Management Resources. The three power purchase agreements filed for approval with the NMPRC included: (i) a 100 MW solar plant to be constructed in Santa Teresa, New Mexico; (ii) a 100 MW solar plant combined with a 50 MW battery energy storage to be constructed in Otero County, New Mexico; and (iii) a 50 MW battery energy storage facility to be constructed in Canutillo, Texas. These projects are contingent upon written approval from the NMPRC. See Note D of Notes to Financial Statements for further discussion. The Company has entered into the following significant agreements with various counterparties for the purchase and sale of electricity:

Type of Contract	Counterparty	Quantity	Term	Commercial Operation Date
Power Purchase and Sale Agreement	Freeport	25 MW	December 2008 through December 2021	N/A
Power Purchase and Sale Agreement	Freeport	100 MW	June 2006 through December 2021	N/A
Power Purchase Agreement	Hatch Solar Energy Center I, LLC	5 MW	July 2011 through July 2036	July 2011
Power Purchase Agreement	Solar Roadrunner LLC	20 MW	August 2011 through August 2031	August 2011
Power Purchase Agreement	SunE EPE1, LLC	10 MW	June 2012 through June 2037	June 2012
Power Purchase Agreement	SunE EPE2, LLC	12 MW	May 2012 through May 2037	May 2012
Power Purchase Agreement	Macho Springs Solar, LLC	50 MW	May 2014 through May 2034	May 2014
Power Purchase Agreement	Newman Solar LLC	10 MW	December 2014 through December 2044	December 2014

The Company has a firm 100 MW Power Purchase and Sale Agreement ("Power Purchase and Sale Agreement") with Freeport-McMoRan Copper & Gold Energy Services LLC ("Freeport") that provides for Freeport to deliver energy to the Company from the Luna Energy Facility (a natural gas-fired combined cycle generation facility located in Luna County, New Mexico) and for the Company to deliver a like amount of energy at Greenlee, Arizona The Company may purchase the quantities noted in the table above at a specified price at times when energy is not exchanged under the Power Purchase and Sale Agreement The agreement was approved by the FERC and will continue through an initial term ending December 31, 2021, with subsequent rollovers until terminated Upon mutual agreement, the Power Purchase and Sale Agreement allows the parties to increase the amount of energy that is purchased and sold under the agreement The parties have agreed to increase the amount up to 125 MW through December 2021

The Company has entered into several power purchase agreements to help meet its RPS requirements Namely, the Company has a 25-year purchase power agreement with Hatch Solar Energy Center I, LLC to purchase all of the output from a solar photovoltaic plant located in southern New Mexico, which began commercial operation in July 2011 In June 2015, the Company entered into a consent agreement with Hatch Solar Energy Center 1, LLC to provide for additional or replacement photovoltaic modules The Company also entered into a 20-year contract with Solar Roadrunner, LLC, a subsidiary of Global Infrastructure Partners, (formerly known as NRG Solar Roadrunner LLC) to purchase all of the output of a solar photovoltaic plant built in southern New Mexico, which began commercial operation in August 2011 In addition, the Company has 25-year purchase power agreements to purchase all of the output of two additional solar photovoltaic plants located in southern New Mexico, SunE EPE1, LLC and SunE EPE2, LLC, which began commercial operation in June 2012 and May 2012, respectively In September 2017, Longroad Solar Portfolio Holdings, LLC purchased SunE EPE1, LLC, and in October 2017, Silicon Ranch Corporation purchased SunE EPE2, LLC with the Company's consent per the terms of both power purchase agreements

Furthermore, the Company has a 20-year power purchase agreement with Macho Springs Solar, LLC to purchase the entire generation output delivered from the 50 MW Macho Springs solar photovoltaic plant located in Luna County, New Mexico, which began commercial operation in May 2014 Finally, the Company has a 30-year power purchase agreement with Newman Solar LLC to purchase the total output of approximately 10 MW from a solar photovoltaic plant on land subleased from the Company in proximity to Newman This solar photovoltaic plant began commercial operation in December 2014

Environmental Matters

General The Company is subject to extensive laws, regulations and permit requirements with respect to air and greenhouse gas ("GHG") emissions, water discharges, soil and water quality, waste management and disposal, natural resources and other environmental matters by federal, state, regional, tribal and local authorities Failure to comply with such laws, regulations and requirements can result in actions by authorities or other third parties that might seek to impose on the Company administrative, civil and/or criminal penalties or other sanctions In addition, releases of pollutants or contaminants into the environment can result in costly cleanup liabilities These laws, regulations and requirements are subject to change through modification or reinterpretation, or the introduction of new laws and regulations and, as a result, the Company may face additional capital and operating costs to comply

National Ambient Air Quality Standards ("*NAAQS*") Under the U S Clean Air Act ("CAA"), the U S Environmental Protection Agency ("EPA") sets NAAQS for six criteria pollutants considered harmful to public health and the environment, including particulate matter, nitrogen oxide, carbon monoxide, ozone and sulfur dioxide On October 1, 2015, the EPA released a final rule (the "Final Rule") tightening the primary and secondary NAAQS for ground-level ozone from its 2008 standard levels of 75 parts per billion ("ppb") to 70 ppb The EPA published the Final Rule on June 4, 2018, designating El Paso County, Texas, as "attainment/unclassifiable" under the 2015 ozone NAAQS and designating a section of southern Doña Ana County, New Mexico, as "nonattainment " In August 2018, several petitions for review of the Final Rule were filed in the U S Court of Appeals for the District of Columbia Circuit ("D C Circuit") One of these petitions, filed by the City of Sunland Park, New Mexico, specifically challenges the "attainment/unclassifiable" designation of El Paso County, Texas The Company and other intervenors filed and were granted motions to intervene in the challenges to EPA's 2015 ozone NAAQS designations The case was heard by the D C Circuit in November 2019 and a decision regarding the El Paso designation is expected in 2020

States, including New Mexico, that contain any areas designated as nonattainment are required to complete development of implementation plans in the 2020-2021 timeframe Most nonattainment areas are expected to have until 2020 or 2023 to meet the primary (health) standard, with the exact attainment date varying based on the ozone level in the area The Company continues to evaluate what impact these final and proposed NAAQS could have on its operations If the Company is required to install additional equipment to control emissions at its facilities, the NAAQS, individually or in the aggregate, could have a material impact on its operations and financial results

Climate Change The federal government has considered, proposed and/or finalized legislation or regulations limiting GHG emissions, including carbon dioxide In particular, the U S Congress has considered legislation to restrict or regulate GHG emissions In October 2015, the EPA published a rule establishing guidelines for states to regulate carbon dioxide emissions from existing power plants, known as the Clean Power Plan ("CPP") On August 31, 2018, the EPA published a proposal to replace the CPP called the Affordable Clean Energy ("ACE") rule The ACE rule was finalized in July 2019 Remaining legal challenges to the CPP were mooted in September 2019, but legal challenges to the ACE rule are ongoing As adopted, the ACE rule is focused on coal-fired generation and would not impose requirements on our operations However, at this time the Company cannot determine the impact that the ACE rule and related proposals and legal challenges may have on the Company's financial position, results of operations or cash flows

Environmental Litigation and Investigations Since July 2011, the U S Department of Justice, on behalf of the EPA, and APS have been engaged in substantive settlement negotiations in an effort to resolve certain pending matters The allegations being addressed through settlement negotiations are that APS failed to obtain the necessary permits and install the controls necessary under the CAA to reduce sulfur dioxide, nitrogen oxides, and particulate matter, and that APS failed to obtain an operating permit under Title V of the CAA that reflects applicable requirements imposed by law On June 24, 2015, the parties filed with the U S District Court for the District of New Mexico a settlement agreement ("CAA Settlement Agreement") resolving this matter On August 17, 2015, the U S District Court entered the CAA Settlement Agreement The agreement imposes a total civil penalty payable by the co-owners of Four Corners collectively in the amount of $1 5 million, and it requires the co-owners to pay $6 7 million for environmental mitigation projects At December 31, 2019, the Company has accrued its remaining unpaid share of approximately $0 2 million related to this matter

Union Matters

The Company employs approximately 1,100 individuals, about 37% of which are covered by a collective bargaining agreement The International Brotherhood of Electrical Workers Local 960 ("Local 960") represents the Company's employees working primarily in power generation, transmission and distribution, communications, material services, fleet services, facilities services, customer services and meter reading, and field services On October 15, 2019, the Company reached agreement on the terms of a new collective bargaining agreement with Local 960, to be effective September 3, 2019, for a four-year term ending September 3, 2023 The agreement provides for pay increases for bargaining unit employees of 3 25% on September 3, 2019, 3 00% on September 3, 2020, 3 00% on September 3, 2021, and 3 20% on September 3, 2022

M. Litigation

The Company is involved in various legal, environmental, tax and regulatory proceedings before various courts, regulatory commissions and governmental agencies regarding matters arising in the ordinary course of business In many of these matters, the Company has excess casualty liability insurance that covers the various claims, actions and complaints The Company regularly analyzes current information and, as necessary, makes provisions in its regulatory-basis financial statements for probable liabilities for the eventual disposition of these matters While the outcome of these matters cannot be predicted with certainty, 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 The Company expenses legal costs, including expenses related to loss contingencies, as they are incurred

See Note D and Note L of Notes to Financial Statements for further discussion of the effects of government legislation and regulation on the Company as well as certain pending legal proceedings

Litigation Related to the Merger Three purported Company shareholders filed lawsuits under the federal securities laws, two in the U S District Court for the Southern District of New York and one in the U S District Court for the District of Delaware, challenging the adequacy of the disclosures made in the Company's preliminary proxy statement in connection with the Merger These cases are captioned *Stein v El Paso Electric Company , et al ,* Case No 1 19-cv-06703 in the U S District Court for the Southern District of New York (the "Stein Action"), *Rosenblatt v El Paso Electric Company , et al* , Case No 1 19-cv-01367-UNA in the U S

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District Court for the District of Delaware (the "Rosenblatt Action"), and *Gorski v El Paso Electric Company, et al*, Case No 1 19-cv-07211 in the U S District Court for the Southern District of New York (the "Gorski Action"), respectively The Stein Action, filed on July 18, 2019, the Rosenblatt Action, filed on July 23, 2019, and the Gorski Action, filed on August 1, 2019, are asserted on behalf of putative classes of Company shareholders The Rosenblatt Action was voluntarily dismissed on January 29, 2020, the Stein Action was dismissed for want of prosecution on March 6, 2020, and the plaintiff in the Gorski Action has informed the court of his intention to dismiss the case and seek a mooting fee

All three actions allege violations of Sections 14(a) and 20(a) of the Securities and Exchange Act of 1934, as amended (the "Exchange Act") and Rule 14a-9 promulgated thereunder based on various alleged omissions of material information from the preliminary proxy statement The Stein Action names as defendants the Company and each of our directors, individually, and seeks to enjoin the Merger (or, in the alternative, rescission or an award of rescissory damages in the event the Merger is completed), damages, and an award of costs and attorneys' and expert fees The Rosenblatt Action names as defendants the Company and each of our directors, individually, and seeks to enjoin the Merger (or, in the alternative, rescission or an award of rescissory damages in the event the Merger is completed), to compel our directors to issue a revised proxy statement, a declaration that the defendants violated Sections 14(a) and 20(a) of the Exchange Act and Rule 14a-9 promulgated thereunder, and an award of costs and attorneys' and expert fees The Gorski Action also names as defendants the Company and each of our directors, individually, and seeks to enjoin the Merger (or, in the alternative, rescission or an award of rescissory damages in the event the Merger is completed), to compel our directors to issue a revised proxy statement, a declaration that the defendants violated Sections 14(a) and 20(a) of the Exchange Act and Rule 14a-9 promulgated thereunder, and an award of costs and attorneys' and expert fees

The Company believes that these complaints are without merit, and while the Company believes that the disclosures set forth in the proxy statement complied fully with applicable law, to moot plaintiffs' disclosure claims, to avoid nuisance, potential expense and delay, and to provide additional information to the Company's shareholders, the Company voluntarily supplemented the proxy statement with additional disclosure in a Current Report on Form 8-K filed by the Company with the SEC on September 9, 2019 While the outcome of these matters cannot be predicted with certainty, 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 The Company expenses legal costs, including expenses related to loss contingencies, as they are incurred

N. Employee Benefits

The Company adopted ASU 2017-07, Compensation-Retirement Benefits, effective January 1, 2018 for GAAP purposes The Company records all components of net periodic pension cost as an operating expense in its regulatory-basis financial statements and has elected to conform to the GAAP capitalization policy, which is that only the service cost component is eligible for capitalization

The cumulative impact of the change in capitalization policy, effective January 1, 2018, resulted in additional capitalized benefits cost of $5 5 million as of December 31, 2019 This will increase rate base in the future, while lowering cost of service by an offsetting amount As the assets impacted by the change in rate base are depreciated over their useful life, rate base will decrease, offset by an increase in cost of service due to higher depreciation expense While the Company believes that its Texas and New Mexico regulators are likely to accept the change in policy allowed by the FERC, the outcome of future rate proceedings in the Company's Texas and New Mexico jurisdictions relative to this change cannot be predicted at this time In the event that one or both of the Company's regulatory jurisdictions reject the new capitalization policy in the next rate case proceeding, the Company would likely be required to record a regulatory liability and reconcile the capitalized differences between GAAP and regulatory-basis financial statements

Retirement Plans

The Company's Retirement Income Plan ("Retirement Plan") is a qualified noncontributory defined benefit plan Upon retirement or death of a vested plan participant, assets of the Retirement Plan are used to pay benefit obligations under the Retirement Plan Contributions from the Company are based on various factors, such as the minimum funding amounts required by the U S Internal Revenue Service, state and federal regulatory requirements, amounts requested from customers in the Company's Texas and New Mexico jurisdictions, and the annual net periodic benefit cost of the Retirement Plan, as actuarially calculated The assets of the Retirement Plan are primarily invested in common collective trusts which hold equity securities, debt securities and cash equivalents and are managed by a professional investment manager appointed by the Company

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The Company has two non-qualified retirement plans that are non-funded defined benefit plans. The Company's Supplemental Retirement Plan covers certain former employees and directors of the Company. The Excess Benefit Plan was adopted in 2004 and covers certain active and former employees of the Company. The net periodic benefit cost for the non-qualified retirement plans are based on substantially the same actuarial methods and economic assumptions as those used for the Retirement Plan.

The Retirement Plan was amended effective April 1, 2014 to offer a cash balance pension benefit as an alternative to its existing final average pay pension benefit for employees hired prior to January 1, 2014. Employees hired after January 1, 2014 are automatically enrolled in the cash balance pension benefit.

Prior to December 31, 2013, employees who completed one year of service with the Company and worked at least a minimum number of hours each year were covered by the final average pay formula of the plan. For participants that continue to be covered by the final average pay formula, retirement benefits are based on the employee's final average pay and years of service. The cash balance pension benefit covers employees beginning on their employment commencement date or re-employment commencement date. Retirement benefits under the cash balance pension benefit are based on the employee's cash balance account, consisting of pay credits and interest credits.

The obligations and funded status of the plans are presented below (in thousands):

	December 31,			
	2019		2018	
	Retirement Income Plan	Non-Qualified Retirement Plans	Retirement Income Plan	Non-Qualified Retirement Plans
Change in projected benefit obligation:				
Benefit obligation at end of prior year	$ 335,496	$ 26,719	$ 361,989	$ 28,392
Service cost	8,127	415	9,086	480
Interest cost	13,451	1,003	12,013	865
Actuarial (gain) loss	56,988	1,624	(29,911)	(1,087)
Benefits paid	(15,955)	(1,940)	(17,681)	(1,931)
Benefit obligation at end of year	398,107	27,821	335,496	26,719
Change in plan assets:				
Fair value of plan assets at end of prior year	272,803	—	304,389	—
Actual return (loss) on plan assets	64,368	—	(19,683)	—
Employer contribution	7,300	1,940	7,300	1,931
Benefits paid	(15,955)	(1,940)	(17,681)	(1,931)
Administrative and investment expenses	(1,364)	—	(1,522)	—
Fair value of plan assets at end of year	327,152	—	272,803	—
Funded status at end of year	$ (70,955)	$ (27,821)	$ (62,693)	$ (26,719)

Amounts recognized in the Company's regulatory-basis balance sheet consist of the following (in thousands):

	December 31,			
	2019		2018	
	Retirement Income Plan	Non-Qualified Retirement Plans	Retirement Income Plan	Non-Qualified Retirement Plans
Current liabilities	$ —	$ (2,031)	$ —	$ (2,153)
Noncurrent liabilities	(70,955)	(25,790)	(62,693)	(24,566)
Total	$ (70,955)	$ (27,821)	$ (62,693)	$ (26,719)

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The accumulated benefit obligation in excess of plan assets is as follows (in thousands):

	December 31,			
	2019		2018	
	Retirement Income Plan	Non-Qualified Retirement Plans	Retirement Income Plan	Non-Qualified Retirement Plans
Projected benefit obligation	$ (398,107)	$ (27,821)	$ (335,496)	$ (26,719)
Accumulated benefit obligation	(364,941)	(26,413)	(308,582)	(24,251)
Fair value of plan assets	327,152	—	272,803	—

Pre-tax amounts recognized in AOCI consist of the following (in thousands):

	Years Ended December 31,			
	2019		2018	
	Retirement Income Plan	Non-Qualified Retirement Plans	Retirement Income Plan	Non-Qualified Retirement Plans
Net loss	$ 121,622	$ 10,153	$ 112,532	$ 9,300
Prior service benefit	(13,475)	(68)	(16,942)	(107)
Total	$ 108,147	$ 10,085	$ 95,590	$ 9,193

The following are the weighted-average actuarial assumptions used to determine the benefit obligations:

	December 31,					
	2019			2018		
		Non-Qualified			Non-Qualified	
	Retirement Income Plan	Supplemental Retirement Plan	Excess Benefit Plan	Retirement Income Plan	Supplemental Retirement Plan	Excess Benefit Plan
Discount rate	3.32%	2.87%	3.31%	4.42%	4.11%	4.45%
Rate of compensation increase	4.5%	N/A	4.5%	4.5%	N/A	4.5%

The Company reassesses various actuarial assumptions at least on an annual basis. The discount rate is reviewed and updated at each measurement date. The discount rate used to measure the fiscal year end obligation is based on a segmented spot rate yield curve that matches projected future payments with the appropriate interest rate applicable to the timing of the projected future benefit payments. A 1% increase in the discount rate would decrease the December 31, 2019 retirement plans' projected benefit obligation by 12.2%. A 1% decrease in the discount rate would increase the December 31, 2019 retirement plans' projected benefit obligation by 15.2%.

The components of net periodic benefit cost are presented below (in thousands):

	Years Ended December 31,			
	2019		2018	
	Retirement Income Plan	Non-Qualified Retirement Plans	Retirement Income Plan	Non-Qualified Retirement Plans
Service cost (a)	$ 9,491	$ 415	$ 10,608	$ 480
Interest cost	13,451	1,003	12,013	865
Expected return on plan assets	(21,492)	—	(21,076)	—
Amortization of:				
Net loss	5,022	770	7,531	1,022
Prior service benefit	(3,467)	(39)	(3,467)	(39)
Net periodic benefit cost	$ 3,005	$ 2,149	$ 5,609	$ 2,328

(a) Service cost for the Retirement Plan for 2019 and 2018 includes expenses of $1.4 million and $1.5 million, respectively, for administrative and investment expenses paid from plan assets during the year.

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The changes in benefit obligations and plan assets recognized in other comprehensive income are presented below (in thousands):

	Years Ended December 31,			
	2019		2018	
	Retirement Income Plan	Non-Qualified Retirement Plans	Retirement Income Plan	Non-Qualified Retirement Plans
Net (gain) loss	$ 14,112	$ 1,624	$ 10,848	$ (1,087)
Amortization of:				
Net loss	(5,022)	(770)	(7,531)	(1,022)
Prior service benefit	3,467	39	3,467	39
Total recognized in other comprehensive income	$ 12,557	$ 893	$ 6,784	$ (2,070)

The total amount recognized in net periodic benefit costs and other comprehensive income are presented below (in thousands):

	Years Ended December 31,			
	2019		2018	
	Retirement Income Plan	Non-Qualified Retirement Plans	Retirement Income Plan	Non-Qualified Retirement Plans
Total recognized in net periodic benefit cost and other comprehensive income	$ 15,562	$ 3,042	$ 12,393	$ 258

The following are amounts in AOCI that are expected to be recognized as components of net periodic benefit cost during 2020 (in thousands):

	Retirement Income Plan	Non-Qualified Retirement Plans
Net loss	$ 8,127	828
Prior service benefit	(3,467)	(39)

The following are the weighted-average actuarial assumptions used to determine the net periodic benefit cost for the twelve months ended December 31:

	2019			2018		
		Non-Qualified			Non-Qualified	
	Retirement Income Plan	Supplemental Retirement Plan	Excess Benefit Plan	Retirement Income Plan	Supplemental Retirement Plan	Excess Benefit Plan
Discount rate						
Benefit obligation	4.42%	4.11%	4.45%	3.77%	3.40%	3.81%
Service cost	4.50%	N/A	4.53%	3.86%	N/A	3.89%
Interest cost	4.12%	3.68%	4.18%	3.40%	2.84%	3.48%
Expected long-term return on plan assets	7.5%	N/A	N/A	7.5%	N/A	N/A
Rate of compensation increase	4.5%	N/A	4.5%	4.5%	N/A	4.5%

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The Company's overall expected long-term rate of return on assets is 7.5% as of January 1, 2020, which is both a pre-tax and after-tax rate as pension funds are generally not subject to income tax. The expected long-term rate of return is based on the weighted average of the expected returns on investments based upon the target asset allocation of the pension fund. The Company's target allocations for the plan's assets are presented below:

	December 31, 2019
Equity securities	45.3%
Fixed income	46.3%
Alternative investments	8.4%
Total	100%

The Retirement Plan invests the majority of its plan assets in common collective trusts which includes a diversified portfolio of domestic and international equity securities and fixed income securities. Alternative investments of the Retirement Plan are comprised of a real estate limited partnership, equity securities of real estate companies, primarily in real estate investment trusts and equity securities of listed companies involved in infrastructure activities. The expected rate of returns for the funds are assessed annually and are based on long-term relationships among major asset classes and the level of incremental returns that can be earned by the successful implementation of different active investment management strategies. Equity, real estate equity and infrastructure equity returns are based on estimates of long-term inflation rate, real rate of return, 10-year Treasury bond premium over cash, an expected equity risk premium, as well as other economic factors. Fixed income returns are based on maturity, long-term inflation, real rate of return and credit spreads. These assumptions also capture the expected correlation of returns between these asset classes over the long term.

The FASB guidance on disclosure for pension plans requires disclosure of fair value measurements of plan assets. To increase consistency and comparability in fair value measurements, the FASB guidance on fair value measurements established a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three levels as follows:

- Level 1 – Observable inputs that reflect quoted market prices for identical assets and liabilities in active markets. Prices of securities held in the mutual funds and underlying portfolios of the Retirement Plan are primarily obtained from independent pricing services. These prices are based on observable market data. The Common Collective Trusts are valued using the Net Asset Value ("NAV") provided by the administrator of the fund. The NAV price is quoted on a restrictive market although the underlying investments are traded on active markets. The NAV used for determining the fair value of the investments in the Common Collective Trusts have readily determinable fair values. Accordingly, such fund values are categorized as Level 1.
- Level 2 – Inputs other than quoted market prices included in Level 1 that are observable for the asset or liability either directly or indirectly. The fair value of these investments is based on evaluated prices that reflect observable market information, such as actual trade information of similar securities, adjusted for observable differences.
- Level 3 – Unobservable inputs using data that is not corroborated by market data.

The fair value of the Company's Retirement Plan assets at December 31, 2019 and 2018, and the level within the three levels of the fair value hierarchy defined by the FASB guidance on fair value measurements are presented in the table below (in thousands):

Description of Securities	Fair Value as of December 31, 2019	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Cash and Cash Equivalents	$ 2,622	$ 2,622	$ —	$ —
Common Collective Trusts (a)				
Equity funds	148,163	148,163	—	—
Fixed income funds	150,439	150,439	—	—
Real asset funds	24,119	24,119	—	—
Total Common Collective Trusts	322,721	322,721	—	—
Limited Partnership Interest in Real Estate (b)	1,809			
Total Plan Investments	$ 327,152	$ 325,343	$ —	$ —

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Description of Securities	Fair Value as of December 31, 2018	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Cash and Cash Equivalents	$ 1,911	$ 1,911	$ —	$ —
Common Collective Trusts (a)				
Equity funds	140,214	140,214	—	—
Fixed income funds	110,333	110,333	—	—
Real asset funds	16,990	16,990	—	—
Total Common Collective Trusts	267,537	267,537	—	—
Limited Partnership Interest in Real Estate (b)	3,355			
Total Plan Investments	$ 272,803	$ 269,448	$ —	$ —

(a) The Common Collective Trusts are invested in equity and fixed income securities, or a combination thereof. The investment objective of each fund is to produce returns in excess of, or commensurate with, its predefined index.

(b) This investment is a commercial real estate partnership that purchases land, develops limited infrastructure and sells it for commercial development. The Company was restricted from selling its partnership interest during the life of the partnership, which spanned 7 years. Return on investment is realized as land is sold. The fair value of the limited partnership interest in real estate is based on the NAV of the partnership which reflects the appraised value of the land. The partnership term expired on June 30, 2016. Upon expiration, dissolution of the partnership commenced and, as a result, the general partner of the partnership is attempting to sell the remaining inventory as soon as possible at the highest pricing possible.

The table below reflects the changes in the fair value of investments in the real estate limited partnership during the period (in thousands):

	Fair Value of Investments in Real Estate
Balances at December 31, 2017	$ 3,853
Sale of land	(48)
Unrealized loss in fair value	(450)
Balances at December 31, 2018	3,355
Sale of land	(1,584)
Unrealized gain in fair value	38
Balances at December 31, 2019	$ 1,809

There were no transfers in or out of Level 1 and Level 2 fair value measurements categories due to changes in observable inputs during the twelve-month periods ending December 31, 2019 and 2018. There were no purchases, issuances, and settlements related to the assets in the Level 3 fair value measurement category during the twelve-month periods ending December 31, 2019 and 2018.

The Company and the fiduciaries responsible for the Retirement Plan adhere to the traditional capital market pricing theory which maintains that over the long term, the risk of owning equities should be rewarded with a greater return than available from fixed income investments. The Company and the fiduciaries responsible for the Retirement Plan seek to minimize the risk of owning equity securities by investing in funds that pursue risk minimization strategies and by diversifying its investments to limit its risks during falling markets. The investment manager has full discretionary authority to direct the investment of plan assets held in trust within the guidelines prescribed by the Company and the fiduciaries responsible for the Retirement Plan through the plan's investment policy statement including the ability to hold cash equivalents. The investment guidelines of the investment policy statement are in accordance with the Employee Retirement Income Security Act of 1974 ("ERISA") and U.S. Department of Labor ("DOL") regulations.

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The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid (in thousands):

	Retirement Income Plan	Non-Qualified Retirement Plans
2020	$ 19,163	$ 2,031
2021	19,517	1,995
2022	19,870	1,958
2023	21,462	2,022
2024	21,209	1,949
2025-2029	113,539	8,363

401(k) Defined Contribution Plans

The Company sponsors 401(k) defined contribution plans covering substantially all employees. The Company provides a 50 percent matching contribution up to 6 percent of the employee's compensation for employees who are enrolled in the final average pay pension benefit of the Retirement Plan and a 100 percent matching contribution up to 6 percent of the employee's compensation for employees who are enrolled in the cash balance pension benefit of the Retirement Plan, subject to certain other limits and exclusions. Annual matching contributions made to the savings plans for the years 2019 and 2018 were $4.7 million and $4.6 million, respectively.

Other Post-retirement Benefits

The Company provides certain other post-retirement benefits, including health care benefits for retired employees and their eligible dependents and life insurance benefits for retired employees only ("OPEB Plan"). Substantially all of the Company's employees may become eligible for those benefits if they retire while working for the Company. Contributions from the Company are based on various factors such as the OPEB Plan's funded status, tax deductibility of contributions to the OPEB Plan, state and federal regulatory requirements, amounts requested from customers in the Company's Texas and New Mexico jurisdictions and the annual net periodic benefit cost of the OPEB Plan, as actuarially calculated. The assets of the OPEB Plan are primarily invested in institutional funds which hold equity securities, debt securities and cash equivalents and are managed by a professional investment manager appointed by the Company.

The following table contains a reconciliation of the change in the benefit obligation, the fair value of plan assets and the funded status of the OPEB Plan (in thousands):

	December 31, 2019	December 31, 2018
Change in benefit obligation:		
Benefit obligation at end of prior year	$ 60,862	$ 67,290
Service cost	2,242	2,591
Interest cost	2,456	2,252
Actuarial (gain) loss	889	(9,295)
Benefits paid from plan assets	(2,643)	(3,003)
Benefits paid from corporate assets	(176)	(141)
Retiree contributions	1,262	1,168
Benefit obligation at end of year	64,892	60,862
Change in plan assets:		
Fair value of plan assets at end of prior year	36,287	40,873
Actual return (loss) on plan assets	6,636	(2,997)
Employer contribution	450	450
Benefits paid from plan assets	(2,643)	(3,003)
Retiree contributions	1,262	1,168
Administrative and investment expenses	(181)	(204)
Fair value of plan assets at end of year	41,811	36,287
Funded status at end of year	$ (23,081)	$ (24,575)

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Amounts recognized in the Company's regulatory-basis balance sheet consist of the following (in thousands):

	December 31, 2019	December 31, 2018
Current liabilities	$ —	$ —
Noncurrent liabilities	(23,081)	(24,575)
Total	$ (23,081)	$ (24,575)

Pre-tax amounts recognized in AOCI consist of the following (in thousands):

	December 31, 2019	December 31, 2018
Net gain	$ (38,139)	$ (36,890)
Prior service benefit	(23,472)	(28,706)
Total	$ (61,611)	$ (65,596)

The following are the weighted-average actuarial assumptions used to determine the accrued benefit obligations:

	December 31, 2019	December 31, 2018
Discount rate at end of year	3.41%	4.43%
Health care cost trend rates:		
Initial		
Pre-65 medical	5.75%	6.00%
Post-65 medical	4.50%	4.50%
Pre-65 drug	6.75%	7.00%
Post-65 drug	7.00%	8.50%
Ultimate	4.50%	4.50%
Year ultimate reached (a)	2026	2026

(a) Pre-65 medical reaches the ultimate trend rate in 2025. Additionally, the Post-65 medical trend is assumed to be 4.50% for all years into the future.

The Company reassesses various actuarial assumptions at least on an annual basis. The discount rate is reviewed and updated at each measurement date. The discount rate used to measure the fiscal year end obligation is based on a segmented spot rate yield curve that matches projected future payments with the appropriate interest rate applicable to the timing of the projected future benefit payments. A 1% increase in the discount rate would decrease the December 31, 2019 accumulated post-retirement benefit obligation by 14.2%. A 1% decrease in the discount rate would increase the December 31, 2019 accumulated post-retirement benefit obligation by 18.4%.

Net periodic benefit cost is made up of the components listed below (in thousands):

	Years Ended December 31, 2019	Years Ended December 31, 2018
Service cost (a)	$ 2,423	$ 2,795
Interest cost	2,456	2,252
Expected return on plan assets	(2,120)	(2,435)
Amortization of:		
Prior service benefit	(5,234)	(6,151)
Net gain	(2,377)	(2,166)
Net periodic benefit cost	$ (4,852)	$ (5,705)

(a) Service cost for 2019 and 2018 includes expenses of $181 and $204 thousand, respectively, for administrative and investment expenses paid from plan assets during the year.

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The changes in benefit obligations and plan assets recognized in other comprehensive income are presented below (in thousands):

	Years Ended December 31, 2019	Years Ended December 31, 2018
Net gain	$ (3,626)	$ (3,863)
Amortization of:		
Prior service benefit	5,234	6,151
Net gain	2,377	2,166
Total recognized in other comprehensive income	$ 3,985	$ 4,454

The total amount recognized in net periodic benefit cost and other comprehensive income are presented below (in thousands):

	Years Ended December 31, 2019	Years Ended December 31, 2018
Total recognized in net periodic benefit cost and other comprehensive income	$ (867)	$ (1,251)

The amount in AOCI that is expected to be recognized as a component of net periodic benefit cost during 2020 is a prior service benefit of $3.1 million and a net gain of $2.4 million.

The following are the weighted-average actuarial assumptions used to determine the net periodic benefit cost for the twelve months ended December 31:

	2019	2018
Discount rate:		
Benefit obligation	4.44%	3.79%
Service cost	4.51%	3.87%
Interest cost	4.15%	3.38%
Expected long-term return on plan assets	6.00%	6.12%
Health care cost trend rates:		
Initial		
Pre-65 medical	6.0%	6.25%
Post-65 medical	4.5%	4.5%
Pre-65 drug	7.0%	7.25%
Post-65 drug	8.5%	10.0%
Ultimate	4.5%	4.5%
Year ultimate reached (a)	2026	2026

(a) Pre-65 medical reaches the ultimate trend rate in 2025. Additionally, the Post-65 medical trend is assumed to be 4.50% for all years into the future.

Assumed health care cost trend rates have a significant effect on the amounts reported for the health care plan. The effect of a 1% change in these assumed health care cost trend rates would increase or decrease the December 31, 2019 benefit obligation by $10.6 million or $8.3 million, respectively. In addition, a 1% change in said rate would increase or decrease the aggregate 2019 service and interest cost components of the net periodic benefit cost by $1.0 million or $0.8 million, respectively.

The Company's overall expected long-term rate of return on assets is 7.85%, as of January 1, 2020, on a pre-tax basis. The expected long-term rate of return on assets on an after-tax basis is 6.00% as of January 1, 2020. The trust's tax rate was assumed to be 23.60% at January 1, 2019 and January 1, 2020. The expected long-term rate of return is based on the after-tax weighted average of the expected returns on investments based upon the target asset allocation. The Company's target allocations for the plan's assets are presented below:

	December 31, 2019
Equity securities	45.4%
Fixed income	39.3%
Alternative investments	15.3%
Total	100.0%

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The OPEB Plan invests the majority of its plan assets in institutional funds which includes a diversified portfolio of domestic and international equity securities and fixed income securities. Alternative investments of the OPEB Plan are comprised of a real estate limited partnership and equity securities of real estate companies, primarily in real estate investment trusts. The alternative investments also include equity securities of a dynamic, diversified portfolio designed to capture market opportunities. The underlying allocations to various asset classes in this portfolio will shift over time, but the overall strategic allocation is as follows: 75% global equity, 15% marketable real assets and 10% global fixed income. The expected rates of return for the funds are assessed annually and are based on long-term relationships among major asset classes and the level of incremental returns that can be earned by the successful implementation of different active investment management strategies. Equity returns are based on estimates of long-term inflation rate, real rate of return, 10-year Treasury bond premium over cash, an expected equity risk premium, as well as other economic factors. Fixed income returns are based on maturity, long-term inflation, real rate of return and credit spreads. These assumptions also capture the expected correlation of returns between these asset classes over the long term.

The FASB guidance on disclosure for other post-retirement benefit plans requires disclosure of fair value measurements of plan assets. To increase consistency and comparability in fair value measurements, the FASB guidance on fair value measurements established a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three levels as follows:

- Level 1 – Observable inputs that reflect quoted market prices for identical assets and liabilities in active markets. Prices of securities held in the mutual funds and underlying portfolios of the Other Post-retirement Benefits Plan are primarily obtained from independent pricing services. These prices are based on observable market data. The institutional funds are valued using the NAV provided by the administrator of the fund. The NAV price is quoted on a restrictive market although the underlying investments are traded on active markets. The NAV used for determining the fair value of the investments in the institutional funds have readily determinable fair values. Accordingly, such fund values are categorized as Level 1.

- Level 2 – Inputs other than quoted market prices included in Level 1 that are observable for the asset or liability either directly or indirectly. The fair value of these investments is based on evaluated prices that reflect observable market information, such as actual trade information of similar securities, adjusted for observable differences.

- Level 3 – Unobservable inputs using data that is not corroborated by market data.

The fair value of the Company's OPEB Plan assets at December 31, 2019 and 2018 and the level within the three levels of the fair value hierarchy defined by the FASB guidance on fair value measurements are presented in the table below (in thousands):

Description of Securities	Fair Value as of December 31, 2019	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Cash and Cash Equivalents	$ 2,522	$ 2,522	$ —	$ —
Institutional Funds (a)				
Equity funds	18,664	18,664	—	—
Fixed income funds	15,038	15,038	—	—
Multi asset funds	3,766	3,766	—	—
Real asset funds	1,482	1,482	—	—
Total Institutional Funds	38,950	38,950	—	—
Limited Partnership Interest in Real Estate (b)	339			
Total Plan Investments	$ 41,811	$ 41,472	$ —	$ —

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Description of Securities	Fair Value as of December 31, 2018	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Cash and Cash Equivalents	$ 1,353	$ 1,353	$ —	$ —
Institutional Funds (a)				
Equity funds	17,887	17,887	—	—
Fixed income funds	11,437	11,437	—	—
Multi asset funds	3,576	3,576	—	—
Real asset funds	1,405	1,405	—	—
Total Institutional Funds	34,305	34,305	—	—
Limited Partnership Interest in Real Estate (b)	629			
Total Plan Investments	$ 36,287	$ 35,658	$ —	$ —

(a) The institutional funds are invested in equity or fixed income securities, or a combination thereof. The investment objective of each fund is to produce returns in excess of, or commensurate with, its predefined index.
(b) This investment is a commercial real estate partnership that purchases land, develops limited infrastructure and sells it for commercial development. The OPEB Plan trust was restricted from selling its partnership interest during the life of the partnership, which spanned 7 years. Return of investment is realized as land is sold. The fair value of the limited partnership interest in real estate is based on the NAV of the partnership which reflects the appraised value of the land. The partnership term expired on June 30, 2016. Upon expiration, dissolution of the partnership commenced and, as a result, the general partner of the partnership is attempting to sell the remaining inventory as soon as possible at the highest pricing possible.

The table below reflects the changes in the fair value of the investments in real estate during the period (in thousands):

	Fair Value of Investments in Real Estate
Balance at December 31, 2017	$ 722
Sale of land	(9)
Unrealized loss in fair value	(84)
Balance at December 31, 2018	629
Sale of land	(297)
Unrealized gain in fair value	7
Balance at December 31, 2019	$ 339

There were no transfers in or out of Level 1 and Level 2 fair value measurements categories due to changes in observable inputs during the twelve month periods ending December 31, 2019 and 2018. There were no purchases, issuances and settlements related to the assets in the Level 3 fair value measurement category during the twelve month periods ending December 31, 2019 and 2018.

The Company and the fiduciaries responsible for the OPEB Plan adhere to the traditional capital market pricing theory, which maintains that over the long term, the risk of owning equities should be rewarded with a greater return than available from fixed income investments. The Company and the fiduciaries responsible for the OPEB Plan seek to minimize the risk of owning equity securities by investing in funds that pursue risk minimization strategies and by diversifying its investments to limit its risks during falling markets. The investment manager has full discretionary authority to direct the investment of plan assets held in trust within the investment policy guidelines prescribed by the Company. The investment guidelines of the investment policy statement are in accordance with the ERISA and DOL regulations.

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The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid (in thousands)

2020	$ 2,131
2021	2,277
2022	2,463
2023	2,642
2024	2,843
2025-2029	15,179

Annual Short-Term Incentive Plan

The Annual Short-Term Incentive Plan ("Incentive Plan") provides for the payment of cash awards to eligible Company employees, including each of its named executive officers Payment of awards is based on the achievement of performance measures reviewed and approved by the Board of Directors' Compensation Committee Generally, these performance measures are based on meeting certain financial, operational and individual performance criteria The financial performance goals are based on specified levels of earnings and certain O&M expenses The operational performance goals are based on reliability and customer satisfaction If a minimum level of earnings is not attained, no amounts will be paid under the Incentive Plan, unless the Board of Directors' Compensation Committee determines otherwise In 2019, the Company reached the required levels of earnings, certain O&M expenses, reliability and customer satisfaction goals for an incentive payment of $14 4 million In 2018, the Company achieved required levels of similar goals for incentive payments of $11 0 million

O. Franchises and Significant Customers

Franchises

The Company operates under franchise agreements with several cities in its service territory, including one with El Paso, Texas, the largest city it serves The franchise agreement allows the Company to utilize public rights-of-way necessary to serve its customers within El Paso Pursuant to the El Paso franchise agreement, the Company pays to the City of El Paso, on a quarterly basis, a fee equal to 5 00% of gross revenues the Company receives for the generation, transmission and distribution of electrical energy and other services within the city The 2005 El Paso franchise agreement set the franchise fee at 3 25% of gross revenues, but that amount has since been adjusted by two amendments The 2010 amendment added an incremental fee equal to 0 75% of gross revenues to be placed in a restricted fund to be used by the city solely for economic development and renewable energy purposes The 2018 amendment, approved on March 20, 2018, and applicable to bills issued on or after October 1, 2018, increased the dedicated incremental fee by 1 00% of gross revenues and extended the term of the franchise agreement by 30 years Any assignment of the franchise agreement, including a deemed assignment as a result of a change in control of the Company, requires the consent of the City of El Paso Accordingly, the Company on September 20, 2019, sought approval from the City of El Paso for a deemed assignment of the franchise agreement as a result of the Merger, which approval was granted on February 4, 2020 The El Paso franchise agreement is set to expire on July 31, 2060

The Company does not have a written franchise agreement with Las Cruces, New Mexico, the second largest city in its service territory The Company utilizes public rights-of-way necessary to service its customers within Las Cruces under an implied franchise pursuant to state law by satisfying all obligations under the franchise agreement that expired on April 30, 2009 The Company pays the City of Las Cruces a franchise fee of 2 00% of gross revenues the Company receives from services within the City of Las Cruces

The Company also maintains franchise agreements with other municipalities, and applicable counties, within its service territories

Military Installations

The Company serves HAFB, White Sands Missile Range ("White Sands") and Fort Bliss U S Army Post ("Fort Bliss") These military installations represent approximately 2 8% of the Company's annual retail revenues in 2019 In July 2014, the Company signed an agreement with Fort Bliss under which Fort Bliss takes retail electric service from the Company under the applicable Texas tariffs The Company serves White Sands under the applicable New Mexico tariffs In August 2016, the Company signed a contract

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with HAFB under which the Company provides retail electric service and limited wheeling services to HAFB under the applicable New Mexico tariffs As stated in the contract, HAFB purchases the full output of a Company-owned 5-MW solar facility upon its completed construction, which occurred on October 18, 2018 HAFB's other power requirements are provided under the applicable New Mexico tariffs with limited wheeling services under the contract

P. Financial Instruments and Investments

The FASB guidance requires the Company to disclose estimated fair values for its financial instruments The Company has determined that cash and temporary investments, investment in debt securities, accounts receivable, decommissioning trust funds that are reflected in Other Special Funds, long-term debt, financing obligations and capital lease obligations, short-term borrowings under the RCF, accounts payable and customer deposits meet the definition of financial instruments The carrying amounts of cash and temporary investments, accounts receivable, accounts payable and customer deposits approximate fair value because of the short maturity of these items Investments in debt securities and decommissioning trust funds are carried at estimated fair value

Long-Term Debt, Financing Obligations, Capital Lease Obligations and Short-Term Borrowings Under the RCF The fair values of the Company's long-term debt, financing obligations, capital lease obligations including the current portion thereof, and short-term borrowings under the RCF are based on estimated market prices for similar issues and are presented below (in thousands)

	December 31,			
	2019		2018	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
Pollution Control Bonds (1)	$ 159,835	$ 167,256	$ 159,835	$ 161,917
Senior Notes	1,128,184	1,398,645	1,128,186	1,244,310
RGRT Senior Notes (2)	110,000	114,270	110,000	111,440
RCF (2)	115,657	115,657	51,408	51,408
Capitalized Operating Leases	5,607	5,607	—	—
Total	$ 1,519,283	$ 1,801,435	$ 1,449,429	$ 1,569,075

(1) On February 1, 2019 and April 1, 2019, the Company purchased in lieu of redemption the 2009 Series A 7 25% PCBs with an aggregate principal amount of $63 5 million and the 2009 Series B 7 25% PCBs with an aggregate principal amount of $37 1 million, respectively, utilizing funds borrowed under the RCF On May 22, 2019, the Company 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 the 2009 PCBs mature on February 1, 2040 and April 1, 2040, respectively See Note I of Notes to Financial Statements for further discussion

(2) Nuclear fuel capital lease obligations, as of December 31, 2019 and December 31, 2018, are funded through $110 million RGRT Senior Notes and $31 7 million and $28 4 million, respectively, under the RCF As of December 31, 2019, $84 0 million was outstanding under the RCF for working capital or general corporate purposes As of December 31, 2018, $23 0 million was outstanding under the RCF for working capital or general corporate purposes The interest rate on the Company's borrowings under the RCF is reset throughout the period reflecting current market rates Consequently, the carrying value approximates fair value See Note I of Notes to Financial Statements for further discussion

Treasury Rate Locks The Company entered into treasury rate lock agreements in 2005 to hedge against potential movements in the treasury reference interest rate pending the issuance of the 6% Senior Notes The treasury rate lock agreements met the criteria for hedge accounting and were designated as a cash flow hedge In accordance with cash flow hedge accounting, the Company recorded the loss associated with the fair value of the cash flow hedge, net of tax, as a component of accumulated other comprehensive loss and amortizes the accumulated comprehensive loss to earnings as interest expense over the life of the 6% Senior Notes In 2020, approximately $0 6 million of this accumulated other comprehensive loss item will be reclassified to interest expense

Contracts and Derivative Accounting The Company uses commodity contracts to manage its exposure to price and availability risks for fuel purchases and power sales and purchases and these contracts generally have the characteristics of derivatives The Company does not trade or use these instruments with the objective of earning financial gains on the commodity price fluctuations The Company has determined that all such contracts outstanding at December 31, 2019, except for certain natural gas commodity

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contracts with optionality features, that had the characteristics of derivatives met the "normal purchases and normal sales" exception provided in the FASB guidance for accounting for derivative instruments and hedging activities, and, as such, were not required to be accounted for as derivatives

Marketable Securities The Company's marketable securities, included in the NDT that are reflected in Other Special Funds in the Regulatory-Basis Balance Sheet, are reported at fair value, which was $326 0 million and $276 9 million at December 31, 2019 and 2018, respectively The investments in the NDT are classified as equity securities and temporary cash and cash equivalents restricted solely for investment in the NDT These investments are recorded at their estimated fair value in accordance with FASB guidance for certain investments in equity securities, which requires entities to recognize changes in fair value for these securities in net income as reported in the Company's Regulatory-Basis Statement of Income

During September 2019, the Company sold all of the fixed income securities classified as available for sale held in the NDT, which approximated 450 individual securities The proceeds were reinvested in exchange traded funds that hold similar securities The exchange traded funds meet the definition of equity securities with readily determinable fair values and therefore are not classified as available for sale as of December 31, 2019 Furthermore, changes in the fair value of these exchange traded funds are recorded in net income as reported in the Company's Regulatory-Basis Statement of Income

Prior to September 2019, the reported fair values included gross unrealized losses on securities classified as available for sale whose impairment the Company had deemed to be temporary The table below presents the gross unrealized losses and the fair value of these securities as of December 31, 2018, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position (in thousands)

	December 31, 2018					
	Less than 12 Months		12 Months or Longer		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Description of Securities (1):						
Federal Agency Mortgage Backed Securities	$ 6,187	$ (36)	$ 14,567	$ (510)	$ 20,754	$ (546)
U S Government Bonds	4,005	(9)	36,615	(1,663)	40,620	(1,672)
Municipal Obligations	3,100	(74)	9,037	(723)	12,137	(797)
Corporate Obligations	22,259	(763)	11,231	(731)	33,490	(1,494)
Total	$ 35,551	$ (882)	$ 71,450	$ (3,627)	$ 107,001	$ (4,509)

(1) Includes approximately 156 securities, aggregated by CUSIP number

Prior to the sale of all the Company's fixed income securities classified as available for sale, the Company monitored the length of time such securities traded below their cost basis along with the amount and percentage of the unrealized loss in determining if a decline in fair value below recorded cost was considered to be other than temporary In accordance with the FASB guidance, such impairment losses were recognized in net income, and a lower cost basis was established for these securities The Company does not anticipate expending monies held in the trust before 2044 or a later period when decommissioning of Palo Verde begins For the twelve months ended December 31, 2019 and 2018, the Company did not recognize any other than temporary impairment losses on its available for sale securities

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NOTES TO FINANCIAL STATEMENTS (Continued)

Investments categorized as available for sale securities also included gross unrealized gains which had not been recognized in the Company's net income prior to September 2019. The table below presents the unrecognized gross unrealized gains and the fair value of these securities, aggregated by investment category as of December 31, 2018 (in thousands):

	December 31, 2018	
	Fair Value	Unrealized Gains
Description of Securities:		
Federal Agency Mortgage Backed Securities	$ 9,959	$ 176
U.S. Government Bonds	6,987	149
Municipal Debt Obligations	1,952	120
Corporate Debt Obligations	8,283	222
Total Debt Securities	$ 27,181	$ 667

The Company's available for sale securities in the NDT were sold from time to time and the Company used the specific identification basis to determine the amount to reclassify from AOCI into net income. The proceeds from the sale of these securities during the twelve months ended December 31, 2019 and 2018 and the related effects on pre-tax income are as follows (in thousands):

	2019	2018
Proceeds from sales or maturities of available-for-sale securities	$ 168,177	$ 25,955
Gross realized gains included in pre-tax income	$ 4,815	$ 17
Gross realized losses included in pre-tax income	(2,583)	(1,462)
Net gains (losses) included in pre-tax income	$ 2,232	$ (1,445)

Upon the adoption of ASU 2016-01, Financial Instruments-Overall, on January 1, 2018, the Company began recording changes in fair market value for equity securities held in the NDT in the Company's Regulatory-Basis Statement of Income. The unrealized gains and losses recognized during the twelve months ended December 31, 2019 and 2018 and related effects on pre-tax income are as follows (in thousands):

	December 31, 2019	December 31, 2018
Net gains and (losses) recognized on equity securities	$ 36,017	$ (11,405)
Less: Net gains recognized on equity securities sold	430	7,079
Unrealized gains and (losses) recognized on equity securities still held at reporting date	$ 35,587	$ (18,484)

Fair Value Measurements. The FASB guidance requires the Company to provide expanded quantitative disclosures for financial assets and liabilities recorded on the regulatory-basis balance sheet at fair value. Financial assets carried at fair value include the Company's decommissioning trust investments and investments in debt securities which are included in Other Special Funds and Other Investments, respectively on the regulatory-basis balance sheet. The Company has no liabilities that are measured at fair value on a recurring basis. The FASB guidance establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three levels as follows:

- Level 1 – Observable inputs that reflect quoted market prices for identical assets and liabilities in active markets. Financial assets utilizing Level 1 inputs include the NDT investments in active exchange-traded equity securities, mutual funds and U.S. Treasury securities that are in a highly liquid and active market. The Institutional Funds - International Equity investments are valued using the NAV provided by the administrator of the fund. The NAV price is quoted on a restrictive market although the underlying investments are traded on active markets and have readily determinable fair values. Accordingly, such fund values are categorized as Level 1.
- Level 2 – Inputs other than quoted market prices included in Level 1 that are observable for the asset or liability either directly or indirectly. Financial assets utilizing Level 2 inputs include the NDT investments in fixed income securities that were sold by the Company in September 2019 and reinvested in similar fixed income securities held in exchange traded funds. The fair value of these financial instruments is based on evaluated prices that reflect observable market information, such as actual trade information of similar securities, adjusted for observable differences.
- Level 3 – Unobservable inputs using data that is not corroborated by market data and primarily based on internal Company analysis using models and various other analysis. Financial assets utilizing Level 3 inputs are the Company's investment in debt securities.

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NOTES TO FINANCIAL STATEMENTS (Continued)

The securities in the NDT are valued using prices and other relevant information generated by market transactions involving identical or comparable securities. The FASB guidance identifies this valuation technique as the "market approach" with observable inputs. Prior to the sale of all the Company's fixed income securities classified as available for sale in September 2019, the Company analyzed available for sale securities to determine if losses were other than temporary.

The fair value of the NDT and investments in debt securities at December 31, 2019 and 2018, and the level within the three levels of the fair value hierarchy defined by the FASB guidance are presented in the table below (in thousands):

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

(a) Includes $148.1 million held in exchange traded funds with underlying investments in debt securities that meet the definition of equity securities with readily determinable fair values.

Description of Securities	Fair Value as of December 31, 2018	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Trading Securities:				
Investments in Debt Securities	$ 1,656	$ —	$ —	$ 1,656
Equity Securities:				
Domestic	$ 111,325	$ 111,325	$ —	$ —
International	24,540	24,540	—	—
Total Equity Securities	135,865	135,865	—	—
Available for sale:				
Federal Agency Mortgage Backed Securities	$ 30,713	$ —	$ 30,713	$ —
U.S. Government Bonds	47,607	47,607	—	—
Municipal Debt Obligations	14,089	—	14,089	—
Corporate Debt Obligations	41,773	—	41,773	—
Total Available for Sale Debt Securities	134,182	47,607	86,575	—
Cash and Cash Equivalents	6,858	6,858	—	—
Total	$ 276,905	$ 190,330	$ 86,575	$ —

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

	2019	2018
Balance at January 1	$ 1,656	$ 1,735
Net unrealized gains (losses) in fair value recognized in oncome (a)	(69)	(79)
Balance at December 31	$ 1,587	$ 1,656

(a) These amounts are reflected in the Company's regulatory-basis statement of income as other income.

There were no transfers in or out of Level 1 and Level 2 fair value measurements categories due to changes in observable inputs during the twelve months ended December 31, 2019 and 2018. There were no purchases, sales, issuances and settlements related to the assets in the Level 3 fair value measurement category during the twelve months ended December 31, 2019 and 2018.

Q. Supplemental Statements of Cash Flows Disclosures

	Years Ended December 31, 2019 (In thousands)	2018
Cash paid (refunded) for:		
Interest on long-term debt and borrowing under the revolving credit facility	$ 70,997	$ 70,016
Income tax paid (refunded), net	(1,451)	3,546
Non-cash investing and financing activities:		
Changes in accrued plant additions	2,912	1,075
Grants of restricted shares of common stock	1,393	1,039
Issuance of performance shares	2,520	1,499
Non-cash operating activities:		
Operating lease liabilities arising from obtaining ROU assets	5,550	—

R. Agreement and Plan of Merger

On June 1, 2019, the Company entered into the Merger Agreement, by and among the Company, Parent and 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, 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 IIF.

On and subject to the terms and conditions set forth in the Merger Agreement, upon the closing of the Merger, each share of common stock including outstanding and unvested restricted stock and unvested performance stock of the Company shall be cancelled and converted into the right to receive $68.25 in cash, without interest (the "Merger Consideration").

The Company, Parent and Merger Sub each have made various representations, warranties and covenants in the Merger Agreement. Among other things, the Company has agreed, subject to certain exceptions, to conduct its business in the ordinary course, consistent with past practice, from the date of the Merger Agreement until the closing of the Merger, and not to take certain actions prior to the closing of the Merger without the prior written consent of Parent (which consent shall not be unreasonably withheld, conditioned or delayed). The Company has made certain additional customary covenants, including, subject to certain exceptions: (i) to cause a meeting of the Company's shareholders to be held to consider approval of the Merger Agreement, (ii) not to solicit proposals relating to alternative business combination transactions and not to participate in discussions concerning, or furnish information in connection with, alternative business combination transactions and (iii) not to withdraw its recommendation to the Company's shareholders regarding the Merger. In addition, subject to the terms of the Merger Agreement, the Company, Parent and Merger Sub are required to use reasonable best efforts to obtain all required regulatory approvals, which will include clearance under federal antitrust laws and certain approvals by federal and state regulatory bodies, subject to certain exceptions, including that such efforts not result in a Burdensome Condition (as defined in the Merger Agreement). Parent has obtained equity and debt financing commitments for the transactions contemplated by the Merger Agreement, the aggregate proceeds of which will be sufficient to consummate the Merger and the other transactions contemplated by the Merger Agreement, including payment of the aggregate Merger Consideration.

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NOTES TO FINANCIAL STATEMENTS (Continued)

Consummation of the Merger is subject to various conditions, including (i) approval of the shareholders of the Company, (ii) expiration or termination of the applicable HSR Act waiting period, (iii) receipt of all required regulatory and statutory approvals without the imposition of a Burdensome Condition, (iv) absence of any law or order prohibiting the consummation of the Merger and (v) other customary closing conditions, including (a) subject to materiality qualifiers, the accuracy of each party's representations and warranties, (b) each party's compliance in all material respects with its obligations and covenants under the Merger Agreement and (c) the absence of a material adverse effect with respect to the Company

The Merger Agreement contains certain termination rights for both the Company and Parent, including if the Merger is not consummated by June 1, 2020 (subject to extension for an additional three months if all of the conditions to closing, other than the conditions related to obtaining regulatory approvals, have been satisfied) The Merger Agreement also provides for certain termination rights for each of the Company and Parent, and provides that, upon termination of the Merger Agreement under certain specified circumstances, Parent would be required to pay a termination fee of $170 million to the Company, and under other specified circumstances, the Company would be required to pay Parent a termination fee of $85 million

On August 2, 2019, the Company filed a definitive proxy statement with the SEC in connection with the Merger Three purported Company shareholders filed lawsuits alleging violations under the federal securities laws, two in the U S District Court for the Southern District of New York and one in the U S District Court for the District of Delaware, challenging the adequacy of the disclosures made in the Company's proxy statement in connection with the Merger as discussed in Note M of Notes to Financial Statements The lawsuit filed in the U S District Court for the District of Delaware was voluntarily dismissed on January 29, 2020, one of the lawsuits filed in the U S District Court for the Southern District of New York was dismissed for want of prosecution on March 6, 2020, and the plaintiff in the other lawsuit filed in the U S District Court for the Southern District of New York has informed the court of his intention to dismiss the case and seek a mooting fee

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 PUCT requesting approval of the Merger pursuant to the 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 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 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 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 FTC under the HSR Act, 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

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

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NOTES TO FINANCIAL STATEMENTS (Continued)

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 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

For more information regarding the terms of the Merger, including a copy of the Merger Agreement, see the Company's Current Report on Form 8-K filed with the SEC on June 3, 2019, and its definitive proxy statement relating to the special meeting of shareholders filed with the SEC on August 2, 2019

S. 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

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STATEMENTS OF ACCUMULATED COMPREHENSIVE INCOME, COMPREHENSIVE INCOME, AND HEDGING ACTIVITIES

1 Report in columns (b),(c),(d) and (e) the amounts of accumulated other comprehensive income items, on a net-of-tax basis, where appropriate
2 Report in columns (f) and (g) the amounts of other categories of other cash flow hedges
3 For each category of hedges that have been accounted for as "fair value hedges", report the accounts affected and the related amounts in a footnote
4 Report data on a year-to-date basis

Line No	Item (a)	Unrealized Gains and Losses on Available-for-Sale Securities (b)	Minimum Pension Liability adjustment (net amount) (c)	Foreign Currency Hedges (d)	Other Adjustments (e)
1	Balance of Account 219 at Beginning of Preceding Year	(534,630)			(17,789,852)
2	Preceding Qtr/Yr to Date Reclassifications from Acct 219 to Net Income	1,135,903			(2,544,470)
3	Preceding Quarter/Year to Date Changes in Fair Value	(3,350,077)			(4,588,871)
4	Total (lines 2 and 3)	(2,214,174)			(7,133,341)
5	Balance of Account 219 at End of Preceding Quarter/Year	(2,748,804)			(24,923,193)
6	Balance of Account 219 at Beginning of Current Year	(2,748,804)			(24,923,193)
7	Current Qtr/Yr to Date Reclassifications from Acct 219 to Net Income	(1,713,417)			(4,144,063)
8	Current Quarter/Year to Date Changes in Fair Value	4,867,900			(9,424,206)
9	Total (lines 7 and 8)	3,154,483			(13,568,269)
10	Balance of Account 219 at End of Current Quarter/Year	405,679			(38,491,462)

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El Paso Electric Company	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2019/Q4

STATEMENTS OF ACCUMULATED COMPREHENSIVE INCOME, COMPREHENSIVE INCOME, AND HEDGING ACTIVITIES

Line No	Other Cash Flow Hedges Interest Rate Swaps (f)	Other Cash Flow Hedges [Insert Footnote at Line 1 to specify] (g)	Totals for each category of items recorded in Account 219 (h)	Net Income (Carried Forward from Page 117, Line 78) (i)	Total Comprehensive Income (j)
1		(11,341,514)	(29,665,996)		
2		422,631	(985,936)		
3			(7,938,948)		
4		422,631	(8,924,884)	85,050,298	76,125,414
5		(10,918,883)	(38,590,880)		
6		(10,918,883)	(38,590,880)		
7		457,502	(5,399,978)		
8			(4,556,306)		
9		457,502	(9,956,284)	123,715,379	113,759,095
10		(10,461,381)	(48,547,164)		

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FOOTNOTE DATA

Schedule Page: 122(a)(b) Line No.: 1 Column: b

Effective January 1, 2018, upon adoption of ASU 2016-01, Financial Instruments-Overall, the Company no longer classifies equity securities as available for sale securities and, as a result, any changes in the fair value are recognized in net income and not in Accumulated Other Comprehensive Income ("AOCI"). Additionally, upon adoption of ASU 2016-01, the Company recorded a cumulative effect adjustment, net of income taxes, to increase retained earnings by $40.7 million with a reduction to AOCI.

Schedule Page: 122(a)(b) Line No.: 1 Column: e

In accordance with the FERC Guidance Letter related to FASB guidance for employers' accounting for defined benefit pension and other postretirement plans, this amount includes reclassification adjustments of accumulated other comprehensive income as a result of gains or losses, prior service costs or credits and transition assets or obligations related to pension and other postretirement benefit plans.

Schedule Page: 122(a)(b) Line No.: 1 Column: g

During the first quarter of 2005, the Company entered into treasury rate lock agreements to hedge against potential movements in the treasury reference interest rate pending the issuance of 6% Senior Notes. These treasury rate locks were terminated on May 11, 2005. The treasury rate lock agreements met the criteria for hedge accounting and were designated as a cash flow hedge. In accordance with cash flow hedge accounting, the Company recorded the loss associated with the fair value of the cash flow hedge of approximately $14.5 million, net of tax, as a component of accumulated other comprehensive income. In May 2005, the Company began to recognize in earnings (as additional interest expense) the accumulated other comprehensive income associated with the cash flow hedge. During the next twelve-month period, approximately $0.6 million pre-tax of this accumulated other comprehensive income item will be reclassified to interest expense.

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SUMMARY OF UTILITY PLANT AND ACCUMULATED PROVISIONS
FOR DEPRECIATION AMORTIZATION AND DEPLETION

Report in Column (c) the amount for electric function, in column (d) the amount for gas function, in column (e), (f), and (g) report other (specify) and in column (h) common function

Line No	Classification (a)	Total Company for the Current Year/Quarter Ended (b)	Electric (c)
1	Utility Plant		
2	In Service		
3	Plant in Service (Classified)	4,644,983,450	4,644,983,450
4	Property Under Capital Leases	5,549,838	5,549,838
5	Plant Purchased or Sold		
6	Completed Construction not Classified	685,366,946	685,366,946
7	Experimental Plant Unclassified		
8	Total (3 thru 7)	5,335,900,234	5,335,900,234
9	Leased to Others		
10	Held for Future Use		
11	Construction Work in Progress	157,850,999	157,850,999
12	Acquisition Adjustments		
13	Total Utility Plant (8 thru 12)	5,493,751,233	5,493,751,233
14	Accum Prov for Depr, Amort, & Depl	2,381,984,861	2,381,984,861
15	Net Utility Plant (13 less 14)	3,111,766,372	3,111,766,372
16	Detail of Accum Prov for Depr, Amort & Depl		
17	In Service		
18	Depreciation	2,312,562,773	2,312,562,773
19	Amort & Depl of Producing Nat Gas Land/Land Right		
20	Amort of Underground Storage Land/Land Rights		
21	Amort of Other Utility Plant	69,422,088	69,422,088
22	Total In Service (18 thru 21)	2,381,984,861	2,381,984,861
23	Leased to Others		
24	Depreciation		
25	Amortization and Depletion		
26	Total Leased to Others (24 & 25)		
27	Held for Future Use		
28	Depreciation		
29	Amortization		
30	Total Held for Future Use (28 & 29)		
31	Abandonment of Leases (Natural Gas)		
32	Amort of Plant Acquisition Adj		
33	Total Accum Prov (equals 14) (22,26,30,31,32)	2,381,984,861	2,381,984,861

Name of Respondent	This Report Is	Date of Report (Mo, Da, Yr)	Year/Period of Report
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SUMMARY OF UTILITY PLANT AND ACCUMULATED PROVISIONS
FOR DEPRECIATION AMORTIZATION AND DEPLETION

Gas (d)	Other (Specify) (e)	Other (Specify) (f)	Other (Specify) (g)	Common (h)	Line No
					1
					2
					3
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NUCLEAR FUEL MATERIALS (Account 120 1 through 120 6 and 157)

1 Report below the costs incurred for nuclear fuel materials in process of fabrication, on hand, in reactor, and in cooling, owned by the respondent
2 If the nuclear fuel stock is obtained under leasing arrangements, attach a statement showing the amount of nuclear fuel leased, the quantity used and quantity on hand, and the costs incurred under such leasing arrangements

Line No	Description of item (a)	Balance Beginning of Year (b)	Changes during Year Additions (c)
1	Nuclear Fuel in process of Refinement, Conv, Enrichment & Fab (120 1)		
2	Fabrication		
3	Nuclear Materials		
4	Allowance for Funds Used during Construction		
5	(Other Overhead Construction Costs, provide details in footnote)		
6	SUBTOTAL (Total 2 thru 5)		
7	Nuclear Fuel Materials and Assemblies		
8	In Stock (120 2)		
9	In Reactor (120 3)		
10	SUBTOTAL (Total 8 & 9)		
11	Spent Nuclear Fuel (120 4)		
12	Nuclear Fuel Under Capital Leases (120 6)	199,843,869	38,452,795
13	(Less) Accum Prov for Amortization of Nuclear Fuel Assem (120 5)	73,742,663	-1,973,235
14	TOTAL Nuclear Fuel Stock (Total 6, 10, 11, 12, less 13)	126,101,206	
15	Estimated net Salvage Value of Nuclear Materials in line 9		
16	Estimated net Salvage Value of Nuclear Materials in line 11		
17	Est Net Salvage Value of Nuclear Materials in Chemical Processing		
18	Nuclear Materials held for Sale (157)		
19	Uranium		
20	Plutonium		
21	Other (provide details in footnote)		
22	TOTAL Nuclear Materials held for Sale (Total 19, 20, and 21)		

Name of Respondent	This Report Is	Date of Report (Mo, Da, Yr)	Year/Period of Report
El Paso Electric Company	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2019/Q4

NUCLEAR FUEL MATERIALS (Account 120 1 through 120 6 and 157)

Changes during Year: Amortization (d)	Changes during Year: Other Reductions (Explain in a footnote) (e)	Balance End of Year (f)	Line No
			1
			2
			3
			4
			5
			6
			7
			8
			9
			10
			11
	38,625,512	199,671,152	12
-39,634,449	38,625,512	72,778,365	13
		126,892,787	14
			15
			16
			17
			18
			19
			20
			21
			22

Name of Respondent	This Report is	Date of Report	Year/Period of Report
El Paso Electric Company	(1) X An Original (2) __ A Resubmission	(Mo, Da, Yr) / /	2019/Q4

FOOTNOTE DATA

Schedule Page: 202 Line No.: 12 Column: c

During 2019, the Company capitalized approximately $6.0 million of costs, including interest on RGRT borrowings, accrued interest on the RGRT Senior Notes and other fees, in connection with the financing of nuclear fuel through the RGRT. Information on quantities of nuclear fuel materials is not available.

Schedule Page: 202 Line No.: 12 Column: e

Retirement of fully amortized nuclear fuel in connection with the 2019 reloads for Palo Verde Units 1 and 3.

Schedule Page: 202 Line No.: 13 Column: c

Dry cask storage costs allocated to Palo Verde Units 1, 2 and 3.

Schedule Page: 202 Line No.: 13 Column: e

Retirement of fully amortized nuclear fuel in connection with the 2019 reloads for Palo Verde Units 1 and 3.

Schedule Page: 202 Line No.: 14 Column: f

All of the Company's nuclear fuel financing is accomplished through the RGRT that has amounts borrowed through the isuance of senior notes and borrowings under a revolving credit facility. The assets and liabilities of the RGRT are reported on the Company's regulatory basis balance sheet. The total amount borrowed for nuclear fuel by the RGRT at December 31, 2019 was $141.7 million of which $31.7 million had been borrowed under the revolving credit facility, and $110 million was borrowed through senior notes.

Name of Respondent	This Report Is	Date of Report (Mo, Da, Yr)	Year/Period of Report
El Paso Electric Company	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2019/Q4

ELECTRIC PLANT IN SERVICE (Account 101, 102, 103 and 106)

1 Report below the original cost of electric plant in service according to the prescribed accounts
2 In addition to Account 101, Electric Plant in Service (Classified), this page and the next include Account 102, Electric Plant Purchased or Sold, Account 103, Experimental Electric Plant Unclassified, and Account 106, Completed Construction Not Classified-Electric
3 Include in column (c) or (d), as appropriate, corrections of additions and retirements for the current or preceding year
4 For revisions to the amount of initial asset retirement costs capitalized, included by primary plant account, increases in column (c) additions and reductions in column (e) adjustments
5 Enclose in parentheses credit adjustments of plant accounts to indicate the negative effect of such accounts
6 Classify Account 106 according to prescribed accounts, on an estimated basis if necessary, and include the entries in column (c) Also to be included in column (c) are entries for reversals of tentative distributions of prior year reported in column (b) Likewise, if the respondent has a significant amount of plant retirements which have not been classified to primary accounts at the end of the year, include in column (d) a tentative distribution of such retirements, on an estimated basis, with appropriate contra entry to the account for accumulated depreciation provision Include also in column (d)

Line No	Account (a)	Balance Beginning of Year (b)	Additions (c)
1	1 INTANGIBLE PLANT		
2	(301) Organization		
3	(302) Franchises and Consents		
4	(303) Miscellaneous Intangible Plant	154,196,377	14,635,177
5	TOTAL Intangible Plant (Enter Total of lines 2, 3, and 4)	154,196,377	14,635,177
6	2 PRODUCTION PLANT		
7	A Steam Production Plant		
8	(310) Land and Land Rights	282,846	
9	(311) Structures and Improvements	70,855,631	3,839,462
10	(312) Boiler Plant Equipment	165,842,446	6,181,230
11	(313) Engines and Engine-Driven Generators	65,828,317	7,711,931
12	(314) Turbogenerator Units	150,473,627	2,315,129
13	(315) Accessory Electric Equipment	35,323,721	7,545,478
14	(316) Misc Power Plant Equipment	53,046,721	694,317
15	(317) Asset Retirement Costs for Steam Production	-248,487	
16	TOTAL Steam Production Plant (Enter Total of lines 8 thru 15)	541,404,822	28,287,547
17	B Nuclear Production Plant		
18	(320) Land and Land Rights	2,356,152	-8,438
19	(321) Structures and Improvements	540,606,126	8,244,440
20	(322) Reactor Plant Equipment	784,058,493	3,218,639
21	(323) Turbogenerator Units	256,692,144	16,786,009
22	(324) Accessory Electric Equipment	179,490,955	4,524,259
23	(325) Misc Power Plant Equipment	134,282,483	3,774,403
24	(326) Asset Retirement Costs for Nuclear Production	-38,768,493	
25	TOTAL Nuclear Production Plant (Enter Total of lines 18 thru 24)	1,858,717,860	36,539,312
26	C Hydraulic Production Plant		
27	(330) Land and Land Rights		
28	(331) Structures and Improvements		
29	(332) Reservoirs, Dams, and Waterways		
30	(333) Water Wheels, Turbines, and Generators		
31	(334) Accessory Electric Equipment		
32	(335) Misc Power PLant Equipment		
33	(336) Roads, Railroads, and Bridges		
34	(337) Asset Retirement Costs for Hydraulic Production		
35	TOTAL Hydraulic Production Plant (Enter Total of lines 27 thru 34)		
36	D Other Production Plant		
37	(340) Land and Land Rights	2,607,376	145,946
38	(341) Structures and Improvements	100,743,768	-56,708,222
39	(342) Fuel Holders, Products, and Accessories	19,429,461	5,728,436
40	(343) Prime Movers	314,615,534	57,379,414
41	(344) Generators	57,690,419	-494,556
42	(345) Accessory Electric Equipment	28,146,495	4,676,221
43	(346) Misc Power Plant Equipment	7,080,649	-191,486
44	(347) Asset Retirement Costs for Other Production	255,881	
45	TOTAL Other Prod Plant (Enter Total of lines 37 thru 44)	530,569,583	10,535,753
46	TOTAL Prod Plant (Enter Total of lines 16, 25, 35, and 45)	2,930,692,265	75,362,612

Name of Respondent	This Report Is	Date of Report (Mo, Da, Yr)	Year/Period of Report
El Paso Electric Company	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2019/Q4

ELECTRIC PLANT IN SERVICE (Account 101, 102, 103 and 106) (Continued)

distributions of these tentative classifications in columns (c) and (d), including the reversals of the prior years tentative account distributions of these amounts Careful observance of the above instructions and the texts of Accounts 101 and 106 will avoid serious omissions of the reported amount of respondent's plant actually in service at end of year

7 Show in column (f) reclassifications or transfers within utility plant accounts Include also in column (f) the additions or reductions of primary account classifications arising from distribution of amounts initially recorded in Account 102, include in column (e) the amounts with respect to accumulated provision for depreciation, acquisition adjustments, etc , and show in column (f) only the offset to the debits or credits distributed in column (f) to primary account classifications

8 For Account 399, state the nature and use of plant included in this account and if substantial in amount submit a supplementary statement showing subaccount classification of such plant conforming to the requirement of these pages

9 For each amount comprising the reported balance and changes in Account 102, state the property purchased or sold, name of vendor or purchase, and date of transaction If proposed journal entries have been filed with the Commission as required by the Uniform System of Accounts, give also date

Retirements (d)	Adjustments (e)	Transfers (f)	Balance at End of Year (g)		Line No
					1
					2
					3
91,326			168,740,228		4
91,326			168,740,228		5
					6
					7
			282,846		8
1,305,689			73,389,404		9
675,563			171,348,113		10
			73,540,248		11
324,140			152,464,616		12
752,156			42,117,043		13
			53,741,038		14
			-248,487		15
3,057,548			566,634,821		16
					17
			2,347,714		18
2,396,567			546,453,999		19
1,312,456		-194,269	785,770,407		20
2,869,116		134,046	270,743,083		21
488,785		60,223	183,586,652		22
312,889			137,743,997		23
			-38,768,493		24
7,379,813			1,887,877,359		25
					26
					27
					28
					29
					30
					31
					32
					33
					34
					35
					36
			2,753,322		37
			44,035,546		38
			25,157,897		39
203,794			371,791,154		40
109,363			57,086,500		41
			32,822,716		42
			6,889,163		43
			255,881		44
313,157			540,792,179		45
10,750,518			2,995,304,359		46

Name of Respondent	This Report Is	Date of Report (Mo, Da, Yr)	Year/Period of Report
El Paso Electric Company	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2019/Q4

ELECTRIC PLANT IN SERVICE (Account 101, 102, 103 and 106) (Continued)

Line No	Account (a)	Balance Beginning of Year (b)	Additions (c)
47	3 TRANSMISSION PLANT		
48	(350) Land and Land Rights	32,041,773	5,976,230
49	(352) Structures and Improvements	11,798,783	664,659
50	(353) Station Equipment	200,666,584	1,975,079
51	(354) Towers and Fixtures	31,656,702	
52	(355) Poles and Fixtures	153,530,633	10,089,154
53	(356) Overhead Conductors and Devices	97,757,225	856,287
54	(357) Underground Conduit		
55	(358) Underground Conductors and Devices		
56	(359) Roads and Trails	2,492,657	1,080,695
57	(359 1) Asset Retirement Costs for Transmission Plant		
58	TOTAL Transmission Plant (Enter Total of lines 48 thru 57)	529,944,357	20,642,104
59	4 DISTRIBUTION PLANT		
60	(360) Land and Land Rights	7,336,861	2,295,433
61	(361) Structures and Improvements	16,868,594	4,919,962
62	(362) Station Equipment	239,049,355	48,573,423
63	(363) Storage Battery Equipment		
64	(364) Poles, Towers, and Fixtures	174,814,022	10,362,656
65	(365) Overhead Conductors and Devices	108,078,596	9,712,207
66	(366) Underground Conduit	134,277,838	7,552,465
67	(367) Underground Conductors and Devices	158,330,082	9,561,538
68	(368) Line Transformers	272,225,307	12,923,816
69	(369) Services	53,129,381	3,168,375
70	(370) Meters	57,340,933	3,669,322
71	(371) Installations on Customer Premises	13,809,360	448,253
72	(372) Leased Property on Customer Premises		
73	(373) Street Lighting and Signal Systems	11,628,873	130,939
74	(374) Asset Retirement Costs for Distribution Plant		
75	TOTAL Distribution Plant (Enter Total of lines 60 thru 74)	1,246,889,202	113,318,389
76	5 REGIONAL TRANSMISSION AND MARKET OPERATION PLANT		
77	(380) Land and Land Rights		
78	(381) Structures and Improvements		
79	(382) Computer Hardware		
80	(383) Computer Software		
81	(384) Communication Equipment		
82	(385) Miscellaneous Regional Transmission and Market Operation Plant		
83	(386) Asset Retirement Costs for Regional Transmission and Market Oper		
84	TOTAL Transmission and Market Operation Plant (Total lines 77 thru 83)		
85	6 GENERAL PLANT		
86	(389) Land and Land Rights	1,685,156	
87	(390) Structures and Improvements	110,967,802	3,544,305
88	(391) Office Furniture and Equipment	32,882,925	4,273,810
89	(392) Transportation Equipment	47,705,317	6,192,235
90	(393) Stores Equipment	53,347	8,703
91	(394) Tools, Shop and Garage Equipment	5,903,429	1,065,601
92	(395) Laboratory Equipment	4,685,622	581,209
93	(396) Power Operated Equipment	8,816,888	223,410
94	(397) Communication Equipment	34,234,046	1,586,591
95	(398) Miscellaneous Equipment	4,195,990	400,015
96	SUBTOTAL (Enter Total of lines 86 thru 95)	251,130,522	17,875,879
97	(399) Other Tangible Property		
98	(399 1) Asset Retirement Costs for General Plant	87,400	
99	TOTAL General Plant (Enter Total of lines 96, 97 and 98)	251,217,922	17,875,879
100	TOTAL (Accounts 101 and 106)	5,112,940,123	241,834,161
101	(102) Electric Plant Purchased (See Instr 8)		
102	(Less) (102) Electric Plant Sold (See Instr 8)		
103	(103) Experimental Plant Unclassified		
104	TOTAL Electric Plant in Service (Enter Total of lines 100 thru 103)	5,112,940,123	241,834,161

Name of Respondent	This Report Is	Date of Report (Mo, Da, Yr)	Year/Period of Report
El Paso Electric Company	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2019/Q4

ELECTRIC PLANT IN SERVICE (Account 101, 102, 103 and 106) (Continued)

Retirements (d)	Adjustments (e)	Transfers (f)	Balance at End of Year (g)		Line No
					47
			38,018,003		48
			12,463,442		49
31,705			202,609,958		50
			31,656,702		51
135,254			163,484,533		52
89,344			98,524,168		53
					54
					55
			3,573,352		56
					57
256,303			550,330,158		58
					59
			9,632,294		60
			21,788,556		61
			287,622,778		62
					63
959,455			184,217,223		64
754,506			117,036,297		65
4			141,830,299		66
1,094,576			166,797,044		67
1,540,223			283,608,900		68
304			56,297,452		69
			61,010,255		70
159,033			14,098,580		71
					72
8,805			11,751,007		73
					74
4,516,906			1,355,690,685		75
					76
					77
					78
					79
					80
					81
					82
					83
					84
					85
			1,685,156		86
			114,512,107		87
5,108,099			32,048,636		88
2,579,610			51,317,942		89
			62,050		90
104,825			6,864,205		91
40,701			5,226,130		92
7,200			9,033,098		93
957,325			34,863,312		94
11,075			4,584,930		95
8,808,835			260,197,566		96
					97
			87,400		98
8,808,835			260,284,966		99
24,423,888			5,330,350,396		100
					101
					102
					103
24,423,888			5,330,350,396		104

Name of Respondent	This Report is	Date of Report (Mo, Da, Yr)	Year/Period of Report
El Paso Electric Company	(1) X An Original (2) __ A Resubmission	/ /	2019/Q4

FOOTNOTE DATA

Schedule Page: 204 Line No.: 104 Column: g

Total Electric Plant in Service excludes Property Under Capital Lease of $5,549,838.

Name of Respondent	This Report Is	Date of Report (Mo, Da, Yr)	Year/Period of Report
El Paso Electric Company	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2019/Q4

CONSTRUCTION WORK IN PROGRESS - - ELECTRIC (Account 107)

1 Report below descriptions and balances at end of year of projects in process of construction (107)
2 Show items relating to "research, development, and demonstration" projects last, under a caption Research, Development, and Demonstrating (see Account 107 of the Uniform System of Accounts)
3 Minor projects (5% of the Balance End of the Year for Account 107 or $1,000,000, whichever is less) may be grouped

Line No	Description of Project (a)	Construction work in progress - Electric (Account 107) (b)
1	PALO VERDE CAPITAL IMPROVEMENTS	42,429,058
2	RIO GRANDE TO SUNSET TRANSMISSION LINE REBUILD	14,898,034
3	EXECUTIVE SUBSTATION AND CENTRAL 1 TEMPORARY SUBSTATION	10,224,726
4	NEWMAN UNIT 6 GAS TURBINE	6,337,031
5	DISTRIBUTION COMMERCIAL CONSTRUCTION - TEXAS	5,055,191
6	AFTON TO AIRPORT TRANSMISSION LINE	3,374,676
7	DISTRIBUTION BETTERMENT - TEXAS	3,111,240
8	TRIUMPH DISTRIBUTION SUBSTATION	2,773,961
9	GENERATION OPERATIONS COMPUTERIZED MAINTENANCE MANAGEMENT SYSTEM	2,619,111
10	MONTANA POWER STATION WAREHOUSE AND ACCESS ROAD	2,442,226
11	MONTANA POWER STATION BLACK START GENERATORS	2,359,617
12	DISTRIBUTION RESIDENTIAL CONSTRUCTION - TEXAS	2,329,021
13	MONTANA POWER STATION UNIT 4 HOT SECTION/COMBUSTOR SPARE ENGINE	2,287,434
14	CRITICAL INFRASTRUCTURE PROTECTION PHYSICAL SECURITY	2,145,242
15	AFTON NORTH SUBSTATION	2,053,183
16	NEWMAN UNIT 4 GAS TURBINE REPLACEMENT COMPONENTS	2,009,997
17	NEW MOONGATE DISTRIBUTION SUBSTATION	1,981,897
18	NEWMAN CAPITAL IMPROVEMENTS	1,712,891
19	COPPER STATION HOT GAS PATH REPLACEMENT COMPONENTS	1,619,973
20	NEWMAN UNIT 5 GAS TURBINE 4 WET COMPRESSION UPGRADE	1,607,166
21	SUNSET UNDERGROUND BREAKERS UPGRADE	1,547,535
22	MOONGATE-JORNADA NEW TRANSMISSION LINE	1,338,724
23	NEW JORNADA FEEDER DISTRIBUTION SUBSTATION	1,130,956
24	TEXAS DEPARTMENT OF TRANSPORTATION PHASE 2 LOOP 375 TRANSMISSION LINES STRUCTURE	1,126,276
25	PICANTE TRANSMISSION SUBSTATION 345KV REACTOR ADDITION	1,117,721
26	DALLAS SUBSTATION TRANSFORMER REPLACEMENT	1,090,717
27	SECONDARY NETWORK DISTRIBUTION SYSTEM UPGRADE PROJECT	1,086,753
28	MINOR PROJECTS	36,040,642
29		
30		
31		
32		
33		
34		
35		
36		
37		
38		
39		
40		
41		
42		
43	TOTAL	157,850,999

Name of Respondent	This Report Is	Date of Report (Mo, Da, Yr)	Year/Period of Report
El Paso Electric Company	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2019/Q4

ACCUMULATED PROVISION FOR DEPRECIATION OF ELECTRIC UTILITY PLANT (Account 108)

1 Explain in a footnote any important adjustments during year
2 Explain in a footnote any difference between the amount for book cost of plant retired, Line 11, column (c), and that reported for electric plant in service, pages 204-207, column 9d), excluding retirements of non-depreciable property
3 The provisions of Account 108 in the Uniform System of accounts require that retirements of depreciable plant be recorded when such plant is removed from service If the respondent has a significant amount of plant retired at year end which has not been recorded and/or classified to the various reserve functional classifications, make preliminary closing entries to tentatively functionalize the book cost of the plant retired In addition, include all costs included in retirement work in progress at year end in the appropriate functional classifications
4 Show separately interest credits under a sinking fund or similar method of depreciation accounting

Section A Balances and Changes During Year

Line No	Item (a)	Total (c+d+e) (b)	Electric Plant in Service (c)	Electric Plant Held for Future Use (d)	Electric Plant Leased to Others (e)
1	Balance Beginning of Year	2,251,426,740	2,251,426,740		
2	Depreciation Provisions for Year, Charged to				
3	(403) Depreciation Expense	93,956,078	93,956,078		
4	(403 1) Depreciation Expense for Asset Retirement Costs	-1,327,583	-1,327,583		
5	(413) Exp of Elec Plt Leas to Others				
6	Transportation Expenses-Clearing	1,739,650	1,739,650		
7	Other Clearing Accounts				
8	Other Accounts (Specify, details in footnote)				
9					
10	TOTAL Deprec Prov for Year (Enter Total of lines 3 thru 9)	94,368,145	94,368,145		
11	Net Charges for Plant Retired				
12	Book Cost of Plant Retired	24,423,887	24,423,887		
13	Cost of Removal	10,246,454	10,246,454		
14	Salvage (Credit)	1,438,229	1,438,229		
15	TOTAL Net Chrgs for Plant Ret (Enter Total of lines 12 thru 14)	33,232,112	33,232,112		
16	Other Debit or Cr Items (Describe, details in footnote)				
17					
18	Book Cost or Asset Retirement Costs Retired				
19	Balance End of Year (Enter Totals of lines 1, 10, 15, 16, and 18)	2,312,562,773	2,312,562,773		
	Section B Balances at End of Year According to Functional Classification				
20	Steam Production	254,529,057	254,529,057		
21	Nuclear Production	1,275,339,005	1,275,339,005		
22	Hydraulic Production-Conventional				
23	Hydraulic Production-Pumped Storage				
24	Other Production	64,717,734	64,717,734		
25	Transmission	238,445,220	238,445,220		
26	Distribution	394,919,970	394,919,970		
27	Regional Transmission and Market Operation				
28	General	84,611,787	84,611,787		
29	TOTAL (Enter Total of lines 20 thru 28)	2,312,562,773	2,312,562,773		

Name of Respondent	This Report Is	Date of Report (Mo, Da, Yr)	Year/Period of Report
El Paso Electric Company	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2019/Q4

MATERIALS AND SUPPLIES

1 For Account 154, report the amount of plant materials and operating supplies under the primary functional classifications as indicated in column (a), estimates of amounts by function are acceptable In column (d), designate the department or departments which use the class of material
2 Give an explanation of important inventory adjustments during the year (in a footnote) showing general classes of material and supplies and the various accounts (operating expenses, clearing accounts, plant, etc) affected debited or credited Show separately debit or credits to stores expense clearing, if applicable

Line No	Account (a)	Balance Beginning of Year (b)	Balance End of Year (c)	Department or Departments which Use Material (d)
1	Fuel Stock (Account 151)	2,063,056	1,900,338	Production
2	Fuel Stock Expenses Undistributed (Account 152)			
3	Residuals and Extracted Products (Account 153)			
4	Plant Materials and Operating Supplies (Account 154)			
5	Assigned to - Construction (Estimated)			
6	Assigned to - Operations and Maintenance			
7	Production Plant (Estimated)	37,182,698	39,483,808	Production
8	Transmission Plant (Estimated)	7,271,859	8,648,655	Transmission
9	Distribution Plant (Estimated)	5,960,271	7,687,769	Distribution
10	Regional Transmission and Market Operation Plant (Estimated)			
11	Assigned to - Other (provide details in footnote)	2,888,273	3,094,244	Various
12	TOTAL Account 154 (Enter Total of lines 5 thru 11)	53,303,101	58,914,476	
13	Merchandise (Account 155)			
14	Other Materials and Supplies (Account 156)			
15	Nuclear Materials Held for Sale (Account 157) (Not applic to Gas Util)			
16	Stores Expense Undistributed (Account 163)	8,692	1,145	
17				
18				
19				
20	TOTAL Materials and Supplies (Per Balance Sheet)	55,374,849	60,815,959	

Name of Respondent	This Report is	Date of Report (Mo, Da, Yr)	Year/Period of Report
El Paso Electric Company	(1) X An Original (2) __ A Resubmission	/ /	2019/Q4

FOOTNOTE DATA

Schedule Page: 227 Line No.: 11 Column: b

Consists primarily of items used in the field and includes conduit, underground rubber goods, lighting and safety supplies and tools.

Schedule Page: 227 Line No.: 11 Column: c

Consists primarily of items used in the field and includes conduit, underground rubber goods, lighting and safety supplies and tools.

Name of Respondent	This Report Is	Date of Report (Mo, Da, Yr)	Year/Period of Report
El Paso Electric Company	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2019/Q4

Allowances (Accounts 158 1 and 158 2)

1 Report below the particulars (details) called for concerning allowances
2 Report all acquisitions of allowances at cost
3 Report allowances in accordance with a weighted average cost allocation method and other accounting as prescribed by General Instruction No 21 in the Uniform System of Accounts
4 Report the allowances transactions by the period they are first eligible for use the current year's allowances in columns (b)-(c), allowances for the three succeeding years in columns (d)-(i), starting with the following year, and allowances for the remaining succeeding years in columns (j)-(k)
5 Report on line 4 the Environmental Protection Agency (EPA) issued allowances Report withheld portions Lines 36-40

Line No	SO2 Allowances Inventory (Account 158 1) (a)	Current Year		2020	
		No (b)	Amt (c)	No (d)	Amt (e)
1	Balance-Beginning of Year	14,286 00		363 00	
2					
3	Acquired During Year				
4	Issued (Less Withheld Allow)	4 00			
5	Returned by EPA				
6					
7					
8	Purchases/Transfers				
9	Evolution Markets				
10					
11					
12					
13					
14					
15	Total				
16					
17	Relinquished During Year				
18	Charges to Account 509	15 00			
19	Other				
20					
21	Cost of Sales/Transfers				
22					
23					
24					
25					
26					
27					
28	Total				
29	Balance-End of Year	14,275 00		363 00	
30					
31	Sales				
32	Net Sales Proceeds(Assoc Co)				
33	Net Sales Proceeds (Other)				
34	Gains				
35	Losses				
	Allowances Withheld (Acct 158 2)				
36	Balance-Beginning of Year				
37	Add Withheld by EPA				
38	Deduct Returned by EPA				
39	Cost of Sales				
40	Balance-End of Year				
41					
42	Sales				
43	Net Sales Proceeds (Assoc Co)				
44	Net Sales Proceeds (Other)				
45	Gains				
46	Losses				

Name of Respondent	This Report Is	Date of Report (Mo, Da, Yr)	Year/Period of Report
El Paso Electric Company	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2019/Q4

Allowances (Accounts 158 1 and 158 2) (Continued)

6 Report on Lines 5 allowances returned by the EPA Report on Line 39 the EPA's sales of the withheld allowances Report on Lines 43-46 the net sales proceeds and gains/losses resulting from the EPA's sale or auction of the withheld allowances
7 Report on Lines 8-14 the names of vendors/transferors of allowances acquire and identify associated companies (See "associated company" under "Definitions" in the Uniform System of Accounts)
8 Report on Lines 22 - 27 the name of purchasers/ transferees of allowances disposed of an identify associated companies
9 Report the net costs and benefits of hedging transactions on a separate line under purchases/transfers and sales/transfers
10 Report on Lines 32-35 and 43-46 the net sales proceeds and gains or losses from allowance sales

2021 No (f)	2021 Amt (g)	2022 No (h)	2022 Amt (i)	Future Years No (j)	Future Years Amt (k)	Totals No (l)	Totals Amt (m)	Line No
363 00		363 00		9,697 00		25,072 00		1
								2
								3
						4 00		4
								5
								6
								7
								8
								9
								10
								11
								12
								13
								14
								15
								16
								17
						15 00		18
								19
								20
								21
								22
								23
								24
								25
								26
								27
								28
363 00		363 00		9,697 00		25,061 00		29
								30
								31
								32
								33
								34
								35
								36
								37
								38
								39
								40
								41
								42
								43
								44
								45
								46

Name of Respondent El Paso Electric Company	This Report is (1) X An Original (2) __ A Resubmission	Date of Report (Mo, Da, Yr) / /	Year/Period of Report 2019/Q4

FOOTNOTE DATA

Schedule Page: 228 Line No.: 1 Column: b

The Balance-Beginning of the Year 2019 reflects allowances from the Acid Rain Program ("ARP") accounts for the Newman , Montana, and Rio Grande Generating Stations.

Schedule Page: 228 Line No.: 1 Column: d

Represents allowances allocated to the Company by the EPA based on our current electric generation and the current regulatory framework. There were no new allocations made under CSAPR for years 2017 and beyond.

Schedule Page: 228 Line No.: 1 Column: f

Represents allowances allocated to the Company by the EPA based on our current electric generation and the current regulatory framework. There were no new allocations made under CSAPR for years 2017 and beyond.

Schedule Page: 228 Line No.: 1 Column: h

Represents allowances allocated to the Company by the EPA based on our current electric generation and the current regulatory framework. There were no new allocations made under CSAPR for years 2017 and beyond.

Schedule Page: 228 Line No.: 1 Column: j

Represents allowances allocated to the Company by the EPA based on our current electric generation and the current regulatory framework. Allowances for future years include allowances for each year beginning in 2023 through 2049. There were no new allocations made under CSAPR for years 2017 and beyond.

Schedule Page: 228 Line No.: 1 Column: l

Represents allowances banked by the Company through December 31, 2019.

Schedule Page: 228 Line No.: 1 Column: m

The Company has not purchased any allowances; however, at December 31, 2019 SO2 allowances were trading at approximately $0.50 per ton (allowance) under the Acid Rain program.

Schedule Page: 228 Line No.: 4 Column: b

Represents the 4 Texas SO2 program allowances allocated in 2019.

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El Paso Electric Company	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2019/Q4

Allowances (Accounts 158 1 and 158 2)

1 Report below the particulars (details) called for concerning allowances
2 Report all acquisitions of allowances at cost
3 Report allowances in accordance with a weighted average cost allocation method and other accounting as prescribed by General Instruction No 21 in the Uniform System of Accounts
4 Report the allowances transactions by the period they are first eligible for use the current year's allowances in columns (b)-(c), allowances for the three succeeding years in columns (d)-(i), starting with the following year, and allowances for the remaining succeeding years in columns (j)-(k)
5 Report on line 4 the Environmental Protection Agency (EPA) issued allowances Report withheld portions Lines 36-40

Line No	NOx Allowances Inventory (Account 158 1) (a)	Current Year No (b)	Current Year Amt (c)	2020 No (d)	2020 Amt (e)
1	Balance-Beginning of Year	252 00	56,642	520 00	
2					
3	Acquired During Year				
4	Issued (Less Withheld Allow)	550 00			
5	Returned by EPA				
6					
7					
8	Purchases/Transfers				
9	Evolution Markets	450 00	40,500		
10					
11					
12					
13					
14					
15	Total	450 00	40,500		
16					
17	Relinquished During Year				
18	Charges to Account 509	1,048 00	41,058		
19	Other				
20					
21	Cost of Sales/Transfers				
22					
23					
24					
25					
26					
27					
28	Total				
29	Balance-End of Year	204 00	56,084	520 00	
30					
31	Sales				
32	Net Sales Proceeds(Assoc Co)				
33	Net Sales Proceeds (Other)				
34	Gains				
35	Losses				
	Allowances Withheld (Acct 158 2)				
36	Balance-Beginning of Year				
37	Add Withheld by EPA				
38	Deduct Returned by EPA				
39	Cost of Sales				
40	Balance-End of Year				
41					
42	Sales				
43	Net Sales Proceeds (Assoc Co)				
44	Net Sales Proceeds (Other)				
45	Gains				
46	Losses				

Name of Respondent	This Report Is	Date of Report (Mo, Da, Yr)	Year/Period of Report
El Paso Electric Company	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2019/Q4

Allowances (Accounts 158 1 and 158 2) (Continued)

6 Report on Lines 5 allowances returned by the EPA Report on Line 39 the EPA's sales of the withheld allowances Report on Lines 43-46 the net sales proceeds and gains/losses resulting from the EPA's sale or auction of the withheld allowances
7 Report on Lines 8-14 the names of vendors/transferors of allowances acquire and identify associated companies (See "associated company" under "Definitions" in the Uniform System of Accounts)
8 Report on Lines 22 - 27 the name of purchasers/ transferees of allowances disposed of an identify associated companies
9 Report the net costs and benefits of hedging transactions on a separate line under purchases/transfers and sales/transfers
10 Report on Lines 32-35 and 43-46 the net sales proceeds and gains or losses from allowance sales

2021 No (f)	2021 Amt (g)	2022 No (h)	2022 Amt (i)	Future Years No (j)	Future Years Amt (k)	Totals No (l)	Totals Amt (m)	Line No
520 00		520 00				1,812 00	56,642	1
								2
								3
						550 00		4
								5
								6
								7
								8
						450 00	40,500	9
								10
								11
								12
								13
								14
						450 00	40,500	15
								16
								17
						1,048 00	41,058	18
								19
								20
								21
								22
								23
								24
								25
								26
								27
								28
520 00		520 00				1,764 00	56,084	29
								30
								31
								32
								33
								34
								35
								36
								37
								38
								39
								40
								41
								42
								43
								44
								45
								46

Name of Respondent	This Report is	Date of Report	Year/Period of Report
El Paso Electric Company	(1) X An Original (2) __ A Resubmission	(Mo, Da, Yr) / /	2019/Q4

FOOTNOTE DATA

Schedule Page: 229 Line No.: 1 Column: b

All entries to this form correspond to the Company's allowances under CSAPR Nox Ozone Season Group 2. Effective September 29, 2017 for the 2017 control period and subsequent years, the Company is no longer a participant in CSAPR Nox annual or Ozone Season Group 1 programs.

Schedule Page: 229 Line No.: 4 Column: b

Represents Nox allowances allocated annually for Nox CSAPR ozone season Group 2 and any New Unit Set Aside allowances allocated through 12/31/2019 .

Schedule Page: 229 Line No.: 9 Column: b

Includes the Nox allowances purchased for the 2019 compliance year.

Schedule Page: 229 Line No.: 9 Column: c

Includes the Nox allowances purchased for the 2019 compliance year.

Name of Respondent	This Report Is	Date of Report (Mo, Da, Yr)	Year/Period of Report
El Paso Electric Company	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2019/Q4

Transmission Service and Generation Interconnection Study Costs

1 Report the particulars (details) called for concerning the costs incurred and the reimbursements received for performing transmission service and generator interconnection studies
2 List each study separately
3 In column (a) provide the name of the study
4 In column (b) report the cost incurred to perform the study at the end of period
5 In column (c) report the account charged with the cost of the study
6 In column (d) report the amounts received for reimbursement of the study costs at end of period
7 In column (e) report the account credited with the reimbursement received for performing the study

Line No	Description (a)	Costs Incurred During Period (b)	Account Charged (c)	Reimbursements Received During the Period (d)	Account Credited With Reimbursement (e)
1	**Transmission Studies**				
2	TSR 88624350	42,739	186-000	(42,739)	186-000
3	TSR 87952110	89,378	186-000	(89,378)	186-000
4	TSR 86504365	2,597	186-000	(2,597)	186-000
5	TSR 87791567	5,190	186-000	(5,190)	186-000
6					
7					
8					
9					
10					
11					
12					
13					
14					
15					
16					
17					
18					
19					
20					
21	**Generation Studies**				
22	Spring 2019 Cluster Study	65,839	186-000	(65,839)	186-000
23	EC500W	109,028	186-000	(109,028)	186-000
24	Fall 2017 Cluster Study	142,040	186-000	(142,040)	186-000
25	Spring 2018 Cluster Study	60,000	186-000	(60,000)	186-000
26	H252W	31,446	186-000	(31,446)	186-000
27					
28					
29					
30					
31					
32					
33					
34					
35					
36					
37					
38					
39					
40					

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
El Paso Electric Company	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2019/Q4

OTHER REGULATORY ASSETS (Account 182.3)

1. Report below the particulars (details) called for concerning other regulatory assets, including rate order docket number, if applicable.
2. Minor items (5% of the Balance in Account 182.3 at end of period, or amounts less than $100,000 which ever is less), may be grouped by classes.
3. For Regulatory Assets being amortized, show period of amortization.

Line No.	Description and Purpose of Other Regulatory Assets (a)	Balance at Beginning of Current Quarter/Year (b)	Debits (c)	CREDITS Written off During the Quarter /Year Account Charged (d)	CREDITS Written off During the Period Amount (e)	Balance at end of Current Quarter/Year (f)
1	Taxes - Regulatory Assets	54,521,034	2,095,180	Various	4,496,899	52,119,315
2						
3	Rio Grande Resources Trust:					
4	Nuclear Fuel Postload Daily Finance Charge	4,031,067	3,352,075	518	2,833,257	4,549,885
5						
6	Coal Reclamation	4,065,144		501	660,532	3,404,612
7						
8	Four Corners Decommissioning	5,813,174		407.3	790,344	5,022,830
9						
10	Net Undercollection of Fuel Revenues:					
11	New Mexico		327,487			327,487
12						
13	Texas:					
14	2015 Texas Rate Case Costs	747,156		928	369,120	378,036
15	2017 Texas Rate Case Costs	2,634,141		928	1,129,880	1,504,261
16	Demand Response Program	266,173	220,204	928	192,012	294,365
17	Texas Tax Credit Refund		263,497			263,497
18	Texas TCRF Surcharge		2,964,943			2,964,943
19	Texas Corporate Tax Compliance Reform	106,298	539			106,837
20	Texas Military Base Discount and Recovery	25,502		440s	25,502	
21	Texas Energy Efficiency Program	331,265		254.3	174,780	156,485
22	Texas TCRF Filing	43,643	241,481			285,124
23	Texas DCRF Filing		129,461			129,461
24						
25	New Mexico Renewable Energy:					
26	Credits and Related Costs	4,709,288		407.3	1,121,694	3,587,594
27						
28	New Mexico:					
29	2010 FPPCAC Audit	253,329		407.3	72,372	180,957
30	2015 New Mexico Rate Case Costs	214,720		928	214,720	
31	2020 New Mexico Rate Case Costs	919	433,868			434,787
32	Demand Response Program	302,284	21,774	928	127,236	196,822
33						
34	FERC Cost of Service General	158,338	210,116			368,454
35						
36	Palo Verde Deferred Depreciation	4,111,033		407.3	152,184	3,958,849
37						
38						
39						
40						
41						
42						
43						
44	**TOTAL :**	82,334,508	10,260,625		12,360,532	80,234,601

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El Paso Electric Company	(1) X An Original (2) __ A Resubmission	/ /	2019/Q4

FOOTNOTE DATA

Schedule Page: 232 Line No.: 1 Column: f

Amortization period ranges from 5 to 40 years.

Schedule Page: 232 Line No.: 4 Column: a

Amortization is based on a pro rata relationship with nuclear fuel amortization.

Schedule Page: 232 Line No.: 6 Column: a

Final coal mine reclamation costs are related to the Company's previous ownership interest in the Four Corners Generation Station ("Four Corners"), and represent the cost to reclaim the land disturbed during the coal mining that was not previously reclaimed while the mine was in operation.

Pursuant to the final order in the 2016 Fuel Reconciliation, PUCT Docket No. 46308, the Texas jurisdiction portion of the final coal reclamation costs are to be recovered through fuel costs over a seven-year period beginning July 2016.

Pursuant to the final order in NMPRC Case No. 15-00109-UT, the New Mexico jurisdiction portion of the final coal reclamation costs are to be recovered through the Fuel and Purchased Power Cost Adjustment Clause ("FPPPCAC") over a seven-year period beginning with the rate case to be filed after closing the sale of the Company's interest in Four Corners on July 6, 2016.

Schedule Page: 232 Line No.: 8 Column: a

The 2017 PUCT Final Order in Docket No. 46831 approved the recovery of approximately $5.5 million representing the Texas portion to decommission Four Corners, over a seven year period beginning August 2017.

The NMPRC in Case No. 15-00109-UT also approved the Company's request for an accounting order establishing $1.4 million of costs related to the decommissioning of Four Corners as a regulatory asset to be recovered over a seven-year period beginning in the rate case to be filed after closing the sale of the Company's interest in Four Corners on July 6, 2016.

Schedule Page: 232 Line No.: 14 Column: a

On August 25, 2016, the PUCT issued the 2016 PUCT Final Order in Docket No. 44941 approving the recovery of rate case expenses through a separate surcharge beginning October 1, 2016 and ending September 30, 2018. Subsequently, in the 2017 PUCT Final Order, the remaining 2015 rate case costs were combined with the 2017 rate case costs into one surcharge over three years beginning in January 2018.

Schedule Page: 232 Line No.: 15 Column: a

On December 18, 2017, the PUCT issued the 2017 PUCT Final Order in the Company's rate case in Docket No. 46831 approving the recovery of rate case expenses through a surcharge over three years beginning in January 2018.

Schedule Page: 232 Line No.: 16 Column: a

Represents costs associated with the Company's Demand Response Pilot Program. This program provides an incentive for customers to switch to eSmart Thermostats, giving the Company the ability to slightly modify the eSmart Thermostats during peak times. These program costs will be requested for recovery in a future rate making proceeding.

Schedule Page: 232 Line No.: 17 Column: a

This item is related to the refund tariff ordered in PUCT Docket No. 48124. The tariff is designed to reduce Texas base rate charges for the decrease in federal income tax expense resulting from the TCJA. The over-refunded amount was addressed in the Company's 2019 Texas fuel reconciliation filing, PUCT Docket No. 50058.

Schedule Page: 232 Line No.: 18 Column: a

This item represents revenue associated with the Company's 2019 TCRF rate filing in PUCT Docket No. 49148, related to the period from July 30, 2019 through December 31, 2019. The recovery period is over a period of 12 months beginning on April 1, 2020.

Schedule Page: 232 Line No.: 19 Column: a

Represents costs associated with the Company's filing of a proposed refund tariff with the PUCT in Docket No. 48124. The tariff is designed to reduce Texas base rate charges for the

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FOOTNOTE DATA

decrease in federal income tax expense resulting from the TCJA. The Company will request recovery of these costs in the Company's next Texas rate case filing.

Schedule Page: 232 Line No.: 21 Column: a

In accordance with the Final Order in Docket No. 37690, the Company began recovering Energy Efficiency costs effective July 2010, through a tariff rider approved by the PUCT via Texas Rate 97. The rate is updated annually.

Schedule Page: 232 Line No.: 22 Column: a

Represents costs associated with the Company's filing to establish its Transmission Cost Recovery Factor ("TCRF") with the PUCT in Docket No. 49148. These costs will be requested in the next Texas base rate case filing.

Schedule Page: 232 Line No.: 23 Column: a

Represents costs associated with the Company's filing to establish its Distribution Cost Recovery Factor ("DCRF") with the PUCT in Docket No. 49395. These costs will be requested in the next Texas base rate case filing.

Schedule Page: 232 Line No.: 26 Column: a

In NMPRC Case No.15-00127-UT, the NMPRC approved the Company's request to recover costs related to renewable energy certificates and procurement plan costs over a six-year period beginning July 1, 2016. The Company will request costs incurred after December 31, 2014 as a component of base rates in the Company's next New Mexico rate case filing.

Schedule Page: 232 Line No.: 29 Column: a

Represents costs incurred for a FPPCAC audit. The Company requested such amounts in NMPRC Case No. 15-00127-UT and they are being amortized over a three-year period which began when new rates became effective on July 1, 2016.

Schedule Page: 232 Line No.: 30 Column: a

This balance is related to rate case costs requested in NMPRC Case No. 15-00127-UT and was being amortized over a three-year period that ended in July 2019.

Schedule Page: 232 Line No.: 31 Column: a

The Company will request recovery of these costs in the Company's next New Mexico rate case filing.

Schedule Page: 232 Line No.: 32 Column: a

On February 22, 2017, the NMPRC approved, in Case No. 17-00016-UT, the Company's request to implement a Demand Response Pilot Program pursuant to its proposed Original Rate No. 37. This program provides an incentive for customers to switch to eSmart Thermostats, giving the Company the ability to slightly modify the eSmart Thermostats during peak times. These program costs will be requested for recovery in a future New Mexico rate making proceeding.

Schedule Page: 232 Line No.: 34 Column: a

Represents costs incurred for the FERC transmission rate case expected to be filed in 2020. The Company will request these costs in the Company's FERC rate case filing.

Schedule Page: 232 Line No.: 36 Column: a

In NMPRC Case No. 09-00171-UT, the NMPRC extended the depreciable life of Palo Verde an additional 20 years for New Mexico ratemaking purposes, reducing the depreciation expense collected from New Mexico customers in rates, effective January 2010. In April 2011, the NRC renewed the operating license for all three units at Palo Verde for an additional 20 years; therefore, the incremental difference in Palo Verde depreciation for the New Mexico jurisdiction is being amortized to account 407.3 over the remaining life of Palo Verde.

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El Paso Electric Company	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2019/Q4

MISCELLANEOUS DEFFERED DEBITS (Account 186)

1 Report below the particulars (details) called for concerning miscellaneous deferred debits
2 For any deferred debit being amortized, show period of amortization in column (a)
3 Minor item (1% of the Balance at End of Year for Account 186 or amounts less than $100,000, whichever is less) may be grouped by classes

Line No	Description of Miscellaneous Deferred Debits (a)	Balance at Beginning of Year (b)	Debits (c)	CREDITS Account Charged (d)	CREDITS Amount (e)	Balance at End of Year (f)
1	Facility & Impact Study	356,672	797,909	131	587,199	567,382
2						
3	Reimbursable Transmission &					
4	Distribution Projects	701,375	683,431	131	872,686	512,120
5						
6	El Paso Water Utilities Land					
7	Lease	1,193,064		507	88,000	1,105,064
8						
9	Palo Verde					
10	Water Agreement Deposit	3,588,600		519	119,260	3,469,340
11	Pooled Inventory Management	429,203		519	28,367	400,836
12						
13	Miscellaneous	4,290	119,691	Various	100,975	23,006
14						
15						
16						
17						
18						
19						
20						
21						
22						
23						
24						
25						
26						
27						
28						
29						
30						
31						
32						
33						
34						
35						
36						
37						
38						
39						
40						
41						
42						
43						
44						
45						
46						
47	Misc Work in Progress	72,508				61,171
48	Deferred Regulatory Comm Expenses (See pages 350 - 351)					
49	TOTAL	6,345,712				6,138,919

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El Paso Electric Company	(1) X An Original (2) __ A Resubmission	/ /	2019/Q4

FOOTNOTE DATA

Schedule Page: 233 Line No.: 7 Column: b

The deferred debit relates to cash payments made at the beginning of the lease period which extends to December 2032.

Schedule Page: 233 Line No.: 7 Column: f

The deferred debit relates to cash payments made at the beginning of the lease period which extends to December 2032.

Schedule Page: 233 Line No.: 10 Column: a

In May 2010, Palo Verde entered into a 40 year Municipal Effluent Purchase and Sale Agreement with the Sub-regional Operating Group (City of Phoenix, City of Mesa, City of Scottsdale and the City of Glendale).

Schedule Page: 233 Line No.: 47 Column: a

Represents miscellaneous charges pending final classification.

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El Paso Electric Company	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2019/Q4

ACCUMULATED DEFERRED INCOME TAXES (Account 190)

1 Report the information called for below concerning the respondent's accounting for deferred income taxes
2 At Other (Specify), include deferrals relating to other income and deductions

Line No	Description and Location (a)	Balance of Begining of Year (b)	Balance at End of Year (c)
1	Electric		
2		195,739,510	176,423,602
3			
4			
5			
6			
7	Other		
8	TOTAL Electric (Enter Total of lines 2 thru 7)	195,739,510	176,423,602
9	Gas		
10			
11			
12			
13			
14			
15	Other		
16	TOTAL Gas (Enter Total of lines 10 thru 15		
17	Other (Specify)	1,178,565	1,528,952
18	TOTAL (Acct 190) (Total of lines 8, 16 and 17)	196,918,075	177,952,554

Notes

Name of Respondent	This Report is	Date of Report	Year/Period of Report
El Paso Electric Company	(1) X An Original (2) __ A Resubmission	(Mo, Da, Yr) / /	2019/Q4

FOOTNOTE DATA

Schedule Page: 234 Line No.: 2 Column: c

El Paso Electric Company
Account 190 - FERC ONLY
For the Year Ended December 31, 2019

< Page 234 Line 2 Column (a) >

	Balance at Beginning of Year	Balance at End of Year
ELECTRIC		
Deferred tax assets		
Plant, principally due to capitalized costs	36,689,694	38,309,509
Benefit of tax loss carryforwards	12,573,706	0
Pensions and benefits	31,800,995	33,455,821
Alternative minimum tax credit carryforward	8,855,468	0
Regulatory liabilities related to income taxes	67,166,819	66,824,187
Asset retirement obligation	21,304,721	23,239,446
Other	17,348,107	14,594,639
Net deferred tax assets	195,739,510	176,423,602

< Page 234 Line 17 Column (a) >

	Balance at Beginning of Year	Balance at End of Year
OTHER (Specify)		
Deferred tax assets		
Decommissioning costs	1,178,565	1,528,952
Net deferred tax assets	1,178,565	1,528,952
Total Account 190	196,918,075	177,952,554

Name of Respondent	This Report Is	Date of Report (Mo, Da, Yr)	Year/Period of Report
El Paso Electric Company	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2019/Q4

CAPITAL STOCKS (Account 201 and 204)

1 Report below the particulars (details) called for concerning common and preferred stock at end of year, distinguishing separate series of any general class Show separate totals for common and preferred stock If information to meet the stock exchange reporting requirement outlined in column (a) is available from the SEC 10-K Report Form filing, a specific reference to report form (i e , year and company title) may be reported in column (a) provided the fiscal years for both the 10-K report and this report are compatible
2 Entries in column (b) should represent the number of shares authorized by the articles of incorporation as amended to end of year

Line No	Class and Series of Stock and Name of Stock Series (a)	Number of shares Authorized by Charter (b)	Par or Stated Value per share (c)	Call Price at End of Year (d)
1	201			
2	Common Stock (1)			
3	New York Stock Exchange (NYSE)	100,000,000	1 00	
4	Total Common Stock (2)	100,000,000		
5				
6	204			
7	Preferred Stock	2,000,000		
8	Total Preferred Stock	2,000,000		
9				
10				
11	(1) As of December 31, 2019, 1,321,934			
12	unissued shares of Common Stock of the			
13	Company were reserved for future			
14	allocations under the 2007 Amended and			
15	Restated Long-Term Incentive Plan			
16				
17				
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27				
28	Note For additional information see the			
29	El Paso Electric Company 2019 Form 10-K			
30	dated February 26, 2020 filed with the SEC			
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42				

Name of Respondent	This Report Is	Date of Report (Mo, Da, Yr)	Year/Period of Report
El Paso Electric Company	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2019/Q4

CAPITAL STOCKS (Account 201 and 204) (Continued)

3 Give particulars (details) concerning shares of any class and series of stock authorized to be issued by a regulatory commission which have not yet been issued
4 The identification of each class of preferred stock should show the dividend rate and whether the dividends are cumulative or non-cumulative
5 State in a footnote if any capital stock which has been nominally issued is nominally outstanding at end of year
Give particulars (details) in column (a) of any nominally issued capital stock, reacquired stock, or stock in sinking and other funds which is pledged, stating name of pledgee and purposes of pledge

OUTSTANDING PER BALANCE SHEET (Total amount outstanding without reduction for amounts held by respondent)		HELD BY RESPONDENT				Line No
		AS REACQUIRED STOCK (Account 217)		IN SINKING AND OTHER FUNDS		
Shares (e)	Amount (f)	Shares (g)	Cost (h)	Shares (i)	Amount (j)	
						1
						2
64,428,688	64,428,688	23,696,262	394,714,658			3
64,428,688	64,428,688	23,696,262	394,714,658			4
						5
						6
						7
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						42

Name of Respondent	This Report Is	Date of Report (Mo, Da, Yr)	Year/Period of Report
El Paso Electric Company	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2019/Q4

OTHER PAID-IN CAPITAL (Accounts 208-211, inc)

Report below the balance at the end of the year and the information specified below for the respective other paid-in capital accounts Provide a subheading for each account and show a total for the account, as well as total of all accounts for reconciliation with balance sheet, Page 112 Add more columns for any account if deemed necessary Explain changes made in any account during the year and give the accounting entries effecting such change
(a) Donations Received from Stockholders (Account 208)-State amount and give brief explanation of the origin and purpose of each donation
(b) Reduction in Par or Stated value of Capital Stock (Account 209) State amount and give brief explanation of the capital change which gave rise to amounts reported under this caption including identification with the class and series of stock to which related
(c) Gain on Resale or Cancellation of Reacquired Capital Stock (Account 210) Report balance at beginning of year, credits, debits, and balance at end of year with a designation of the nature of each credit and debit identified by the class and series of stock to which related
(d) Miscellaneous Paid-in Capital (Account 211)-Classify amounts included in this account according to captions which, together with brief explanations, disclose the general nature of the transactions which gave rise to the reported amounts

Line No	Item (a)	Amount (b)
1	210 Gain on Resale or Cancellation of Reacquired Capital Stock	
2	Balance at Beginning of Year	
3	Credits	
4	Restricted Common Stock Awards	5,234,504
5	Performance Awards Vested	2,099,663
6	Compensation Paid in Shares to Board of Directors of the Company	848,358
7	Restricted Common Stock Awards Forfeited	1,346,628
8	Debits	
9	Retirement of Treasury Shares	-5,551,933
10	Taxes Withheld Related to Restricted Common Stock Awards	-1,094,044
11	Taxes Withheld Related to Performance Awards Vested	-1,293,168
12	Total - Account 210	1,590,008
13		
14	211 Miscellaneous Paid-in Capital	
15	Deferred Compensation	
16	Performance Awards	2,078,067
17		
18		
19		
20		
21		
22		
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26		
27		
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39		
40	TOTAL	3,668,075

Name of Respondent	This Report is	Date of Report (Mo, Da, Yr)	Year/Period of Report
El Paso Electric Company	(1) X An Original (2) __ A Resubmission	/ /	2019/Q4

FOOTNOTE DATA

Schedule Page: 253 Line No.: 12 Column: b

Represents the additional compensation in excess of the treasury stock average cost of $16.66 per share, net of taxes withheld and forfeitures, related to grants of restricted share awards, performance share awards vested and compensation paid in shares of Company common stock to the Board of Directors of the Company issued from the shares of Company common stock repurchased and held in treasury stock.

Schedule Page: 253 Line No.: 16 Column: b

Represents deferred compensation related to grants of performance share awards to officers in 2017, 2018 and 2019 under the Company's existing long-term incentive plans, which provide for the issuance of Company common stock based on the achievement of certain performance criteria over a three-year period. The amounts will be transferred to Account 210 when the performance shares vest.

Name of Respondent	This Report Is	Date of Report (Mo, Da, Yr)	Year/Period of Report
El Paso Electric Company	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2019/Q4

CAPITAL STOCK EXPENSE (Account 214)

1 Report the balance at end of the year of discount on capital stock for each class and series of capital stock
2 If any change occurred during the year in the balance in respect to any class or series of stock, attach a statement giving particulars (details) of the change State the reason for any charge-off of capital stock expense and specify the account charged

Line No	Class and Series of Stock (a)	Balance at End of Year (b)
1	214 Capital Stock Expense	340,939
2		
3		
4		
5		
6		
7		
8		
9		
10		
11		
12		
13		
14		
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18		
19		
20		
21		
22	TOTAL	340,939

Name of Respondent	This Report Is	Date of Report (Mo, Da, Yr)	Year/Period of Report
El Paso Electric Company	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2019/Q4

LONG-TERM DEBT (Account 221, 222, 223 and 224)

1 Report by balance sheet account the particulars (details) concerning long-term debt included in Accounts 221, Bonds, 222, Reacquired Bonds, 223, Advances from Associated Companies, and 224, Other long-Term Debt
2 In column (a), for new issues, give Commission authorization numbers and dates
3 For bonds assumed by the respondent, include in column (a) the name of the issuing company as well as a description of the bonds
4 For advances from Associated Companies, report separately advances on notes and advances on open accounts Designate demand notes as such Include in column (a) names of associated companies from which advances were received
5 For receivers, certificates, show in column (a) the name of the court -and date of court order under which such certificates were issued
6 In column (b) show the principal amount of bonds or other long-term debt originally issued
7 In column (c) show the expense, premium or discount with respect to the amount of bonds or other long-term debt originally issued
8 For column (c) the total expenses should be listed first for each issuance, then the amount of premium (in parentheses) or discount Indicate the premium or discount with a notation, such as (P) or (D) The expenses, premium or discount should not be netted
9 Furnish in a footnote particulars (details) regarding the treatment of unamortized debt expense, premium or discount associated with issues redeemed during the year Also, give in a footnote the date of the Commission's authorization of treatment other than as specified by the Uniform System of Accounts

Line No	Class and Series of Obligation, Coupon Rate (For new issue, give commission Authorization numbers and dates) (a)	Principal Amount Of Debt issued (b)	Total expense, Premium or Discount (c)
1	Account 221		
2			
3	2009 Series A Palo Verde Pollution Control Bonds	63,500,000	755,357
4	2009 Series B Palo Verde Pollution Control Bonds	37,100,000	470,463
5	2012 Series A Palo Verde Pollution Control Bonds	59,235,000	896,854
6			
7	Subtotal	159,835,000	2,122,674
8			
9	Account 222		
10			
11	Subtotal		
12			
13	Account 224		
14			
15	2005 Senior Notes	400,000,000	5,239,886
16			2,312,000 D
17	2008 Senior Notes	150,000,000	1,714,035
18			1,281,000 D
19	2012 Senior Notes	150,000,000	1,338,657
20			318,000 D
21	2014 Senior Notes	150,000,000	1,787,396
22			532,500 D
23	2016 Senior Notes	150,000,000	1,762,201
24			-7,051,500 P
25	2018 Senior Notes	125,000,000	893,476
26			
27	Treasury Rate Lock Agreements		
28	Subtotal	1,125,000,000	10,127,651
29			
30	Interest on obligations under capital lease (Rio Grande Resources Trust)		
31	$45 million RGRT Senior Notes and $65 million RGRT Senior Guaranteed Notes		
32	Revolving Credit Facility		
33	TOTAL	1,284,835,000	12,250,325

Name of Respondent	This Report Is	Date of Report (Mo, Da, Yr)	Year/Period of Report
El Paso Electric Company	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2019/Q4

LONG-TERM DEBT (Account 221, 222, 223 and 224) (Continued)

10 Identify separate undisposed amounts applicable to issues which were redeemed in prior years
11 Explain any debits and credits other than debited to Account 428, Amortization and Expense, or credited to Account 429, Premium on Debt - Credit
12 In a footnote, give explanatory (details) for Accounts 223 and 224 of net changes during the year With respect to long-term advances, show for each company (a) principal advanced during year, (b) interest added to principal amount, and (c) principle repaid during year Give Commission authorization numbers and dates
13 If the respondent has pledged any of its long-term debt securities give particulars (details) in a footnote including name of pledgee and purpose of the pledge
14 If the respondent has any long-term debt securities which have been nominally issued and are nominally outstanding at end of year, describe such securities in a footnote
15 If interest expense was incurred during the year on any obligations retired or reacquired before end of year, include such interest expense in column (i) Explain in a footnote any difference between the total of column (i) and the total of Account 427, interest on Long-Term Debt and Account 430, Interest on Debt to Associated Companies
16 Give particulars (details) concerning any long-term debt authorized by a regulatory commission but not yet issued

Nominal Date of Issue (d)	Date of Maturity (e)	AMORTIZATION PERIOD Date From (f)	AMORTIZATION PERIOD Date To (g)	Outstanding (Total amount outstanding without reduction for amounts held by respondent) (h)	Interest for Year Amount (i)	Line No
						1
						2
03/26/09	02/01/40	03/26/09	02/01/40	63,500,000	1,780,646	3
03/26/09	04/01/40	03/26/09	04/01/40	37,100,000	1,488,637	4
08/28/12	08/01/42	08/28/12	08/01/42	59,235,000	2,665,575	5
						6
				159,835,000	5,934,858	7
						8
						9
						10
						11
						12
						13
						14
05/17/05	05/15/35	05/17/05	05/15/35	400,000,000	24,000,000	15
						16
06/03/08	03/15/38	06/03/08	03/15/38	150,000,000	11,250,000	17
						18
12/06/12	12/15/22	12/06/12	12/15/22	150,000,000	4,950,000	19
						20
12/01/14	12/01/44	12/01/14	12/01/44	150,000,000	7,500,000	21
						22
03/24/16	12/01/44	03/24/16	12/01/44	150,000,000	7,500,000	23
						24
06/28/18	08/15/28	06/28/18	08/15/28	125,000,000	5,275,000	25
						26
					605,460	27
				1,125,000,000	61,080,460	28
						29
						30
					4,913,500	31
					1,019,822	32
				1,284,835,000	72,948,640	33

Name of Respondent	This Report is	Date of Report	Year/Period of Report
El Paso Electric Company	(1) X An Original (2) _ A Resubmission	(Mo, Da, Yr) / /	2019/Q4

FOOTNOTE DATA

Schedule Page: 256 Line No.: 3 Column: b

The 7.25% 2009 Series A Pollution Control Bonds had an optional redemption beginning in February 2019. On February 1, 2019, the Company purchased in lieu of redemption all of the bonds with a principal amount of $63.5 million utilizing funds borrowed under the Revolving Credit Facility. Unamortized debt expense was reclassified to FERC account 189 - Unamortized Loss on Reacquired Debt being amortized through original maturity term. On May 22, 2019, the Company reoffered and sold $63.5 million aggregate principal amount of 2009 Series A 7.25% PCBs with a fixed interest rate of 3.60% per annum until the bonds mature on February 1, 2040. The bonds are subject to optional redemption at a redemption price of par on or after June 1, 2029. Proceeds from the remarketing of the bonds were primarily used to repay outstanding short-term borrowings under the Revolving Credit Facility.

Schedule Page: 256 Line No.: 4 Column: b

The 7.25% 2009 Series B Pollution Control Bonds had an optional redemption beginning in April 2019. On April 1, 2019, the Company purchased in lieu of redemption all of the bonds with a principal amount of $37.1 million utilizing funds borrowed under the Revolving Credit Facility. Unamortized debt expense was reclassified to FERC account 189 - Unamortized Loss on Reacquired Debt and being amortized through original maturity term. On May 22, 2019, the Company reoffered and sold $37.1 million aggregate principal amount of 2009 Series B 7.25% PCBs with a fixed interest rate of 3.60% per annum until the bonds mature on April 1, 2040. The bonds are subject to optional redemption at a redemption price of par on or after June 1, 2029. Proceeds from the remarketing of the bonds were primarily used to repay outstanding short-term borrowings under the Revolving Credit Facility.

Schedule Page: 256 Line No.: 30 Column: a

Rio Grande Resources Trust is a trust through which the Company finances its portion of nuclear fuel for Palo Verde.

Schedule Page: 256 Line No.: 31 Column: b

Obligations under capital lease-noncurrent are recorded in FERC account 227.

Schedule Page: 256 Line No.: 32 Column: b

Obligations under capital lease-current are recorded in FERC account 243.

Name of Respondent	This Report Is	Date of Report (Mo, Da, Yr)	Year/Period of Report
El Paso Electric Company	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2019/Q4

RECONCILIATION OF REPORTED NET INCOME WITH TAXABLE INCOME FOR FEDERAL INCOME TAXES

1 Report the reconciliation of reported net income for the year with taxable income used in computing Federal income tax accruals and show computation of such tax accruals Include in the reconciliation, as far as practicable, the same detail as furnished on Schedule M-1 of the tax return for the year Submit a reconciliation even though there is no taxable income for the year Indicate clearly the nature of each reconciling amount
2 If the utility is a member of a group which files a consolidated Federal tax return, reconcile reported net income with taxable net income as if a separate return were to be field, indicating, however, intercompany amounts to be eliminated in such a consolidated return State names of group member, tax assigned to each group member, and basis of allocation, assignment, or sharing of the consolidated tax among the group members
3 A substitute page, designed to meet a particular need of a company, may be used as Long as the data is consistent and meets the requirements of the above instructions For electronic reporting purposes complete Line 27 and provide the substitute Page in the context of a footnote

Line No	Particulars (Details) (a)	Amount (b)
1	Net Income for the Year (Page 117)	123,715,379
2		
3		
4	Taxable Income Not Reported on Books	
5	(see page 261 footnote)	-28,598,252
6		
7		
8		
9	Deductions Recorded on Books Not Deducted for Return	
10	(see page 261 footnote)	22,640,696
11		
12		
13		
14	Income Recorded on Books Not Included in Return	
15	(see page 261 footnote)	1,337,080
16		
17		
18		
19	Deductions on Return Not Charged Against Book Income	
20	(see page 261 footnote)	-2,140,023
21		
22		
23		
24	Federal Income Taxes (detail below)	31,300,482
25		
26		
27	Federal Tax Net Income	148,255,362
28	Show Computation of Tax	
29		
30		
31	Tax Computed at Statutory Rate	32,754,901
32	ITC Amortization Net of Deferred Taxes	-1,279,516
33	Amortization of Excess Deferred Taxes	952,500
34	Permanent Differences	-1,041,108
35	State Income Taxes (Federal Effect)	-201,562
36	Amortization of Regulatory Assets	-340,124
37	Allowance for Equity FundsUsed During Construction	455,391
38	Other	
39		
40		
41		
42	Total Federal Income Tax Expense (Benefit)	31,300,482
43		
44		

Name of Respondent	This Report is	Date of Report (Mo, Da, Yr)	Year/Period of Report
El Paso Electric Company	(1) X An Original (2) __ A Resubmission	/ /	2019/Q4

FOOTNOTE DATA

Schedule Page: 261 Line No.: 5 Column: a

Taxable Income Not Reported on Books
< Page 261, Line 5, Column b >

Contributions in aid of construction	3,831,619
Capitalized Construction Interest and Capitalized Costs	4,072,292
Decommissioning Costs	(34,755,313)
Other	(1,746,850)
Taxable Income Not Reported on Books	(28,598,252)

Deductions Recorded on Books not Deducted for Return
< Page 261, Line 10, Column b >

Coal Reclamation	1,450,876
Debt Issuance Costs	(901,310)
Deferred Fuel	7,370,553
Lobbying	756,745
Meals and Entertainment	78,561
Non-deductible Transaction Costs	4,614,051
SFAS 143 Asset Retirement Obligation	8,997,104
State Income Taxes	(1,070,839)
Taxes Other Than Federal	1,344,955
Deductions Recorded on Books Not Deducted for Return	22,640,696

Income Recorded on Books Not Deducted for Return
< Page 261, Line 15, Column b >

AFUDC	2,274,042
Unbilled Revenue	(936,962)
Income Reported on Books Not Included in Return	1,337,080

Deductions on Return Not Charged Against Book Income
< Page 261, Line 20, Column b >

Depreciation and Amortization Differences	19,354,433
Employee Benefits	(10,206,811)
Decommissioning Costs	(5,819,170)
Repair Allowance	(142,736)
Section 174 R&D	(5,325,739)
Deductions on Return not Charged Against Book Income	(2,140,023)

Tax Computed at Statutory Rate
< Page 261, Line 31, Column b >

Net Income	123,715,377
Federal and State Income Tax Expense	32,260,348
Pre-Tax Income	155,975,725
Tax Rate	21%
Tax Computed at Statutory Rate	32,754,901

Name of Respondent	This Report Is	Date of Report (Mo, Da, Yr)	Year/Period of Report
El Paso Electric Company	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2019/Q4

TAXES ACCRUED, PREPAID AND CHARGED DURING YEAR

1 Give particulars (details) of the combined prepaid and accrued tax accounts and show the total taxes charged to operations and other accounts during the year Do not include gasoline and other sales taxes which have been charged to the accounts to which the taxed material was charged If the actual, or estimated amounts of such taxes are know, show the amounts in a footnote and designate whether estimated or actual amounts
2 Include on this page, taxes paid during the year and charged direct to final accounts, (not charged to prepaid or accrued taxes) Enter the amounts in both columns (d) and (e) The balancing of this page is not affected by the inclusion of these taxes
3 Include in column (d) taxes charged during the year, taxes charged to operations and other accounts through (a) accruals credited to taxes accrued, (b)amounts credited to proportions of prepaid taxes chargeable to current year, and (c) taxes paid and charged direct to operations or accounts other than accrued and prepaid tax accounts
4 List the aggregate of each kind of tax in such manner that the total tax for each State and subdivision can readily be ascertained

Line No	Kind of Tax (See instruction 5) (a)	BALANCE AT BEGINNING OF YEAR Taxes Accrued (Account 236) (b)	Prepaid Taxes (Include in Account 165) (c)	Taxes Charged During Year (d)	Taxes Paid During Year (e)	Adjust-ments (f)
1	FEDERAL					
2	Current FIT Payable		8,974,986	14,034,986	5,060,000	
3	Prior Years	3,162,891	43,062	-8,328,597	-8,827,740	
4	FUTA			49,046	49,046	
5	Insurance Contributions	1,653		5,034,470	5,036,123	
6	Subtotal	3,164,544	9,018,048	10,789,905	1,317,429	
7						
8	State County & Local - TX					
9	Ad Valorem	15,266,716		16,636,604	15,272,227	
10	Gross Receipts	2,272,169		9,939,398	9,993,851	
11	Unemployment			38,663	38,663	
12	Franchise Tax / Margin Tax	1,456,434		1,956,983	1,916,577	
13	Use Tax	180,986		6,354,901	5,932,033	
14	Regulatory Commission	578,633		960,259	979,345	
15	Franchise Fees (OSR)	5,778,815	9,576	24,212,267	24,398,587	
16	Subtotal	25,533,753	9,576	60,099,075	58,531,283	
17						
18	State County & Local - NM					
19	Ad Valorem	1,970,052	1,451	4,413,279	3,442,327	
20	Income	5,525		704,562	700,050	
21	Unemployment			21,179	21,179	
22	Compensating	83,617		419,068	462,642	
23	Regulatory Commission	933,895		888,005	931,797	
24	Franchise Fees (OSR)	202,275	107,614	3,565,498	3,693,018	
25	L C Fran,Pumping Facility					
26	Payroll Taxes					
27	Worker's Comp Fee					
28						
29						
30	Other Taxes			-26,044	-26,044	
31	Subtotal	3,195,364	109,065	9,985,547	9,224,969	
32						
33						
34	State County & Local - AZ					
35	Ad Valorem	3,683,968		6,935,784	7,152,266	
36	Income	-1,791,206		-630,839	-300,000	
37	Palo Verde Payroll Taxes			3,078,374	3,078,374	
38	Sales & Use Taxes	4,729		13,061	4,729	
39	Subtotal	1,897,491		9,396,380	9,935,369	
40						
41	TOTAL	33,791,152	9,136,689	90,270,907	79,009,050	

Name of Respondent	This Report Is	Date of Report (Mo, Da, Yr)	Year/Period of Report
El Paso Electric Company	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2019/Q4

TAXES ACCRUED, PREPAID AND CHARGED DURING YEAR (Continued)

5 If any tax (exclude Federal and State income taxes)- covers more then one year, show the required information separately for each tax year, identifying the year in column (a)
6 Enter all adjustments of the accrued and prepaid tax accounts in column (f) and explain each adjustment in a foot- note Designate debit adjustments by parentheses
7 Do not include on this page entries with respect to deferred income taxes or taxes collected through payroll deductions or otherwise pending transmittal of such taxes to the taxing authority
8 Report in columns (i) through (l) how the taxes were distributed Report in column (l) only the amounts charged to Accounts 408 1 and 409 1 pertaining to electric operations Report in column (l) the amounts charged to Accounts 408 1 and 109 1 pertaining to other utility departments and amounts charged to Accounts 408 2 and 409 2 Also shown in column (l) the taxes charged to utility plant or other balance sheet accounts
9 For any tax apportioned to more than one utility department or account, state in a footnote the basis (necessity) of apportioning such tax

BALANCE AT END OF YEAR		DISTRIBUTION OF TAXES CHARGED				Line No
(Taxes accrued Account 236) (g)	Prepaid Taxes (Incl in Account 165) (h)	Electric (Account 408 1, 409 1) (i)	Extraordinary Items (Account 409 3) (j)	Adjustments to Ret Earnings (Account 439) (k)	Other (l)	
						1
		3,405,994			10,628,992	2
3,618,972		-1,007,907			-7,320,690	3
		60,052			-11,006	4
		6,164,246			-1,129,776	5
3,618,972		8,622,385			2,167,520	6
						7
						8
16,631,093		16,636,604				9
2,217,716		9,939,398				10
		47,339			-8,676	11
1,496,840		1,954,838			2,145	12
603,854		77,182			6,277,719	13
559,547		960,259				14
5,591,214	8,295	24,212,267				15
27,100,264	8,295	53,827,887			6,271,188	16
						17
						18
2,941,004	1,451	4,413,279				19
10,037		697,983			6,579	20
		25,932			-4,753	21
40,043		17,427			401,641	22
890,103		888,005				23
201,982	234,841	87,064			3,478,434	24
						25
						26
						27
						28
						29
		-26,044				30
4,083,169	236,292	6,103,646			3,881,901	31
						32
						33
						34
3,477,555		6,945,853			-10,069	35
-2,122,045		-634,119			3,280	36
		2,902,320			176,054	37
13,061					13,061	38
1,368,571		9,214,054			182,326	39
						40
36,170,976	244,587	77,767,972			12,502,935	41

Name of Respondent	This Report Is	Date of Report (Mo, Da, Yr)	Year/Period of Report
El Paso Electric Company	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2019/Q4

ACCUMULATED DEFERRED INVESTMENT TAX CREDITS (Account 255)

Report below information applicable to Account 255 Where appropriate, segregate the balances and transactions by utility and nonutility operations Explain by footnote any correction adjustments to the account balance shown in column (g) Include in column (i) the average period over which the tax credits are amortized

Line No	Account Subdivisions (a)	Balance at Beginning of Year (b)	Deferred for Year: Account No (c)	Deferred for Year: Amount (d)	Allocations to Current Year's Income: Account No (e)	Allocations to Current Year's Income: Amount (f)	Adjustments (g)
1	Electric Utility						
2	3%						
3	4%						
4	7%						
5	10%	16,214,277			411 4	1,501,312	
6	30%	6,364,721			411 4	118,328	
7							
8	TOTAL	22,578,998				1,619,640	
9	Other (List separately and show 3%, 4%, 7%, 10% and TOTAL)						
10					411 4	1,619,640	
11							
12							
13							
14							
15							
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48							

Name of Respondent	This Report Is	Date of Report (Mo, Da, Yr)	Year/Period of Report
El Paso Electric Company	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2019/Q4

ACCUMULATED DEFERRED INVESTMENT TAX CREDITS (Account 255) (continued)

Balance at End of Year (h)	Average Period of Allocation to Income (i)	ADJUSTMENT EXPLANATION	Line No
			1
			2
			3
			4
14,712,965			5
6,246,393			6
			7
20,959,358			8
			9
-1,619,640			10
			11
			12
			13
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			47
			48

Name of Respondent	This Report Is	Date of Report (Mo, Da, Yr)	Year/Period of Report
El Paso Electric Company	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2019/Q4

OTHER DEFFERED CREDITS (Account 253)

1 Report below the particulars (details) called for concerning other deferred credits
2 For any deferred credit being amortized, show the period of amortization
3 Minor items (5% of the Balance End of Year for Account 253 or amounts less than $100,000, whichever is greater) may be grouped by classes

Line No	Description and Other Deferred Credits (a)	Balance at Beginning of Year (b)	DEBITS Contra Account (c)	DEBITS Amount (d)	Credits (e)	Balance at End of Year (f)
1	Environmental Accrual	199,769	131	102,724	400,000	497,045
2						
3	Texas Docket 23530 Settlement	117,881			2,346	120,227
4						
5	Contribution in Aid of Construct	863,611	416	3,630,158	6,966,620	4,200,073
6						
7	Facility & Impact Study	2,309,072	131	1,043,225	2,491,061	3,756,908
8						
9	Employment Separation Agreements	654,975	131	41,416	23,149	636,708
10						
11	New Mexico Voluntary Renewable					
12	Energy Program	189,254			24,966	214,220
13						
14	Other	138,416	131	50,000		88,416
15						
16						
17						
18						
19						
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44						
45						
46						
47	TOTAL	4,472,978		4,867,523	9,908,142	9,513,597

Name of Respondent	This Report Is	Date of Report (Mo, Da, Yr)	Year/Period of Report
El Paso Electric Company	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2019/Q4

ACCUMULATED DEFFERED INCOME TAXES - OTHER PROPERTY (Account 282)

1 Report the information called for below concerning the respondent's accounting for deferred income taxes rating to property not subject to accelerated amortization
2 For other (Specify),include deferrals relating to other income and deductions

Line No	Account (a)	Balance at Beginning of Year (b)	CHANGES DURING YEAR Amounts Debited to Account 410 1 (c)	CHANGES DURING YEAR Amounts Credited to Account 411 1 (d)
1	Account 282			
2	Electric	500,140,517	12,982,015	14,976,693
3	Gas			
4				
5	TOTAL (Enter Total of lines 2 thru 4)	500,140,517	12,982,015	14,976,693
6				
7				
8				
9	TOTAL Account 282 (Enter Total of lines 5 thru 8)	500,140,517	12,982,015	14,976,693
10	Classification of TOTAL			
11	Federal Income Tax			
12	State Income Tax			
13	Local Income Tax			

NOTES

Name of Respondent	This Report Is	Date of Report (Mo, Da, Yr)	Year/Period of Report
El Paso Electric Company	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2019/Q4

ACCUMULATED DEFERRED INCOME TAXES - OTHER PROPERTY (Account 282) (Continued)

3 Use footnotes as required

CHANGES DURING YEAR		ADJUSTMENTS					
Amounts Debited to Account 410 2	Amounts Credited to Account 411 2	Debits		Credits		Balance at End of Year	Line No
		Account Credited	Amount	Account Debited	Amount		
(e)	(f)	(g)	(h)	(i)	(j)	(k)	
							1
196,649	23,142	various	8,506,949			489,812,397	2
							3
							4
196,649	23,142		8,506,949			489,812,397	5
							6
							7
							8
196,649	23,142		8,506,949			489,812,397	9
							10
							11
							12
							13

NOTES (Continued)

Name of Respondent	This Report is	Date of Report (Mo, Da, Yr)	Year/Period of Report
El Paso Electric Company	(1) X An Original (2) __ A Resubmission	/ /	2019/Q4

FOOTNOTE DATA

Schedule Page: 274 Line No.: 2 Column: k

El Paso Electric Company
Account 282 - FERC ONLY
For the Year Ended December 31, 2019

	Balance at Beginning of Year	Balance at End of Year
Electric		
Plant, principally due to depreciation and basis differences	$ 438,719,392	$ 435,525,319
Regulatory assets related to income taxes	35,235,564	26,728,615
Decommissioning	26,185,561	27,558,463
Total - Electric Other	$ 500,140,517	$ 489,812,397

Name of Respondent	This Report Is	Date of Report (Mo, Da, Yr)	Year/Period of Report
El Paso Electric Company	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2019/Q4

ACCUMULATED DEFFERED INCOME TAXES - OTHER (Account 283)

1 Report the information called for below concerning the respondent's accounting for deferred income taxes relating to amounts recorded in Account 283
2 For other (Specify),include deferrals relating to other income and deductions

Line No	Account (a)	Balance at Beginning of Year (b)	CHANGES DURING YEAR Amounts Debited to Account 410 1 (c)	Amounts Credited to Account 411 1 (d)
1	Account 283			
2	Electric			
3	Deferred Tax	10,650,126	8,702,590	9,019,535
4	AEFUDC			
5				
6	Excess ADSIT	7,522,178	1,262,016	
7				
8				
9	TOTAL Electric (Total of lines 3 thru 8)	18,172,304	9,964,606	9,019,535
10	Gas			
11				
12				
13				
14				
15				
16				
17	TOTAL Gas (Total of lines 11 thru 16)			
18				
19	TOTAL (Acct 283) (Enter Total of lines 9, 17 and 18)	18,172,304	9,964,606	9,019,535
20	Classification of TOTAL			
21	Federal Income Tax	10,386,300	8,022,570	8,290,888
22	State Income Tax	7,786,004	1,942,036	728,647
23	Local Income Tax			

NOTES

Name of Respondent	This Report Is	Date of Report (Mo, Da, Yr)	Year/Period of Report
El Paso Electric Company	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2019/Q4

ACCUMULATED DEFERRED INCOME TAXES - OTHER (Account 283) (Continued)

3 Provide in the space below explanations for Page 276 and 277 Include amounts relating to insignificant items listed under Other
4 Use footnotes as required

CHANGES DURING YEAR		ADJUSTMENTS						
Amounts Debited to Account 410 2	Amounts Credited to Account 411 2	Debits		Credits		Balance at End of Year	Line No
		Account Credited	Amount	Account Debited	Amount		
(e)	(f)	(g)	(h)	(i)	(j)	(k)	
							1
							2
9,745,930	2,628,543				4,116,881	21,567,449	3
				182 3	3,595,468	3,595,468	4
							5
7,608		254 3	1,607,119			7,184,683	6
							7
							8
9,753,538	2,628,543		1,607,119		7,712,349	32,347,600	9
							10
							11
							12
							13
							14
							15
							16
							17
							18
9,753,538	2,628,543		1,607,119		7,712,349	32,347,600	19
							20
9,745,930	2,628,543		1,607,119		7,105,073	22,733,323	21
7,608					607,276	9,614,277	22
							23

NOTES (Continued)

Name of Respondent	This Report Is	Date of Report (Mo, Da, Yr)	Year/Period of Report
El Paso Electric Company	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2019/Q4

OTHER REGULATORY LIABILITIES (Account 254)

1 Report below the particulars (details) called for concerning other regulatory liabilities, including rate order docket number, if applicable
2 Minor items (5% of the Balance in Account 254 at end of period, or amounts less than $100,000 which ever is less), may be grouped by classes
3 For Regulatory Liabilities being amortized, show period of amortization

Line No	Description and Purpose of Other Regulatory Liabilities (a)	Balance at Begining of Current Quarter/Year (b)	DEBITS Account Credited (c)	DEBITS Amount (d)	Credits (e)	Balance at End of Current Quarter/Year (f)
1	Regulatory Tax Liabilities	290,359,009	Various	1,268,243	287,368	289,378,134
2						
3	Net Overcollection of					
4	Texas Fuel Revenues	8,928,084	440s		7,601,454	16,529,538
5	New Mexico Fuel Revenues	405,548	440s	405,548		
6	New Mexico Renewable Procurement Standard Revenue	1,658,407	440s		519,566	2,177,973
7	FERC Fuel Revenues	54,505	440s	19,778		34,727
8						
9	New Mexico Energy Efficiency Program	1,694,094	451,928	1,510,600		183,494
10						
11	Texas Relate Back Surcharge	240,093	131		249,161	489,254
12						
13	New Mexico Gain on Sale of Assets	305,512	407 4	130,623		174,889
14						
15	Texas Military Base Discount and Recovery Factor		142		95,685	95,685
16						
17						
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27						
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32						
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35						
36						
37						
38						
39						
40						
41	TOTAL	303,645,252		3,334,792	8,753,234	309,063,694

Name of Respondent	This Report is	Date of Report	Year/Period of Report
El Paso Electric Company	(1) X An Original (2) __ A Resubmission	(Mo, Da, Yr) / /	2019/Q4

FOOTNOTE DATA

Schedule Page: 278 Line No.: 1 Column: f

The recovery period for the regulatory liability in the amount of $256.8 million related to the reduction in the federal tax rate in 2017 will be addressed in the next base rate filings in all jurisdictions. Amortization period ranges from 5 to 40 years for items not related to the reduction in the federal tax rate in 2017.

Schedule Page: 278 Line No.: 9 Column: a

In accordance with the final order in NMPRC Case No. 06-0065-UT, the Company started collecting Energy Efficiency costs, effective May 2009, through a tariff rider approved by the NMPRC via New Mexico Rate 17. The rate is updated annually.

Schedule Page: 278 Line No.: 11 Column: a

This item relates to the recovery of revenues through two separate surcharges; one for the 2015 Texas Retail Rate Case relate back revenues beginning October 1, 2016, and ending September 30, 2017, and a second surcharge for the 2017 Texas Retail Rate Case relate back revenues beginning January 10, 2018, and ending January 9, 2019. The over-recovered balance related to these surcharges was addressed in the 2019 Texas Fuel Reconciliation, PUCT Docket No. 50058.

Schedule Page: 278 Line No.: 13 Column: a

The balance represents gains on sale of assets that will be included in the Company's next New Mexico base rate case.

Schedule Page: 278 Line No.: 15 Column: a

PURA Section 36.354 requires that each electric utility provide Military Base Rate discounts to military bases in areas where customers choice is not available. In accordance with the Final Order in Docket No. 37690, the Military Base Discount Recovery Factor allows the Company to recover the total base rate discount provided to military base facilities from non-military base customers through a recovery factor. The rate is updated annually.