a) FERC Form 1 for each year endıng December 31 must be filed by Aprıl 18th of the followıng year (18 CFR § 141 1), and

b) FERC Form 3-Q for each calendar quarter must be filed wıthın 60 days after the reportıng quarter (18 C F R § 141 400)

V. Where to Send Comments on Public Reporting Burden.

The publıc reportıng burden for the FERC Form 1 collectıon of ınformatıon ıs estımated to average 1,168 hours per response, ıncludıng the tıme for revıewıng ınstructıons, searchıng exıstıng data sources, gatherıng and maıntaınıng the data-needed, and completıng and revıewıng the collectıon of ınformatıon The publıc reportıng burden for the FERC Form 3-Q collectıon of ınformatıon ıs estımated to average 168 hours per response

Send comments regardıng these burden estımates or any aspect of these collectıons of ınformatıon, ıncludıng suggestıons for reducıng burden, to the Federal Energy Regulatory Commıssıon, 888 Fırst Street NE, Washıngton, DC 20426 (Attentıon Informatıon Clearance Officer), and to the Office of Informatıon and Regulatory Affaırs, Office of Management and Budget, Washıngton, DC 20503 (Attentıon Desk Officer for the Federal Energy Regulatory Commıssıon) No person shall be subject to any penalty ıf any collectıon of ınformatıon does not dısplay a valıd control number (44 U S C § 3512 (a))

GENERAL INSTRUCTIONS

I Prepare this report in conformity with the Uniform System of Accounts (18 CFR Part 101) (USofA) Interpret all accounting words and phrases in accordance with the USofA

II Enter in whole numbers (dollars or MWH) only, except where otherwise noted (Enter cents for averages and figures per unit where cents are important The truncating of cents is allowed except on the four basic financial statements where rounding is required) The amounts shown on all supporting pages must agree with the amounts entered on the statements that they support When applying thresholds to determine significance for reporting purposes, use for balance sheet accounts the balances at the end of the current reporting period, and use for statement of income accounts the current year's year to date amounts

III Complete each question fully and accurately, even if it has been answered in a previous report Enter the word "None" where it truly and completely states the fact

IV For any page(s) that is not applicable to the respondent, omit the page(s) and enter "NA," "NONE," or "Not Applicable" in column (d) on the List of Schedules, pages 2 and 3

V Enter the month, day, and year for all dates Use customary abbreviations **The "Date of Report" included in the header of each page is to be completed only for resubmissions** (see VII below)

VI Generally, except for certain schedules, all numbers, whether they are expected to be debits or credits, must be reported as positive Numbers having a sign that is different from the expected sign must be reported by enclosing the numbers in parentheses

VII For any resubmissions, submit the electronic filing using the form submission software only Please explain the reason for the resubmission in a footnote to the data field

VIII Do not make references to reports of previous periods/years or to other reports in lieu of required entries, except as specifically authorized

IX Wherever (schedule) pages refer to figures from a previous period/year, the figures reported must be based upon those shown by the report of the previous period/year, or an appropriate explanation given as to why the different figures were used

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

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

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

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

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

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

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

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

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

DEFINITIONS
I Commission Authorization (Comm Auth) -- The authorization of the Federal Energy Regulatory Commission, or any other Commission Name the commission whose authorization was obtained and give date of the authorization II Respondent -- The person, corporation, licensee, agency, authority, or other Legal entity or instrumentality in whose behalf the report is made

EXCERPTS FROM THE LAW

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

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

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

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

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

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

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

"Sec 4 The Commission is hereby authorized and empowered

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

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

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

General Penalties

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

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

IDENTIFICATION

01 Exact Legal Name of Respondent El Paso Electric Company	02 Year/Period of Report End of 2018/Q4
03 Previous Name and Date of Change *(if name changed during year)* / /	
04 Address of Principal Office at End of Period *(Street, City, State, Zip Code)* P.O. Box 982, El Paso, TX 79960-0982; 100 North Stanton Street, El Paso, TX	
05 Name of Contact Person Russell G. Gibson	06 Title of Contact Person Vice President & Controller
07 Address of Contact Person *(Street, City, State, Zip Code)* P.O. Box 982, El Paso, TX 79960-0982; 100 North Stanton Street, El Paso, TX	

08 Telephone of Contact Person, *Including Area Code* (915) 351-4222	09 This Report Is (1) [X] An Original (2) [ ] A Resubmission	10 Date of Report *(Mo, Da, Yr)* / /

ANNUAL CORPORATE OFFICER CERTIFICATION

The undersigned officer certifies that:

I have examined this report and to the best of my knowledge, information, and belief all statements of fact contained in this report are correct statements of the business affairs of the respondent and the financial statements, and other financial information contained in this report, conform in all material respects to the Uniform System of Accounts.

01 Name /s/ Russell G. Gibson 02 Title Vice President & Controller	03 Signature Russell G. Gibson /s/ Russell G. Gibson	04 Date Signed *(Mo, Da, Yr)* 03/27/2019

Title 18, U.S.C. 1001 makes it a crime for any person to knowingly and willingly to make to any Agency or Department of the United States any false, fictitious or fraudulent statements as to any matter within its jurisdiction.

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 2018/Q4

LIST OF SCHEDULES (Electric Utility)

Enter in column (c) the terms "none," "not applicable," or "NA," as appropriate, where no information or amounts have been reported for certain pages Omit pages where the respondents are "none," "not applicable," or "NA"

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 2018/Q4

LIST OF SCHEDULES (Electric Utility) (continued)

Enter in column (c) the terms "none," "not applicable," or "NA," as appropriate, where no information or amounts have been reported for certain pages Omit pages where the respondents are "none," "not applicable," or "NA"

Line No	Title of Schedule (a)	Reference Page No (b)	Remarks (c)
37	Other Deferred Credits	269	
38	Accumulated Deferred Income Taxes-Accelerated Amortization Property	272-273	Not Applicable
39	Accumulated Deferred Income Taxes-Other Property	274-275	
40	Accumulated Deferred Income Taxes-Other	276-277	
41	Other Regulatory Liabilities	278	
42	Electric Operating Revenues	300-301	
43	Regional Transmission Service Revenues (Account 457 1)	302	Not Applicable
44	Sales of Electricity by Rate Schedules	304	
45	Sales for Resale	310-311	
46	Electric Operation and Maintenance Expenses	320-323	
47	Purchased Power	326-327	
48	Transmission of Electricity for Others	328-330	
49	Transmission of Electricity by ISO/RTOs	331	Not Applicable
50	Transmission of Electricity by Others	332	
51	Miscellaneous General Expenses-Electric	335	
52	Depreciation and Amortization of Electric Plant	336-337	
53	Regulatory Commission Expenses	350-351	
54	Research, Development and Demonstration Activities	352-353	None
55	Distribution of Salaries and Wages	354-355	
56	Common Utility Plant and Expenses	356	Not Applicable
57	Amounts included in ISO/RTO Settlement Statements	397	Not Applicable
58	Purchase and Sale of Ancillary Services	398	
59	Monthly Transmission System Peak Load	400	
60	Monthly ISO/RTO Transmission System Peak Load	400a	Not Applicable
61	Electric Energy Account	401	
62	Monthly Peaks and Output	401	
63	Steam Electric Generating Plant Statistics	402-403	
64	Hydroelectric Generating Plant Statistics	406-407	Not Applicable
65	Pumped Storage Generating Plant Statistics	408-409	Not Applicable
66	Generating Plant Statistics Pages	410-411	

Name of Respondent	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 2018/Q4

LIST OF SCHEDULES (Electric Utility) (continued)

Enter in column (c) the terms "none," "not applicable," or "NA," as appropriate, where no information or amounts have been reported for certain pages Omit pages where the respondents are "none," "not applicable," or "NA"

Line No	Title of Schedule (a)	Reference Page No (b)	Remarks (c)
67	Transmission Line Statistics Pages	422-423	
68	Transmission Lines Added During the Year	424-425	None
69	Substations	426-427	
70	Transactions with Associated (Affiliated) Companies	429	None
71	Footnote Data	450	
	Stockholders' Reports Check appropriate box [X] Two copies will be submitted [ ] No annual report to stockholders is prepared		

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 End of 2018/Q4

GENERAL INFORMATION

1 Provide name and title of officer having custody of the general corporate books of account and address of office where the general corporate books are kept, and address of office where any other corporate books of account are kept, if different from that where the general corporate books are kept

Russell G. Gibson
Vice President & Controller
Stanton Tower, 100 North Stanton Street
El Paso, Texas 79901

Mailing Address:
Russell G. Gibson
Post Office Box 982
El Paso, Texas 79960-0982

2 Provide the name of the State under the laws of which respondent is incorporated, and date of incorporation If incorporated under a special law, give reference to such law If not incorporated, state that fact and give the type of organization and the date organized

Texas - August 30, 1901

3 If at any time during the year the property of respondent was held by a receiver or trustee, give (a) name of receiver or trustee, (b) date such receiver or trustee took possession, (c) the authority by which the receivership or trusteeship was created, and (d) date when possession by receiver or trustee ceased

Not applicable.

4 State the classes or utility and other services furnished by respondent during the year in each State in which the respondent operated

Electric power generation, transmission and distribution for sale at retail in the states of Texas and New Mexico; and wholesale sales including sales for resale to other electric utilities primarily in the states of Texas, New Mexico and Arizona and sales for resale to power marketers.

5 Have you engaged as the principal accountant to audit your financial statements an accountant who is not the principal accountant for your previous year's certified financial statements?

(1) [ ] Yes Enter the date when such independent accountant was initially engaged
(2) [X] No

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 2018/Q4

OFFICERS

1 Report below the name, title and salary for each executive officer whose salary is $50,000 or more An "executive officer" of a respondent includes its president, secretary, treasurer, and vice president in charge of a principal business unit, division or function (such as sales, administration or finance), and any other person who performs similar policy making functions
2 If a change was made during the year in the incumbent of any position, show name and total remuneration of the previous incumbent, and the date the change in incumbency was made

Line No	Title (a)	Name of Officer (b)	Salary for Year (c)
1	President and Chief Executive Officer	Mary E Kipp	724,039
2	Senior Vice President and Chief Financial Officer	Nathan T Hirschi	399,327
3	Senior Vice President and Chief Administrative Officer	Elaina L Ball	207,692
4	Senior Vice President, Operations	Steven T Buraczyk	344,808
5	Senior Vice President, Corporate Development and		
6	Chief Compliance Officer	Rocky R Miracle	334,808
7	Senior Vice President, General Counsel and		
8	Assistant Secretary	Adrian J Rodriguez	359,327
9	Senior Vice President and Chief Human Resources		
10	Officer	William A Stiller	258,173
11	Vice President, Transmission and Distribution	Robert C Doyle	257,904
12	Vice President, Controller	Russell G Gibson	249,865
13	Vice President, Strategic Communications, Customer and		
14	Community Engagement	Eduardo Gutierrez	219,846
15	Vice President, Generation, System Planning		
16	and Dispatch	David C Hawkins	244,865
17	Vice President, Customer Care	Kerry B Lore	115,212
18	Vice President, Power Generation	Andres R Ramirez	50,673
19	Vice President, Governmental Affairs	Patrick V Reinhart	193,603
20	Vice President, Human Resources	Victor F Rueda	210,000
21	Vice President, Regulatory Affairs	James A Schichtl	235,000
22	Vice President, Community Outreach	Guillermo Silva, Jr	87,750
23	Vice President, Compliance and Chief Risk Officer	Henry W Soza	237,885
24	Vice President, Business Development	Richard E Turner	214,846
25	Corporate Secretary	Jessica M Goldman	143,125
26			
27			
28			
29			
30			
31			
32			
33			
34			
35			
36			
37			
38			
39			
40			
41			
42			
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	/ /	2018/Q4

FOOTNOTE DATA

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

On April 16, 2018, Elaina L. Ball was appointed Senior Vice President and Chief Administrative Officer. Ms. Ball served as Chief Operating Officer of Austin Energy, City of Austin, Texas, from 2016 until April 2018.

Schedule Page: 104 Line No.: 10 Column: b

On February 1, 2019, William A. Stiller, Senior Vice President, retired from the Company. Prior to his retirement, on April 16, 2018, William A. Stiller was appointed Senior Vice President and Chief Human Resources Officer. Formerly, Mr. Stiller served as Senior Vice President of Public and Customer Affairs and Chief Human Resources Officer from December 2015 to April 2018.

Schedule Page: 104 Line No.: 14 Column: b

On October 29, 2018, Eduardo Gutierrez, formerly Vice President, Public, Government and Customer Affairs, was appointed Vice President, Strategic Communications, Customer and Community Engagement.

Schedule Page: 104 Line No.: 16 Column: b

On February 5, 2018, David C. Hawkins, formerly Vice President, System Operations, Resource Planning and Management, was appointed Vice President, Generation, System Planning and Dispatch.

Schedule Page: 104 Line No.: 17 Column: b

On July 1, 2018, Kerry B. Lore, Vice President, Customer Care, retired from the Company.

Schedule Page: 104 Line No.: 18 Column: b

On March 1, 2018, Andres R. Ramirez, Vice President, Power Generation, retired from the Company.

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

On October 29, 2018, Patrick V. Reinhart, formerly Assistant Vice President, External Affairs, was appointed Vice President, Governmental Affairs.

Schedule Page: 104 Line No.: 20 Column: b

On February 18, 2019, Victor Rueda was appointed Vice President, Human Resources. Formerly, Mr. Rueda served as Vice President, Human Resources and Community Outreach, from March 2018 to February 2019. Mr. Rueda served as Vice President of Human Resources of Andeavor (formerly Western Refining, Inc.) from 2006 until 2017.

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

On July 1, 2018, Guillermo Silva, Jr., Vice President, Community Outreach, retired from the Company.

Schedule Page: 104 Line No.: 24 Column: b

On January 21, 2019, Richard E. Turner, formerly Vice President, Renewables Development, was appointed Vice President, Business Development.

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 2018/Q4

DIRECTORS

1 Report below the information called for concerning each director of the respondent who held office at any time during the year Include in column (a), abbreviated titles of the directors who are officers of the respondent
2 Designate members of the Executive Committee by a triple asterisk and the Chairman of the Executive Committee by a double asterisk

Line No	Name (and Title) of Director (a)	Principal Business Address (b)
1	Catherine A Allen - Director***	The Santa Fe Group
2		3 Chamisa Drive North, Suite 2
3		Santa Fe, New Mexico 87508
4		
5	Paul M Barbas - Director	Post Office Box 458
6		Barnstable, Massachusetts 02630
7		
8	James W Cicconi - Director***	El Paso Electric Company
9		100 North Stanton Street
10		El Paso, Texas 79901
11		
12	Edward Escudero - Director and Vice Chairman of the Board***	High Desert Capital, LLC
13		6080 Surety Drive
14		El Paso, Texas 79905
15		
16	James W Harris - Former Director	OP Food Products, LLC and
17		Harris Financial Advisors, LLC
18		Post Office Box 38
19		Manns Harbor, North Carolina 27953
20		
21	Woodley L Hunt - Former Director	Hunt Companies, Inc
22		4401 North Mesa Street
23		El Paso, Texas 79902
24		
25	Mary E Kipp - Director and President and CEO	El Paso Electric Company
26		100 North Stanton Street
27		El Paso, Texas 79901
28		
29	Raymond Palacios, Jr - Director	Bravo Cadillac
30		6555 Montana Avenue
31		El Paso, Texas 79925
32		
33	Eric B Siegel - Director**	11100 Santa Monica Boulevard, Suite 2000
34		Los Angeles, California 90025
35		
36	Stephen N Wertheimer - Director***	W Capital Partners
37		400 Park Avenue, Suite 910
38		New York, New York 10022
39		
40		
41	Charles A Yamarone - Director and Chairman of the Board***	Houlihan Lokey
42		10250 Constellation Boulevard, 5th Floor
43		Los Angeles, California 90067
44		
45		
46		
47		
48		

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 2018/Q4

FOOTNOTE DATA

Schedule Page: 105 Line No.: 16 Column: a

On May 24, 2018, James W. Harris retired from the Board of Directors.

Schedule Page: 105 Line No.: 21 Column: a

On May 24, 2018, Woodley L. Hunt retired from the Board of Directors.

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 2018/Q4

INFORMATION ON FORMULA RATES
FERC Rate Schedule/Tariff Number FERC Proceeding

Does the respondent have formula rates?

[X] Yes
[ ] No

1 Please list the Commission accepted formula rates including FERC Rate Schedule or Tariff Number and FERC proceeding (i e Docket No) accepting the rate(s) or changes in the accepted rate

Line No	FERC Rate Schedule or Tariff Number	FERC Proceeding
1	Rate Schedule FERC No 18	ER08-742-001
2		
3		
4		
5		
6		
7		
8		
9		
10		
11		
12		
13		
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		

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 2018/Q4

INFORMATION ON FORMULA RATES
FERC Rate Schedule/Tariff Number FERC Proceeding

Does the respondent file with the Commission annual (or more frequent) filings containing the inputs to the formula rate(s)?

[X] Yes
[ ] No

2 If yes, provide a listing of such filings as contained on the Commission's eLibrary website

Line No	Accession No	Document Date \ Filed Date	Docket No	Description	Formula Rate FERC Rate Schedule Number or Tariff Number
1	20180912-5039	09/12/2018	ER08-742	2018 Annual Update Filing	18
2		09/12/2018			
3					
4					
5					
6					
7					
8					
9					
10					
11					
12					
13					
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					

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 2018/Q4

INFORMATION ON FORMULA RATES
Formula Rate Variances

1 If a respondent does not submit such filings then indicate in a footnote to the applicable Form 1 schedule where formula rate inputs differ from amounts reported in the Form 1
2 The footnote should provide a narrative description explaining how the "rate" (or billing) was derived if different from the reported amount in the Form 1
3 The footnote should explain amounts excluded from the ratebase or where labor or other allocation factors, operating expenses, or other items impacting formula rate inputs differ from amounts reported in Form 1 schedule amounts
4 Where the Commission has provided guidance on formula rate inputs, the specific proceeding should be noted in the footnote

Line No	Page No(s)	Schedule	Column	Line No
1	N/A			
2				
3				
4				
5				
6				
7				
8				
9				
10				
11				
12				
13				
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				

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) / /	2018/Q4

FOOTNOTE DATA

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

The 2018 annual update is to the cost-based formula rate included in the Power Sales Agreement under ER08-742.

Name of Respondent	This Report Is	Date of Report	Year/Period of Report
El Paso Electric Company	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2018/Q4

IMPORTANT CHANGES DURING THE QUARTER/YEAR

Give particulars (details) concerning the matters indicated below Make the statements explicit and precise, and number them in accordance with the inquiries Each inquiry should be answered Enter "none," "not applicable," or "NA" where applicable If information which answers an inquiry is given elsewhere in the report, make a reference to the schedule in which it appears

1 Changes in and important additions to franchise rights Describe the actual consideration given therefore and state from whom the franchise rights were acquired If acquired without the payment of consideration, state that fact

2 Acquisition of ownership in other companies by reorganization, merger, or consolidation with other companies Give names of companies involved, particulars concerning the transactions, name of the Commission authorizing the transaction, and reference to Commission authorization

3 Purchase or sale of an operating unit or system Give a brief description of the property, and of the transactions relating thereto, and reference to Commission authorization, if any was required Give date journal entries called for by the Uniform System of Accounts were submitted to the Commission

4 Important leaseholds (other than leaseholds for natural gas lands) that have been acquired or given, assigned or surrendered Give effective dates, lengths of terms, names of parties, rents, and other condition State name of Commission authorizing lease and give reference to such authorization

5 Important extension or reduction of transmission or distribution system State territory added or relinquished and date operations began or ceased and give reference to Commission authorization, if any was required State also the approximate number of customers added or lost and approximate annual revenues of each class of service Each natural gas company must also state major new continuing sources of gas made available to it from purchases, development, purchase contract or otherwise, giving location and approximate total gas volumes available, period of contracts, and other parties to any such arrangements, etc

6 Obligations incurred as a result of issuance of securities or assumption of liabilities or guarantees including issuance of short-term debt and commercial paper having a maturity of one year or less Give reference to FERC or State Commission authorization, as appropriate, and the amount of obligation or guarantee

7 Changes in articles of incorporation or amendments to charter Explain the nature and purpose of such changes or amendments

8 State the estimated annual effect and nature of any important wage scale changes during the year

9 State briefly the status of any materially important legal proceedings pending at the end of the year, and the results of any such proceedings culminated during the year

10 Describe briefly any materially important transactions of the respondent not disclosed elsewhere in this report in which an officer, director, security holder reported on Page 104 or 105 of the Annual Report Form No 1, voting trustee, associated company or known associate of any of these persons was a party or in which any such person had a material interest

11 (Reserved)

12 If the important changes during the year relating to the respondent company appearing in the annual report to stockholders are applicable in every respect and furnish the data required by Instructions 1 to 11 above, such notes may be included on this page

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

14 In the event that the respondent participates in a cash management program(s) and its proprietary capital ratio is less than 30 percent please describe the significant events or transactions causing the proprietary capital ratio to be less than 30 percent, and the extent to which the respondent has amounts loaned or money advanced to its parent, subsidiary, or affiliated companies through a cash management program(s) Additionally, please describe plans, if any to regain at least a 30 percent proprietary ratio

PAGE 108 INTENTIONALLY LEFT BLANK
SEE PAGE 109 FOR REQUIRED INFORMATION

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	/ /	2018/Q4

IMPORTANT CHANGES DURING THE QUARTER/YEAR (Continued)

1 Changes in and Important Additions to Franchise Rights

On March 20, 2018, the City of El Paso, Texas, passed an ordinance amending its existing franchise agreement with the Company The amendment increased the supplemental fee reserved for economic development by an additional 1 00%, increasing the total franchise fee to 5 00% of gross revenues, and extended the expiration date of the franchise agreement by 30 years to July 31, 2060 The 2018 amendment became effective October 1, 2018

On September 11, 2018, the Village of Hatch, New Mexico, passed an ordinance approving a franchise agreement with the Company The franchise agreement has a term of 25 years and requires the Company to pay a franchise fee of 3% of gross revenues The franchise agreement became effective January 1, 2019

2 Acquisition of Ownership in Other Companies

None

3 Purchase or Sale of an Operating Unit or System

None

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

None

5 Important Extension or Reduction of Transmission or Distribution System

On July 12, 2018, the Company placed into commercial operation the Global Reach T2 and switchgear feeders in its Texas territory, which adds 2 18 circuit miles to the distribution system Customers were moved from existing circuits to the new facilities

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

Issuance of Long-Term Debt, Securities Financing, and Guarantee of Debt. On October 7, 2015, the Company received approval in New Mexico Public Regulation Commission ("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 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"), 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 and the $37 1 million 2009 Series B 7 25% Pollution Control Bonds, which have optional redemptions beginning in 2019 The NMPRC approval to issue $350 0 million in long-term debt supersedes its prior approval

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% Pollution Control Bonds and the $37 1 million 2009 Series B 7 25% Pollution Control Bonds, which have optional redemptions beginning in 2019 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 is effective from November 15, 2017, through November 14, 2019, and supersedes prior FERC approvals

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) / /	2018/Q4

IMPORTANT CHANGES DURING THE QUARTER/YEAR (Continued)

Under these authorizations, 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 as further described below 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 as further described below

Additionally, the Company is preparing for potential transactions related to the 2009 Series A and Series B PCBs On February 1, 2019, the Company purchased in lieu of redemption all the $63 5 million 2009 Series A 7 25% PCBs The bonds were purchased utilizing funds borrowed under the RCF The Company is currently holding the bonds and may remarket them or replace them with debt instruments of equivalent value at a future date depending on the Company's financing needs and market conditions and in accordance with FERC action expected in March 2019 in response to the Company’s most recent FERC application

On January 30, 2019, the Company submitted applications with the NMPRC and the FERC seeking approvals to issue shares of common stock, including the reissuance of treasury shares, in an amount up to $200 0 million in one or more transactions The application with the NMPRC was assigned Case No 19-00033-UT, and a hearing occurred on March 15, 2019 The Hearing Examiner issued a Recommended Decision approving the Company’s request, which is subject to adoption, modification or rejection by the NMPRC Included in the FERC application, the Company also requested various debt-related authorizations to utilize the existing RCF for short-term borrowing not to exceed $400 0 million at any one time, to issue up to $225 0 million in new long-term debt, and to remarket the $63 5 million 2009 Series A 7 25% 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 If approved, the FERC authorization would supersede its prior approvals

$125 Million Senior Notes. On June 28, 2018, the Company entered into a note purchase agreement with several institutional purchasers under which the Company issued and sold $125 million aggregate principal amount of its 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 will pay 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 note purchase agreement requires compliance with certain covenants, including a total debt to capitalization ratio The Company was in compliance with these requirements throughout 2018 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 ("Securities Act")

$65 Million RGRT Senior Guaranteed Notes. On June 28, 2018, the RGRT, a Texas grantor trust through which the Company finances its portion of nuclear fuel for Palo Verde Generating Station ("Palo Verde"), and the Company entered into a note purchase agreement with several institutional purchasers under which the RGRT issued and sold $65 million aggregate principal amount of its 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 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 The obligations arising from the guarantee of the RGRT Senior Notes are reported in obligations under capital leases of nuclear fuel The RGRT pays interest on the RGRT Senior Notes on February 15 and August 15 of each year until maturity, beginning on February 15, 2019 RGRT may redeem the RGRT 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 The note purchase agreement requires compliance with certain covenants, including a total debt to capitalization ratio The Company and RGRT were in compliance with these requirements throughout 2018

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 2018/Q4

IMPORTANT CHANGES DURING THE QUARTER/YEAR (Continued)

Revolving Credit Facility. 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 million RCF with a $50 million subfacility for the issuance of letters of credit, and the Company extended the term of the Company's existing $350 million revolving credit agreement from January 14, 2020 to September 13, 2023 ("Maturity Date") The Company may increase the RCF by up to $50 million (to a total of $400 million) during the term of the RCF Agreement, upon the satisfaction of certain conditions more fully set forth in the RCF Agreement, including obtaining commitments from lenders or third party financial institutions In addition, the Company may extend the Maturity Date up to two times, in each case for an additional one-year period, 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 The RCF Agreement requires compliance with certain covenants, including a total debt to capitalization ratio The Company is in compliance with these requirements throughout 2018 On February 1, 2019, the Company purchased in lieu of redemption all of the 7 25% 2009 Series A PCBs with a principal amount of $63 5 million utilizing funds borrowed under the RCF The Company is currently holding the 7 25% 2009 Series A PCBs and may remarket them or replace them with debt instruments of equivalent value at a future date depending on the Company's financing needs and market conditions As of December 31, 2018, the total amount borrowed by the RGRT was $28 4 million for nuclear fuel under the RCF As of December 31, 2018, $23 0 million of borrowings were outstanding under the RCF for working capital and general corporate purposes The weighted average interest rate on the RCF was 3 8% as of December 31, 2018

Also, see Notes D and J of "Notes to Financial Statements "

7 Changes in Articles of Incorporation

None

8 Important Wage Scale Changes

Base salaries for non-union employees were increased by an average of approximately 3% effective in January 2018 compared to 2017 through the merit award process The annual effect of this increase was approximately $1 8 million

Base salaries for union employees under contract were increased by 3% effective in September 2018 compared to the previous level The annual effect of this increase was approximately $1 0 million

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 2018/Q4

IMPORTANT CHANGES DURING THE QUARTER/YEAR (Continued)

9 Materially Important Legal Proceedings

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

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

10 Materially Important Transactions

None

11 Reserved

12 Important changes during the year

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 Public Utility Commission of Texas ("PUCT") in Docket No 46831, a request for an increase in non-fuel base revenues ("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 for the 2017 Texas Retail Rate Case

On December 18, 2017, the PUCT issued the PUCT 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 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, which expired on January 9, 2019, with a reconciliation of any over- or under-charge to be addressed in a separate proceeding

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

For financial reporting purposes, the Company deferred any recognition of the Company's request in its 2017 Texas Retail Rate Case until it received the 2017 PUCT Final Order on December 18, 2017 Accordingly, it reported in the fourth quarter of 2017 the cumulative effect of the 2017 PUCT Final Order, which related back to July 18, 2017

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 rate case Following the enactment of the federal legislation commonly referred to as the federal Tax Cuts and Jobs Act ("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 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 change 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 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 expires March 31, 2019 The filing was assigned PUCT Docket No 49251

Transmission Cost Recovery Factor. On January 25, 2019, the Company filed an application with the PUCT to establish its Transmission Cost Recovery Factor ("TCRF"), which was assigned PUCT Docket No 49148 ("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 The Company cannot predict the outcome of this filing at this time

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 February 23, 2018, the Company responded to a NMPRC Staff inquiry regarding the proceeding 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, 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 during the quarter ended December 31, 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

Federal Energy Regulatory Commission 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 (1) propose revisions to their transmission rates under their open access transmission tariffs or transmission owner tariffs on file with the FERC, or (2) 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 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

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 2018/Q4

IMPORTANT CHANGES DURING THE QUARTER/YEAR (Continued)

circumstances and appropriate forward-looking adjustments On November 15, 2018, the 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 the third quarter of 2019

Notice of Proposed Rulemaking on Public Utility Transmission Changes to Address Accumulated Deferred Income Taxes. On November 15, 2018, the FERC issued a Notice of Proposed Rulemaking ("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 Docket No RM19-5-000 The Company is currently evaluating the impact of this proposed rulemaking

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

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

On February 5, 2018, David C Hawkins was appointed Vice President, Generation, System Planning and Dispatch Formerly, Mr Hawkins served as Vice President, System Operations, Resource Planning and Management, from June 2014 to February 2018

On March 1, 2018, Andres R Ramirez, Vice President, retired from the Company

On April 16, 2018, Elaina L Ball was appointed Senior Vice President and Chief Administrative Officer Ms Ball served as Chief Operating Officer of Austin Energy, City of Austin, Texas, from 2016 until April 2018

On May 24, 2018, Woodley L Hunt and James W Harris retired from the Board of Directors of the Company

On July 1, 2018, Kerry B Lore, Vice President, retired from the Company

On July 1, 2018, Guillermo Silva, Jr , Vice President, retired from the Company

On October 29, 2018, Patrick V Reinhart was appointed Vice President, Governmental Affairs Formerly, Mr Reinhart served as Assistant Vice President, External Affairs, from December 2011 to October 2018

On October 29, 2018, Eduardo Gutierrez was appointed Vice President, Strategic Communications, Customer and Community Engagement Formerly, Mr Gutierrez served as Vice President, Public, Government and Customer Affairs, from December 2015 to October 2018

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

On February 1, 2019, William A Stiller, Senior Vice President, retired from the Company Prior to his retirement, on April 16, 2018, William A Stiller was appointed Senior Vice President and Chief Human Resources Officer Formerly, Mr Stiller served as Senior Vice President, Public and Customer Affairs and Chief Human Resources Officer, from December 2015 to April 2018

On February 18, 2019, Victor Rueda, was appointed Vice President, Human Resources Formerly, Mr Rueda served as Vice President, Human Resources and Community Outreach, from March 2018 to February 2019 Mr Rueda served as Vice President of Human Resources of Andeavor (formerly Western Refining, Inc) from 2006 until 2017

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 2018/Q4

IMPORTANT CHANGES DURING THE QUARTER/YEAR (Continued)

During the reporting period, the shares of El Paso Electric Company common stock owned by Vanguard Group, Inc increased to a total ownership above 11% of the outstanding shares of El Paso Electric Company common stock On March 12, 2018, Vanguard Group, Inc reported to the U S Securities and Exchange Commission ("SEC") as Amendment No 8 to Schedule 13G that it owns 10 02% of the outstanding shares of El Paso Electric Company common stock On February 11, 2019, Vanguard Group, Inc reported to the SEC as Amendment No 9 to Schedule 13G that it owns 11 03% of the outstanding shares of El Paso Electric Company common stock

During the reporting period, the shares of El Paso Electric Company common stock owned by BlackRock, Inc increased to a total ownership above 15% of the outstanding shares of El Paso Electric Company common stock On January 19, 2018, BlackRock, Inc reported to the SEC as Amendment No 9 to Schedule 13G that it owns 13 4% of the outstanding shares of El Paso Electric Company common stock On January 28, 2019, BlackRock, Inc reported to the SEC as Amendment No 10 to Schedule 13G that it owns 15 2% of the outstanding shares of El Paso Electric Company common stock

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

None

Name of Respondent	This Report Is	Date of Report (Mo, Da, Yr)	Year/Period of Report
El Paso Electric Company	(1) ☒ An Original (2) ☐ A Resubmission	/ /	End of 2018/Q4

COMPARATIVE BALANCE SHEET (ASSETS AND OTHER DEBITS)

Line No	Title of Account (a)	Ref Page No (b)	Current Year End of Quarter/Year Balance (c)	Prior Year End Balance 12/31 (d)
1	**UTILITY PLANT**			
2	Utility Plant (101-106, 114)	200-201	5,112,940,123	4,912,424,556
3	Construction Work in Progress (107)	200-201	169,327,229	146,057,827
4	TOTAL Utility Plant (Enter Total of lines 2 and 3)		5,282,267,352	5,058,482,383
5	(Less) Accum Prov for Depr Amort Depl (108, 110, 111, 115)	200-201	2,312,681,378	2,240,335,407
6	Net Utility Plant (Enter Total of line 4 less 5)		2,969,585,974	2,818,146,976
7	Nuclear Fuel in Process of Ref , Conv ,Enrich , and Fab (120 1)	202-203	0	0
8	Nuclear Fuel Materials and Assemblies-Stock Account (120 2)		0	0
9	Nuclear Fuel Assemblies in Reactor (120 3)		0	0
10	Spent Nuclear Fuel (120 4)		0	0
11	Nuclear Fuel Under Capital Leases (120 6)		199,843,869	195,938,084
12	(Less) Accum Prov for Amort of Nucl Fuel Assemblies (120 5)	202-203	73,742,663	74,727,129
13	Net Nuclear Fuel (Enter Total of lines 7-11 less 12)		126,101,206	121,210,955
14	Net Utility Plant (Enter Total of lines 6 and 13)		3,095,687,180	2,939,357,931
15	Utility Plant Adjustments (116)		0	0
16	Gas Stored Underground - Noncurrent (117)		0	0
17	**OTHER PROPERTY AND INVESTMENTS**			
18	Nonutility Property (121)		709,446	709,446
19	(Less) Accum Prov for Depr and Amort (122)		0	0
20	Investments in Associated Companies (123)		0	0
21	Investment in Subsidiary Companies (123 1)	224-225	0	0
22	(For Cost of Account 123 1, See Footnote Page 224, line 42)			
23	Noncurrent Portion of Allowances	228-229	0	0
24	Other Investments (124)		1,674,825	1,764,256
25	Sinking Funds (125)		0	0
26	Depreciation Fund (126)		0	0
27	Amortization Fund - Federal (127)		0	0
28	Other Special Funds (128)		282,609,818	293,016,062
29	Special Funds (Non Major Only) (129)		0	0
30	Long-Term Portion of Derivative Assets (175)		0	0
31	Long-Term Portion of Derivative Assets – Hedges (176)		0	0
32	TOTAL Other Property and Investments (Lines 18-21 and 23-31)		284,994,089	295,489,764
33	**CURRENT AND ACCRUED ASSETS**			
34	Cash and Working Funds (Non-major Only) (130)		0	0
35	Cash (131)		12,376,736	6,701,768
36	Special Deposits (132-134)		0	0
37	Working Fund (135)		235,646	66,552
38	Temporary Cash Investments (136)		287,686	221,525
39	Notes Receivable (141)		0	0
40	Customer Accounts Receivable (142)		52,718,629	54,852,721
41	Other Accounts Receivable (143)		5,548,422	13,880,761
42	(Less) Accum Prov for Uncollectible Acct -Credit (144)		2,070,446	2,336,990
43	Notes Receivable from Associated Companies (145)		0	0
44	Accounts Receivable from Assoc Companies (146)		0	0
45	Fuel Stock (151)	227	2,063,056	2,071,842
46	Fuel Stock Expenses Undistributed (152)	227	0	0
47	Residuals (Elec) and Extracted Products (153)	227	0	0
48	Plant Materials and Operating Supplies (154)	227	53,303,101	48,791,808
49	Merchandise (155)	227	0	0
50	Other Materials and Supplies (156)	227	0	0
51	Nuclear Materials Held for Sale (157)	202-203/227	0	0
52	Allowances (158 1 and 158 2)	228-229	56,642	40,560

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 2018/Q4

COMPARATIVE BALANCE SHEET (ASSETS AND OTHER DEBITS)(Continued)

Line No	Title of Account (a)	Ref Page No (b)	Current Year End of Quarter/Year Balance (c)	Prior Year End Balance 12/31 (d)
53	(Less) Noncurrent Portion of Allowances		0	0
54	Stores Expense Undistributed (163)	227	8,692	6,086
55	Gas Stored Underground - Current (164 1)		0	0
56	Liquefied Natural Gas Stored and Held for Processing (164 2-164 3)		0	0
57	Prepayments (165)		20,325,683	10,297,791
58	Advances for Gas (166-167)		0	0
59	Interest and Dividends Receivable (171)		10,442	3,459
60	Rents Receivable (172)		0	0
61	Accrued Utility Revenues (173)		21,648,000	22,185,000
62	Miscellaneous Current and Accrued Assets (174)		29,654	-19,103
63	Derivative Instrument Assets (175)		0	0
64	(Less) Long-Term Portion of Derivative Instrument Assets (175)		0	0
65	Derivative Instrument Assets - Hedges (176)		0	0
66	(Less) Long-Term Portion of Derivative Instrument Assets - Hedges (176		0	0
67	Total Current and Accrued Assets (Lines 34 through 66)		166,541,943	156,763,780
68	**DEFERRED DEBITS**			
69	Unamortized Debt Expenses (181)		14,117,290	12,843,774
70	Extraordinary Property Losses (182 1)	230a	0	0
71	Unrecovered Plant and Regulatory Study Costs (182 2)	230b	0	0
72	Other Regulatory Assets (182 3)	232	82,334,508	96,746,932
73	Prelim Survey and Investigation Charges (Electric) (183)		1,922,855	955,259
74	Preliminary Natural Gas Survey and Investigation Charges 183 1)		0	0
75	Other Preliminary Survey and Investigation Charges (183 2)		0	0
76	Clearing Accounts (184)		6,771	-71,727
77	Temporary Facilities (185)		0	0
78	Miscellaneous Deferred Debits (186)	233	6,345,712	5,815,807
79	Def Losses from Disposition of Utility Plt (187)		0	0
80	Research, Devel and Demonstration Expend (188)	352-353	0	0
81	Unamortized Loss on Reaquired Debt (189)		14,801,314	15,687,238
82	Accumulated Deferred Income Taxes (190)	234	196,918,075	191,950,416
83	Unrecovered Purchased Gas Costs (191)		0	0
84	Total Deferred Debits (lines 69 through 83)		316,446,525	323,927,699
85	TOTAL ASSETS (lines 14-16, 32, 67, and 84)		3,863,669,737	3,715,539,174

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 2018/Q4

COMPARATIVE BALANCE SHEET (LIABILITIES AND OTHER CREDITS)

Line No	Title of Account (a)	Ref Page No (b)	Current Year End of Quarter/Year Balance (c)	Prior Year End Balance 12/31 (d)
1	PROPRIETARY CAPITAL			
2	Common Stock Issued (201)	250-251	65,828,688	65,828,688
3	Preferred Stock Issued (204)	250-251	0	0
4	Capital Stock Subscribed (202, 205)		0	0
5	Stock Liability for Conversion (203, 206)		0	0
6	Premium on Capital Stock (207)		309,669,870	312,697,384
7	Other Paid-In Capital (208-211)	253	8,780,977	3,390,298
8	Installments Received on Capital Stock (212)	252	0	0
9	(Less) Discount on Capital Stock (213)	254	0	0
10	(Less) Capital Stock Expense (214)	254b	340,939	340,939
11	Retained Earnings (215, 215 1, 216)	118-119	1,256,673,995	1,188,438,459
12	Unappropriated Undistributed Subsidiary Earnings (216 1)	118-119	0	0
13	(Less) Reaquired Capital Stock (217)	250-251	418,893,400	420,505,805
14	Noncorporate Proprietorship (Non-major only) (218)		0	0
15	Accumulated Other Comprehensive Income (219)	122(a)(b)	-38,590,880	11,058,360
16	Total Proprietary Capital (lines 2 through 15)		1,183,128,311	1,160,566,445
17	LONG-TERM DEBT			
18	Bonds (221)	256-257	159,835,000	159,835,000
19	(Less) Reaquired Bonds (222)	256-257	0	0
20	Advances from Associated Companies (223)	256-257	0	0
21	Other Long-Term Debt (224)	256-257	1,125,000,000	1,000,000,000
22	Unamortized Premium on Long-Term Debt (225)		6,685,375	6,813,217
23	(Less) Unamortized Discount on Long-Term Debt-Debit (226)		3,498,999	3,623,116
24	Total Long-Term Debt (lines 18 through 23)		1,288,021,376	1,163,025,101
25	OTHER NONCURRENT LIABILITIES			
26	Obligations Under Capital Leases - Noncurrent (227)		110,000,000	45,000,000
27	Accumulated Provision for Property Insurance (228 1)		0	0
28	Accumulated Provision for Injuries and Damages (228 2)		0	0
29	Accumulated Provision for Pensions and Benefits (228 3)		111,834,117	110,254,454
30	Accumulated Miscellaneous Operating Provisions (228 4)		0	0
31	Accumulated Provision for Rate Refunds (229)		0	0
32	Long-Term Portion of Derivative Instrument Liabilities		0	0
33	Long-Term Portion of Derivative Instrument Liabilities - Hedges		0	0
34	Asset Retirement Obligations (230)		101,107,983	93,028,714
35	Total Other Noncurrent Liabilities (lines 26 through 34)		322,942,100	248,283,168
36	CURRENT AND ACCRUED LIABILITIES			
37	Notes Payable (231)		23,000,000	85,000,000
38	Accounts Payable (232)		58,149,845	59,270,210
39	Notes Payable to Associated Companies (233)		0	0
40	Accounts Payable to Associated Companies (234)		0	0
41	Customer Deposits (235)		11,749,096	7,013,549
42	Taxes Accrued (236)	262-263	33,791,152	32,817,188
43	Interest Accrued (237)		14,276,392	11,613,171
44	Dividends Declared (238)		0	0
45	Matured Long-Term Debt (239)		0	0

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 2018/Q4

COMPARATIVE BALANCE SHEET (LIABILITIES AND OTHER CREDITS)(continued)

Line No	Title of Account (a)	Ref Page No (b)	Current Year End of Quarter/Year Balance (c)	Prior Year End Balance 12/31 (d)
46	Matured Interest (240)		0	0
47	Tax Collections Payable (241)		1,645,278	1,647,615
48	Miscellaneous Current and Accrued Liabilities (242)		25,502,259	20,406,508
49	Obligations Under Capital Leases-Current (243)		28,408,157	89,389,759
50	Derivative Instrument Liabilities (244)		0	0
51	(Less) Long-Term Portion of Derivative Instrument Liabilities		0	0
52	Derivative Instrument Liabilities - Hedges (245)		0	0
53	(Less) Long-Term Portion of Derivative Instrument Liabilities-Hedges		0	0
54	Total Current and Accrued Liabilities (lines 37 through 53)		196,522,179	307,158,000
55	DEFERRED CREDITS			
56	Customer Advances for Construction (252)		24,045,722	20,559,598
57	Accumulated Deferred Investment Tax Credits (255)	266-267	22,578,998	20,392,372
58	Deferred Gains from Disposition of Utility Plant (256)		0	0
59	Other Deferred Credits (253)	269	4,472,978	4,433,668
60	Other Regulatory Liabilities (254)	278	303,645,252	297,855,890
61	Unamortized Gain on Reaquired Debt (257)		0	0
62	Accum Deferred Income Taxes-Accel Amort (281)	272-277	0	0
63	Accum Deferred Income Taxes-Other Property (282)		500,140,517	482,460,890
64	Accum Deferred Income Taxes-Other (283)		18,172,304	10,804,042
65	Total Deferred Credits (lines 56 through 64)		873,055,771	836,506,460
66	TOTAL LIABILITIES AND STOCKHOLDER EQUITY (lines 16, 24, 35, 54 and 65)		3,863,669,737	3,715,539,174

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 2018/Q4

STATEMENT OF INCOME

Quarterly

1 Report in column (c) the current year to date balance Column (c) equals the total of adding the data in column (g) plus the data in column (i) plus the data in column (k) Report in column (d) similar data for the previous year This information is reported in the annual filing only
2 Enter in column (e) the balance for the reporting quarter and in column (f) the balance for the same three month period for the prior year
3 Report in column (g) the quarter to date amounts for electric utility function, in column (i) the quarter to date amounts for gas utility, and in column (k) the quarter to date amounts for other utility function for the current year quarter
4 Report in column (h) the quarter to date amounts for electric utility function, in column (j) the quarter to date amounts for gas utility, and in column (l) the quarter to date amounts for other utility function for the prior year quarter
5 If additional columns are needed, place them in a footnote

Annual or Quarterly if applicable
5 Do not report fourth quarter data in columns (e) and (f)
6 Report amounts for accounts 412 and 413, Revenues and Expenses from Utility Plant Leased to Others, in another utility columnin a similar manner to a utility department Spread the amount(s) over lines 2 thru 26 as appropriate Include these amounts in columns (c) and (d) totals
7 Report amounts in account 414, Other Utility Operating Income, in the same manner as accounts 412 and 413 above

Line No	Title of Account (a)	(Ref) Page No (b)	Total Current Year to Date Balance for Quarter/Year (c)	Total Prior Year to Date Balance for Quarter/Year (d)	Current 3 Months Ended Quarterly Only No 4th Quarter (e)	Prior 3 Months Ended Quarterly Only No 4th Quarter (f)
1	UTILITY OPERATING INCOME					
2	Operating Revenues (400)	300-301	903,602,606	916,796,846		
3	Operating Expenses					
4	Operation Expenses (401)	320-323	469,467,984	480,804,299		
5	Maintenance Expenses (402)	320-323	74,706,241	69,458,396		
6	Depreciation Expense (403)	336-337	89,201,977	84,170,742		
7	Depreciation Expense for Asset Retirement Costs (403 1)	336-337	-1,327,570	-1,137,735		
8	Amort & Depl of Utility Plant (404-405)	336-337	7,297,250	6,409,172		
9	Amort of Utility Plant Acq Adj (406)	336-337				
10	Amort Property Losses, Unrecov Plant and Regulatory Study Costs (407)					
11	Amort of Conversion Expenses (407)					
12	Regulatory Debits (407 3)		2,129,940	1,674,952		
13	(Less) Regulatory Credits (407 4)		261,240	261,240		
14	Taxes Other Than Income Taxes (408 1)	262-263	70,999,869	70,862,859		
15	Income Taxes - Federal (409 1)	262-263	-9,932,853	-8,528,717		
16	- Other (409 1)	262-263	1,109,863	-193,536		
17	Provision for Deferred Income Taxes (410 1)	234, 272-277	112,365,214	184,203,783		
18	(Less) Provision for Deferred Income Taxes-Cr (411 1)	234, 272-277	81,351,799	136,812,581		
19	Investment Tax Credit Adj - Net (411 4)	266	2,186,626	619,897		
20	(Less) Gains from Disp of Utility Plant (411 6)					
21	Losses from Disp of Utility Plant (411 7)					
22	(Less) Gains from Disposition of Allowances (411 8)					
23	Losses from Disposition of Allowances (411 9)					
24	Accretion Expense (411 10)		8,343,046	7,648,643		
25	TOTAL Utility Operating Expenses (Enter Total of lines 4 thru 24)		744,934,548	758,918,934		
26	Net Util Oper Inc (Enter Tot line 2 less 25) Carry to Pg117,line 27		158,668,058	157,877,912		

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 2018/Q4

STATEMENT OF INCOME FOR THE YEAR (Continued)

9 Use page 122 for important notes regarding the statement of income for any account thereof
10 Give concise explanations concerning unsettled rate proceedings where a contingency exists such that refunds of a material amount may need to be made to the utility's customers or which may result in material refund to the utility with respect to power or gas purchases State for each year effected the gross revenues or costs to which the contingency relates and the tax effects together with an explanation of the major factors which affect the rights of the utility to retain such revenues or recover amounts paid with respect to power or gas purchases
11 Give concise explanations concerning significant amounts of any refunds made or received during the year resulting from settlement of any rate proceeding affecting revenues received or costs incurred for power or gas purches, and a summary of the adjustments made to balance sheet, income, and expense accounts
12 If any notes appearing in the report to stokholders are applicable to the Statement of Income, such notes may be included at page 122
13 Enter on page 122 a concise explanation of only those changes in accounting methods made during the year which had an effect on net income, including the basis of allocations and apportionments from those used in the preceding year Also, give the appropriate dollar effect of such changes
14 Explain in a footnote if the previous year's/quarter's figures are different from that reported in prior reports
15 If the columns are insufficient for reporting additional utility departments, supply the appropriate account titles report the information in a footnote to this schedule

ELECTRIC UTILITY		GAS UTILITY		OTHER UTILITY		
Current Year to Date (in dollars) (g)	Previous Year to Date (in dollars) (h)	Current Year to Date (in dollars) (i)	Previous Year to Date (in dollars) (j)	Current Year to Date (in dollars) (k)	Previous Year to Date (in dollars) (l)	Line No
						1
903,602,606	916,796,846					2
						3
469,467,984	480,804,299					4
74,706,241	69,458,396					5
89,201,977	84,170,742					6
-1,327,570	-1,137,735					7
7,297,250	6,409,172					8
						9
						10
						11
2,129,940	1,674,952					12
261,240	261,240					13
70,999,869	70,862,859					14
-9,932,853	-8,528,717					15
1,109,863	-193,536					16
112,365,214	184,203,783					17
81,351,799	136,812,581					18
2,186,626	619,897					19
						20
						21
						22
						23
8,343,046	7,648,643					24
744,934,548	758,918,934					25
158,668,058	157,877,912					26

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 2018/Q4

STATEMENT OF INCOME FOR THE YEAR (continued)

Line No	Title of Account (a)	(Ref) Page No (b)	TOTAL Current Year (c)	TOTAL Previous Year (d)	Current 3 Months Ended Quarterly Only No 4th Quarter (e)	Prior 3 Months Ended Quarterly Only No 4th Quarter (f)
27	Net Utility Operating Income (Carried forward from page 114)		158,668,058	157,877,912		
28	Other Income and Deductions					
29	Other Income					
30	Nonutilty Operating Income					
31	Revenues From Merchandising, Jobbing and Contract Work (415)		724,093	551,171		
32	(Less) Costs and Exp of Merchandising, Job & Contract Work (416)		882,341	827,980		
33	Revenues From Nonutility Operations (417)					
34	(Less) Expenses of Nonutility Operations (417 1)					
35	Nonoperating Rental Income (418)					
36	Equity in Earnings of Subsidiary Companies (418 1)	119				
37	Interest and Dividend Income (419)		7,913,182	6,817,160		
38	Allowance for Other Funds Used During Construction (419 1)		3,452,950	3,024,921		
39	Miscellaneous Nonoperating Income (421)		13,195,568	17,154,888		
40	Gain on Disposition of Property (421 1)			846,238		
41	TOTAL Other Income (Enter Total of lines 31 thru 40)		24,403,452	27,566,398		
42	Other Income Deductions					
43	Loss on Disposition of Property (421 2)			15,180		
44	Miscellaneous Amortization (425)					
45	Donations (426 1)		1,187,981	1,154,604		
46	Life Insurance (426 2)		535,748	372,968		
47	Penalties (426 3)		-2,037	3,569		
48	Exp for Certain Civic, Political & Related Activities (426 4)		756,364	717,511		
49	Other Deductions (426 5)		20,171,369	856,344		
50	TOTAL Other Income Deductions (Total of lines 43 thru 49)		22,649,425	3,120,176		
51	Taxes Applic to Other Income and Deductions					
52	Taxes Other Than Income Taxes (408 2)	262-263	11,252	9,705		
53	Income Taxes-Federal (409 2)	262-263	4,868,940	10,909,613		
54	Income Taxes-Other (409 2)	262-263	138,274	442,940		
55	Provision for Deferred Inc Taxes (410 2)	234, 272-277	12,731,396	311,034		
56	(Less) Provision for Deferred Income Taxes-Cr (411 2)	234, 272-277	17,509,180	286,499		
57	Investment Tax Credit Adj -Net (411 5)					
58	(Less) Investment Tax Credits (420)					
59	TOTAL Taxes on Other Income and Deductions (Total of lines 52-58)		240,682	11,386,793		
60	Net Other Income and Deductions (Total of lines 41, 50, 59)		1,513,345	13,059,429		
61	Interest Charges					
62	Interest on Long-Term Debt (427)		73,709,754	71,177,625		
63	Amort of Debt Disc and Expense (428)		956,832	1,028,393		
64	Amortization of Loss on Reaquired Debt (428 1)		885,924	885,924		
65	(Less) Amort of Premium on Debt-Credit (429)		127,842	121,950		
66	(Less) Amortization of Gain on Reaquired Debt-Credit (429 1)					
67	Interest on Debt to Assoc Companies (430)					
68	Other Interest Expense (431)		3,318,484	2,237,756		
69	(Less) Allowance for Borrowed Funds Used During Construction-Cr (432)		3,612,047	2,974,276		
70	Net Interest Charges (Total of lines 62 thru 69)		75,131,105	72,233,472		
71	Income Before Extraordinary Items (Total of lines 27, 60 and 70)		85,050,298	98,703,869		
72	Extraordinary Items					
73	Extraordinary Income (434)					
74	(Less) Extraordinary Deductions (435)					
75	Net Extraordinary Items (Total of line 73 less line 74)					
76	Income Taxes-Federal and Other (409 3)	262-263				
77	Extraordinary Items After Taxes (line 75 less line 76)					
78	Net Income (Total of line 71 and 77)		85,050,298	98,703,869		

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 2018/Q4

STATEMENT OF RETAINED EARNINGS

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

Line No	Item (a)	Contra Primary Account Affected (b)	Current Quarter/Year Year to Date Balance (c)	Previous Quarter/Year Year to Date Balance (d)
	UNAPPROPRIATED RETAINED EARNINGS (Account 216)			
1	Balance-Beginning of Period		1,188,438,459	1,142,889,432
2	Changes			
3	Adjustments to Retained Earnings (Account 439)			
4	Cummulative Effect Retained Earnings Adjustments			
5	(ASU) 2016-09 Compensation-Stock Compensation (Topic 718)			
6	Improvement to Employee Share-Based Payment Accounting-Federal Income Tax	190		182,628
7	(ASU) 2016-01 Financial Instruments-Overall (Subtopic 825-10)			
8	Recognition and Measurement of Financial Assets-Net of Income Taxes	219	40,724,356	
9	TOTAL Credits to Retained Earnings (Acct 439)		40,724,356	182,628
10				
11				
12				
13				
14				
15	TOTAL Debits to Retained Earnings (Acct 439)			
16	Balance Transferred from Income (Account 433 less Account 418 1)		85,050,298	98,703,869
17	Appropriations of Retained Earnings (Acct 436)			
18				
19				
20				
21				
22	TOTAL Appropriations of Retained Earnings (Acct 436)			
23	Dividends Declared-Preferred Stock (Account 437)			
24				
25				
26				
27				
28				
29	TOTAL Dividends Declared-Preferred Stock (Acct 437)			
30	Dividends Declared-Common Stock (Account 438)			
31	Class Common Stock $1 Par Value		-57,539,118	(53,337,470)
32				
33				
34				
35				
36	TOTAL Dividends Declared-Common Stock (Acct 438)		-57,539,118	(53,337,470)
37	Transfers from Acct 216 1, Unapprop Undistrib Subsidiary Earnings			
38	Balance - End of Period (Total 1,9,15,16,22,29,36,37)		1,256,673,995	1,188,438,459
	APPROPRIATED RETAINED EARNINGS (Account 215)			
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 2018/Q4

STATEMENT OF RETAINED EARNINGS

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

Line No	Item (a)	Contra Primary Account Affected (b)	Current Quarter/Year Year to Date Balance (c)	Previous Quarter/Year Year to Date Balance (d)
41				
42				
43				
44				
45	TOTAL Appropriated Retained Earnings (Account 215)			
	APPROP RETAINED EARNINGS - AMORT Reserve, Federal (Account 215 1)			
46	TOTAL Approp Retained Earnings-Amort Reserve, Federal (Acct 215 1)			
47	TOTAL Approp Retained Earnings (Acct 215, 215 1) (Total 45,46)			
48	TOTAL Retained Earnings (Acct 215, 215 1, 216) (Total 38, 47) (216 1)		1,256,673,995	1,188,438,459
	UNAPPROPRIATED UNDISTRIBUTED SUBSIDIARY EARNINGS (Account			
	Report only on an Annual Basis, no Quarterly			
49	Balance-Beginning of Year (Debit or Credit)			
50	Equity in Earnings for Year (Credit) (Account 418 1)			
51	(Less) Dividends Received (Debit)			
52				
53	Balance-End of Year (Total lines 49 thru 52)			

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 2018/Q4

STATEMENT OF CASH FLOWS

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

Line No	Description (See Instruction No 1 for Explanation of Codes) (a)	Current Year to Date Quarter/Year (b)	Previous Year to Date Quarter/Year (c)
1	Net Cash Flow from Operating Activities		
2	Net Income (Line 78(c) on page 117)	85,050,298	98,703,869
3	Noncash Charges (Credits) to Income		
4	Depreciation and Depletion	89,201,977	84,170,742
5	Amortization of Other	23,198,985	20,546,826
6	Amortization of Nuclear Fuel	38,353,099	42,689,141
7			
8	Deferred Income Taxes (Net)	26,235,631	47,415,742
9	Investment Tax Credit Adjustment (Net)	2,186,626	619,897
10	Net (Increase) Decrease in Receivables	5,712,325	-137,824
11	Net (Increase) Decrease in Inventory	-4,101,092	-3,059,832
12	Net (Increase) Decrease in Allowances Inventory	-16,082	-12,737
13	Net Increase (Decrease) in Payables and Accrued Expenses	5,611,399	3,201,811
14	Net (Increase) Decrease in Other Regulatory Assets	13,737,493	-7,403,523
15	Net Increase (Decrease) in Other Regulatory Liabilities	4,821,740	17,092,813
16	(Less) Allowance for Other Funds Used During Construction	3,452,950	3,024,921
17	(Less) Undistributed Earnings from Subsidiary Companies		
18	Other (provide details in footnote)	18,261,013	-6,203,513
19			
20	Deferred Charges and Credits	-14,751,948	-5,142,612
21	Net (Increase) Decrease in Prepayments and Other	-4,418,921	-692,304
22	Net Cash Provided by (Used in) Operating Activities (Total 2 thru 21)	285,629,593	288,763,575
23			
24	Cash Flows from Investment Activities		
25	Construction and Acquisition of Plant (including land)		
26	Gross Additions to Utility Plant (less nuclear fuel)	-247,086,398	-205,895,971
27	Gross Additions to Nuclear Fuel	-44,068,319	-43,705,644
28	Gross Additions to Common Utility Plant		
29	Gross Additions to Nonutility Plant		
30	(Less) Allowance for Other Funds Used During Construction	-3,452,950	-3,024,921
31	Other (provide details in footnote)		
32			
33			
34	Cash Outflows for Plant (Total of lines 26 thru 33)	-287,701,767	-246,576,694
35			
36	Acquisition of Other Noncurrent Assets (d)		
37	Proceeds from Disposal of Noncurrent Assets (d)	287,330	280,894
38			
39	Investments in and Advances to Assoc and Subsidiary Companies		
40	Contributions and Advances from Assoc and Subsidiary Companies		
41	Disposition of Investments in (and Advances to)		
42	Associated and Subsidiary Companies		
43			
44	Purchase of Investment Securities (a)		
45	Proceeds from Sales of Investment Securities (a)		

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 2018/Q4

STATEMENT OF CASH FLOWS

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

Line No	Description (See Instruction No 1 for Explanation of Codes) (a)	Current Year to Date Quarter/Year (b)	Previous Year to Date Quarter/Year (c)
46	Loans Made or Purchased		
47	Collections on Loans		
48	Insurance Proceeds Received for Equipment	5,350,789	9,590,779
49	Net (Increase) Decrease in Receivables		
50	Net (Increase) Decrease in Inventory		
51	Net (Increase) Decrease in Allowances Held for Speculation		
52	Net Increase (Decrease) in Payables and Accrued Expenses		
53	Investment in Decommissioning Trust Fund (Purchases)	-86,366,105	-102,920,452
54	Investment in Decomissioning Trust Fund (Sales and Maturities)	80,732,166	97,036,586
55	Other (provided details in footnote)	4,185,567	-1,557,360
56	Net Cash Provided by (Used in) Investing Activities		
57	Total of lines 34 thru 55)	-283,512,020	-244,146,247
58			
59	Cash Flows from Financing Activities		
60	Proceeds from Issuance of		
61	Long-Term Debt (b)	125,000,000	
62	Preferred Stock		
63	Common Stock		
64	Other Financing and Other Capital Lease Obligations- Proceeds	632,893,721	638,458,140
65			
66	Net Increase in Short-Term Debt (c)		
67	Other (provide details in footnote)		
68			
69			
70	Cash Provided by Outside Sources (Total 61 thru 69)	757,893,721	638,458,140
71			
72	Payments for Retirement of		
73	Long-term Debt (b)		-33,300,000
74	Preferred Stock		
75	Common Stock		
76	Other (provide details in footnote)	-4,341,834	-1,369,331
77	Financing and Capital Lease Obligations	-692,220,119	-596,498,777
78	Net Decrease in Short-Term Debt (c)		
79			
80	Dividends on Preferred Stock		
81	Dividends on Common Stock	-57,539,118	-53,337,470
82	Net Cash Provided by (Used in) Financing Activities		
83	(Total of lines 70 thru 81)	3,792,650	-46,047,438
84			
85	Net Increase (Decrease) in Cash and Cash Equivalents		
86	(Total of lines 22,57 and 83)	5,910,223	-1,430,110
87			
88	Cash and Cash Equivalents at Beginning of Period	6,989,845	8,419,955
89			
90	Cash and Cash Equivalents at End of period	12,900,068	6,989,845

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	/ /	2018/Q4

FOOTNOTE DATA

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

Other:		2018		2017
Net (Gains) Losses on Decommissioning Trust Funds	$	12,829,637	$	(10,625,851)
Amortization of Unearned Compensation		5,468,993		5,091,867
Unrealized (Gains) Losses on Investments in Debt Securities		79,676		(314,317)
Other Operating Activities		(117,293)		(355,212)
Total	$	18,261,013	$	(6,203,513)

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

Other:		2018		2017
Net Customer Advances for Construction	$	3,486,118	$	1,691,047
Net Salvage Value and Cost of Removal		699,449		(3,248,407)
Total	$	4,185,567	$	(1,557,360)

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

Other:		2018		2017
Stock Awards Withheld for Taxes	$	(1,676,142)	$	(573,608)
Issuance Costs Related to Senior Notes		(868,834)		0
Issuance Costs Related to RGRT Senior Notes		(449,978)		0
Costs Related to Revolving Credit Facilities Terms Modification		(1,321,880)		(548,795)
Other Financing Activities		(25,000)		(246,928)
Total	$	(4,341,834)	$	(1,369,331)

Name of Respondent	This Report Is	Date of Report	Year/Period of Report
El Paso Electric Company	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2018/Q4

NOTES TO FINANCIAL STATEMENTS

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

PAGE 122 INTENTIONALLY LEFT BLANK
SEE PAGE 123 FOR REQUIRED INFORMATION

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 2018/Q4

NOTES TO FINANCIAL STATEMENTS (Continued)

Note 1. Regulatory-Basis Financial Statements

The accompanying regulatory-basis financial statements are presented in accordance with the accounting requirements of the Federal Energy Regulatory Commission ("FERC") as set forth in its applicable Uniform System of Accounts and published accounting releases which is a comprehensive basis of accounting other than U S Generally Accepted Accounting Principles ("GAAP") used in the Annual Report on Form 10-K for the fiscal year ended December 31, 2018 ("Form 10-K") filed by El Paso Electric Company (the "Company") with the U S Securities and Exchange Commission Notes A through P of the regulatory-basis financial statements are from the 2018 Form 10-K and have been revised where the presentation of regulatory-basis financial statements, in accordance with requirements under the Uniform System of Accounts and published accounting releases of the FERC, result in different financial statement amounts or disclosures than under GAAP Because many types of transactions are susceptible to varying interpretations, the amounts and classifications reported in the accompanying regulatory-basis financial statements may be subject to change at a later date upon final determination by the FERC In the remainder of this Note 1, information contained in Notes A through P is supplemented for additional regulatory-basis disclosures

Regulatory-Basis Financial Statements Compared to GAAP

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

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	/ /	2018/Q4

NOTES TO FINANCIAL STATEMENTS (Continued)

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

Line No.			2018		2017
	Assets and Other Debits (Pages 110-111)				
2	Utility plant	$	(931,531)	$	(930,329)
5	Accumulated provision for depreciation, amortization and depletion		(921,415)		(920,160)
11	Nuclear fuel under capital lease		(1,564)		(1,005)
12	Accumulated provision for amortization of nuclear fuel		(1,040)		(252)
18	Non utility property		(709)		(709)
24	Other investments		(1,675)		(1,764)
28	Other special funds		(282,610)		(293,016)
67	Total current and accrued assets		6,991		28
84	Total deferred debits		53,475		75,207
	Liabilities and Other Credits (Pages 112-113)				
6	Premium on capital stock		18,810		13,419
7	Other paid-in capital		(8,781)		(3,390)
10	Capital stock expense		(341)		(341)
11	Retained earnings		(29,203)		(28,771)
15	Accumulated other comprehensive income		(193)		0
24	Total long-term debt		(2,041)		32,963
35	Total other noncurrent liabilities		(322,942)		(248,283)
54	Total current and accrued liabilities		116,733		9,066
65	Total deferred credits		(7,892)		(6,521)
	Statements of Income for the Year (Pages 114-117)				
25	Total utility operating expenses		(13,561)		(40,376)
26	Net utility operating income		13,561		40,376
60	Net other income and deductions		21,160		5,313
70	Net interest charges		9,089		(4,872)
78	Net income		(735)		(442)
	Statement of Retained Earnings (Pages 118-119)				
1	Balance – beginning of period	$	(28,771)	$	(28,328)
48	Total retained earnings		(29,203)		(28,771)
	Statement of Cash Flows (Pages 120-121)				
22	Net cash provided by (used in) operating activities	$	(232)	$	(202)
57	Net cash provided by (used in) investing activities		232		202
	Statement of Accumulated Comprehensive Income, Comprehensive Income and Hedging Activities (Page 122a-122b)				
9	Other comprehensive income	$	111	$	0

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) / /	2018/Q4

NOTES TO FINANCIAL STATEMENTS (Continued)

Statement of Cash Flows

Cash and cash equivalents and amortization of other presented on the statement of cash flows for the years ended December 31, 2018 and 2017 consist of the following (in thousands):

	2018	2017
Cash and Cash Equivalents:		
Cash (131)	$ 12,377	$ 6,702
Working funds (135)	235	67
Temporary cash investments (136)	288	221
Cash and cash equivalents at end of period	$ 12,900	$ 6,990
Amortization of Other:		
ARO depreciation (403.1)	$ (1,328)	$ (1,138)
Other utility plant (404)	7,297	6,409
Regulatory assets (407.3)	2,130	1,675
Regulatory liabilities (407.4)	(261)	(261)
ARO accretion expense (411.10)	8,343	7,649
Debt expense (428)	957	1,028
Loss on reacquired debt (428.1)	886	886
Debt premium (429)	(128)	(122)
Interest rate lock losses	568	533
Nuclear fuel financing issuance costs	183	211
Dry cask storage amortization	1,946	1,147
Coal reclamation amortization	661	575
Texas rate case amortization	1,516	1,526
New Mexico rate case amortization	429	429
	$ 23,199	$ 20,547

Accounting and Reporting for New Electric Storage Operations

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

A. Summary of Significant Accounting Policies

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

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

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	/ /	2018/Q4

NOTES TO FINANCIAL STATEMENTS (Continued)

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

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

Utility Plant Utility plant is reported at cost, less regulatory disallowances and impairments Costs include labor, materials, construction overheads and allowance for funds used during construction ("AFUDC) Depreciation is provided on a straight-line basis at annual rates which will generally amortize the undepreciated cost of depreciable property over the estimated remaining lives of the assets (ranging in average from 5 to 48 years) The average composite depreciation rate utilized in 2018 and 2017 was 2 19%, and 2 19%, respectively When property subject to composite depreciation is retired or otherwise disposed of in the normal course of business, its cost together with the cost of removal, less salvage, is charged to accumulated depreciation For other property dispositions, the applicable cost and accumulated depreciation is removed from the balance sheet accounts and a gain or loss is recognized, if applicable

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

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

Allowance for Funds Used During Construction and Capitalized Interest AFUDC is determined by applying an accrual rate to the balance of certain Construction Work in Progress ("CWIP") The FERC has promulgated procedures for the computation (a prescribed formula) of the accrual rate The average AFUDC rates used in 2018 and 2017 were 5 95% and 5 38%, respectively The Company capitalizes interest on nuclear fuel in accordance with the FERC Uniform System of Accounts as provided for in the FASB guidance for regulated operations

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

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

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) / /	2018/Q4

NOTES TO FINANCIAL STATEMENTS (Continued)

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

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

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

Operating Revenues The Company accrues revenues for services rendered, including unbilled electric service revenues Fuel and purchase power expenses are stated at actual cost incurred The Company recognizes revenue associated with contracts with customers when performance obligations under the terms of the contract with the customer are satisfied Revenue is measured as the amount of consideration the Company receives in exchange for transferring goods or providing services to the customer Taxes collected concurrently with revenue producing activities are excluded from revenue Accrued Utility Revenues are recorded for estimated amounts of energy delivered in the period following the customer's last billing cycle to the end of the reporting period Accrued Utility Revenues are estimated based on monthly generation volumes and by applying an average revenue/kilowatt-hour ("kWh") to the number of estimated kWhs delivered but not billed The Company recorded $21 6 million and $22 2 million of Accrued Utility Revenues as of December 31, 2018 and 2017, respectively The Company presents revenues net of sales taxes in its regulatory-basis statement of income

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

Allowance for Doubtful Accounts The allowance for doubtful accounts represents the Company's estimate of existing accounts receivable that will ultimately be uncollectible The allowance is calculated by applying estimated write-off factors to various classes of outstanding receivables The write-off factors used to estimate uncollectible accounts are based upon consideration of both historical collections experience and management's best estimate of future collections success given the existing collections environment Additions, deductions and balances for allowance for doubtful accounts for 2018 and 2017 are as follows (in thousands)

	2018	2017
Balance at beginning of year	$ 2,337	$ 2,185
Additions		
Charged to costs and expense	2,818	3,149
Recovery of previous write-offs	1,215	1,122
Uncollectible receivables written off	4,300	4,119
Balance at end of year	$ 2,070	$ 2,337

Name of Respondent	This Report is	Date of Report	Year/Period of Report
	(1) X An Original	(Mo, Da, Yr)	
El Paso Electric Company	(2) __ A Resubmission	/ /	2018/Q4

NOTES TO FINANCIAL STATEMENTS (Continued)

Income Taxes The Company accounts for federal and state income taxes under the asset and liability method of accounting for income taxes Deferred income taxes are recognized for the estimated future tax consequences of "temporary differences" by applying enacted statutory tax rates for each taxable jurisdiction applicable to future years to differences between the financial statement carrying amounts and the tax basis of existing assets and liabilities Certain temporary differences are accorded flow-through treatment by the Company's regulators and impact the Company's effective tax rate The FASB guidance requires that rate-regulated companies record deferred income taxes for temporary differences accorded flow-through treatment at the direction of the regulatory commission The resulting deferred tax assets and liabilities are recorded at the expected cash flow to be reflected in future rates Because the Company's regulators have consistently permitted the recovery of tax effects previously flowed-through earnings, the Company has recorded regulatory liabilities and assets offsetting such deferred tax assets and liabilities The effect on deferred tax assets and liabilities of a change in tax rate is recognized in income in the period that includes the enactment date, unless those deferred taxes will be collected from or returned to customers in which case they are recorded as a regulatory asset or liability The Company recognizes tax assets and liabilities for uncertain tax positions in accordance with the recognition and measurement criteria of the FASB guidance for uncertainty in income taxes as modified by FERC Docket No AI07-2-000 See Note J of Notes to Financial Statements for further discussion

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

The tax effects of changes in tax laws must be recognized in the period in which the law is enacted In accordance with FERC Docket No AI93-5-000, deferred tax assets and liabilities are required to be measured at the enacted tax rate expected to apply when temporary differences are to be realized or settled Thus, at the date of enactment of the TCJA, the Company's deferred taxes were re-measured based upon the new corporate federal income tax rate The decrease in deferred taxes was recorded as a regulatory liability as it will be subject to refund to customers and is recorded at the expected cash flow to be reflected in future rates See Notes E and J of Notes to Financial Statements for further discussion

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

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

Reclassification Certain amounts in the regulatory-basis financial statements for 2017 have been reclassified to conform to the 2018 presentation The Company implemented Accounting Standards Update ("ASU") 2016-15, Statement of Cash Flows, in the first quarter of 2018, retrospectively to all periods presented in the Company's regulatory-basis financial statements See Note B of Notes to Financial Statements for further discussion on the new accounting standards

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) / /	2018/Q4

NOTES TO FINANCIAL STATEMENTS (Continued)

B. New Accounting Standards

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

New Accounting Standards Adopted

In March 2016, the FASB issued ASU 2016-09, Compensation - Stock Compensation (Topic 718) Improvements to Employee Share-Based Payment Accounting, to simplify the accounting for share-based payment transactions, including the income tax consequences, classification of awards either as equity or liabilities, and classification on the statements of cash flows The Company adopted the new standard effective January 1, 2017 The adoption of the new standard did not have a material impact on the Company's financial condition, results of operations or cash flows The cumulative effect of the adoption of the new standard was to increase net operating loss carryforward ("NOL carryforward") deferred tax assets and retained earnings by $0 2 million on January 1, 2017

In May 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers (Topic 606), to provide a framework that replaced the prior revenue recognition guidance, and FASB has since modified the standard with several ASUs The standard provides that an entity should recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers On January 1, 2018, the Company adopted the new accounting standard using the modified retrospective method There was no cumulative effect adjustment at the initial application of the new standard In addition, comparative information has not been restated and continues to be reported under the accounting standards in effect for those periods The Company expects the ongoing impact of the new standard to be immaterial to net income Following the adoption of the standard, revenues of $8 9 million related to reimbursed costs of energy efficiency programs approved by the Company's regulators are reported in operating revenues from customers prospectively, as opposed to being offset with associated costs within operations and maintenance ("O&M") expenses Related expenses of an equal amount are reported in O&M expenses See Note C of Notes to Financial Statements for further discussion on revenues

In January 2016, the FASB issued ASU 2016-01, Financial Instruments - Overall (Subtopic 825-10) Recognition and Measurement of Financial Assets and Financial Liabilities, to enhance the reporting model for financial instruments by addressing certain aspects of recognition, measurement, presentation and disclosure The Company adopted the new standard effective January 1, 2018 The adoption of ASU 2016-01 eliminates the requirements to classify investments in equity securities with readily determinable fair values into trading or available for sale and requires entities to measure equity investments at fair value and recognize any changes in fair value in the regulatory-basis statement of income ASU 2016-01 requires a modified retrospective approach and therefore comparative information has not been restated and continues to be reported under the accounting standards in effect for those periods Upon adoption of the new standard, the Company recorded a cumulative effect adjustment, net of income taxes to increase retained earnings by $40 7 million with a corresponding decrease to accumulated other comprehensive income ("AOCI") In addition, the Company recorded net losses of $18 6 million related to equity securities still held at December 31, 2018 In March 2018, the FASB issued ASU 2018-04, Investments - Debt Securities (Topic 320) and Regulated Operations (Topic 980), which provides clarification to ASU 2016-01

In August 2016, the FASB issued ASU 2016-15, Statement of Cash Flows (Topic 230) Classification of Certain Cash Receipts and Cash Payments, to reduce diversity in practice in how certain cash receipts and cash payments are classified in the statement of cash flows The Company adopted the new standard effective January 1, 2018 ASU 2016-15 was applied using a retrospective transition method to each period presented Accordingly, the Company presented in the Regulatory-Basis Statement of Cash Flows insurance proceeds received for equipment of $5 4 million and $9 6 million, respectively, for the twelve months ended December 31, 2018 and 2017 as cash inflows from investing activities

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	/ /	2018/Q4

NOTES TO FINANCIAL STATEMENTS (Continued)

In March 2017, the FASB issued ASU 2017-07, Compensation - Retirement Benefits (Topic 715) Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost ASU 2017-07 amends Accounting Standards Codification ("ASC") 715, Compensation - Retirement Benefits, to require companies to present the service cost component of net benefit cost in the income statement line items where compensation cost is reported Companies will present all other components of net benefit cost separately from the line item(s) that includes the service cost and outside of any subtotal of operating income In addition, only the service cost component will be eligible for capitalization in assets The Company adopted the new standard effective January 1, 2018 for GAAP purposes In response to industry inquiries surrounding the impact of the implementation of ASU 2017-07 for GAAP purposes, the FERC issued accounting guidance under Docket No AI18-1-000 on December 28, 2017 The FERC determined that companies should continue to record all components of net periodic pension cost in FERC account 926 to promote comparability among utilities As such, the Company records all components of net periodic pension cost as an operating expense in its regulatory-basis financial statements The FERC further determined that companies may elect to capitalize only the service cost component of benefit costs as prescribed in ASU 2017-07 and requires companies to disclose the change in accounting practice with respect to capitalization of this election The Company has elected to conform to the GAAP capitalization policy, which is that only the service cost component is eligible for capitalization See Note M of Notes to Financial Statements for further discussion on employee benefits

In March 2018, the FASB issued ASU 2018-05, Income Taxes (Topic 740) Amendments to U S Securities and Exchange Commission ("SEC") Paragraphs Pursuant to SEC Staff Accounting Bulletin No 118 ("SAB 118"), to add various SEC paragraphs for clarification due to the TCJA The Company adopted ASU 2018-05 upon issuance and implemented SAB 118 in December of 2017 in conjunction with the enactment of the TCJA

In August 2018, the FASB issued ASU 2018-15, Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract (Topic 350) ASU 2018-15 aligns the requirements for capitalizing implementation costs for a cloud computing arrangement with the requirements for capitalizing implementation costs for an internal use software license Implementation costs for a cloud computing arrangement will be capitalized or expensed based on the nature of the costs and the project's stage in which they are incurred by applying the existing guidance for internal use software implementation costs Capitalized costs for a cloud computing arrangement will be presented on the same line of the balance sheet as any related prepaid amounts for the arrangement, while amortization of those costs will be presented on the same line of the income statement as the related hosting fees Early adoption is permitted, and entities may apply the guidance either prospectively to eligible costs incurred on or after the effective date or retrospectively The Company early-adopted this guidance in the third quarter of 2018, on a prospective basis, and the adoption did not have a material impact on the Company's financial condition, results of operations or cash flows

New Accounting Standards to be Adopted in the Future

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842), to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and requiring qualitative and quantitative disclosures on leasing agreements ASU 2016-02 maintains a distinction between finance leases and operating leases similar to the distinction under previous lease guidance for capital leases and operating leases The impact of leases reported in the Company's operating results and statement of cash flows is expected to be similar to previous GAAP ASU 2016-02 requires the recognition in the regulatory-basis balance sheet, by the lessee, of a liability to make lease payments (the lease liability) and a right-of-use asset representing its right to use the underlying asset for the lease term How operating leases are recorded in regard to the Company's regulatory-basis balance sheet represents a significant change from previous GAAP guidance The lessee is permitted to make an accounting policy election to not recognize lease assets and lease liabilities for short-term leases Adoption of the new lease accounting standard will require the Company to apply the new standard to the earliest period using a modified retrospective approach As part of an effort to minimize adoption impact from the new standard, the FASB issued ASU 2018-01 and 2018-11 ASU 2018-01 provides an optional practical expedient to not evaluate existing or expired land easements under Topic 842, if those land easements were not previously accounted for as leases under ASC Topic 840, while ASU 2018-11 allows entities to adopt the standard with a cumulative effect adjustment as of the beginning of the adoption year, while maintaining prior year comparative financial information and disclosures as reported As part of its application of ASU 2016-02, the Company has completed its analysis of its lease population and is finalizing the implementation of a new lease accounting system, as well as the evaluation of the impact on business processes, systems and controls to support recognition and disclosure under the new guidance The Company anticipates it will elect the following practical expedients the package of practical expedients outlined in ASU 2016-02, the land easement

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) / /	2018/Q4

NOTES TO FINANCIAL STATEMENTS (Continued)

practical expedient outlined in ASU 2018-01, and the optional transition expedient outlined in ASU 2018-11 The Company also anticipates making the accounting policy election to not apply balance sheet recognition to short term leases In response to industry inquiries surrounding the impact of the implementation of ASU 2018-02, the FERC issued accounting guidance under Docket No AI19-1-000 on December 27, 2018 The FERC clarified that its accounting regulations do not require operating leases to be capitalized on the regulatory-basis balance sheet However, a jurisdictional entity may choose to implement the ASU's guidance to report operating leases with a lease term in excess of twelve months as right of use assets, with corresponding lease obligations, in the regulatory-basis balance sheet accounts established for capital leases The Company adopted this guidance effective January 1, 2019 for both GAAP and regulatory reporting purposes and the adoption only affected the regulatory-basis balance sheet by recording lease obligations and corresponding right of use assets in an amount that ranges between $5 0 million and $8 0 million

In June 2016, the FASB issued ASU 2016-13, Financial Instruments - Credit Losses (Topic 326) ASU 2016-13 changes how companies measure and recognize credit impairment for many financial assets The new expected credit loss model will require companies to immediately recognize an estimate of credit losses expected to occur over the remaining life of the financial assets that are in the scope of the standard The ASU also makes targeted amendments to the current impairment model for available-for-sale debt securities ASU 2016-13 will be required for reporting periods beginning after December 15, 2019 ASU 2016-13 will be applied in a modified retrospective approach through a cumulative-effect adjustment to retained earnings as of the beginning of the first reporting period in which the guidance is implemented The Company is currently assessing the future impact of ASU 2016-13

In February 2018, the FASB issued ASU 2018-02, Income Statement - Reporting Comprehensive Income (Topic 220), as a result of concerns raised due to the TCJA More specifically, because the remeasurement of deferred taxes due to the change in the federal corporate income tax rate is required to be included in income from continuing operations, the tax effects of items within AOCI (referred to as stranded tax effects) do not reflect the appropriate tax rate ASU 2018-02 generally allows companies to reclassify stranded taxes from AOCI to retained earnings The amount of the adjustment would be the difference between the historical federal corporate income tax rate of 35% and the newly enacted 21% federal corporate income tax rate The provisions of ASU 2018-02 are effective for fiscal years and interim periods within that reporting period beginning after December 15, 2018 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 impact of ASU 2018-02 and its impact on regulated utilities At December 31, 2018, stranded taxes in AOCI are approximately $7 2 million The Company currently does not believe the adoption of this ASU will have a material impact on its financial condition, results of operations, or cash flows

C. Revenues

On January 1, 2018, the Company adopted ASU 2014-09, Revenue from Contracts with Customers (Topic 606), for all of its contracts using the modified retrospective method There was no cumulative effect adjustment at the initial application of the new standard In addition, comparative information has not been restated and continues to be reported under the accounting standards in effect for those periods The Company expects the ongoing impact of the new standard to be immaterial to net income and no significant changes in the Company's business processes and internal controls were necessary upon adoption of the new standard

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

	December 31, 2018 Twelve Months Ended
Retail	$ 789,676
Wholesale	90,673
Wheeling (transmission)	19,026
Total revenues from contracts with customers	899,375
Other	4,228
Total operating revenues	$ 903,603

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) / /	2018/Q4

NOTES TO FINANCIAL STATEMENTS (Continued)

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 The Company has elected the optional invoice practical expedient for Wholesale and Wheeling revenues, as the invoice amount will correspond directly to the value provided by the Company's performance to date

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 10^{th} day of each month, with payment due by the 20^{th} 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

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 9 million of uncollectible expense for the twelve months ended December 31, 2018

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) / /	2018/Q4

NOTES TO FINANCIAL STATEMENTS (Continued)

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

Texas Regulatory Matters

2015 Texas Retail Rate Case Filing On August 10, 2015, the Company filed with the City of El Paso, other municipalities incorporated in its Texas service territory and the PUCT in the 2015 Texas Retail Rate Case, a request for an annual increase in non-fuel base revenues ("2015 Texas Retail Rate Case") On July 21, 2016, the parties to PUCT Docket No 44941 filed the Joint Motion to Implement Uncontested Amended and Restated Stipulation and Agreement which was unopposed by the parties On August 25, 2016, the PUCT issued the PUCT Final Order in Docket No 44941 ("2016 PUCT Final Order") Interim rates associated with the annual non-fuel base rate increase became effective on April 1, 2016 The additional surcharges associated with the incremental Four Corners Generating Station ("Four Corners") costs, rate case expenses and the relate back of rates to consumption on and after January 12, 2016, through March 31, 2016, were implemented on October 1, 2016

For financial reporting purposes, the Company deferred any recognition of the Company's request in its 2015 Texas Retail Rate Case until it received the 2016 PUCT Final Order on August 25, 2016 Accordingly, it reported in the third quarter of 2016 the cumulative effect of the 2016 PUCT Final Order, which related back to January 12, 2016

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 the 2017 Texas Retail Rate Case, a request for an increase in non-fuel base revenues On November 2, 2017, the Company filed the Joint Motion to Implement Uncontested Stipulation and Agreement with the Administrative Law Judges for the 2017 Texas Retail Rate Case

On December 18, 2017, the PUCT issued the PUCT 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 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, which expired on January 9, 2019, with a reconciliation of any over-or under-charge to be addressed in a separate proceeding

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

For financial reporting purposes, the Company deferred any recognition of the Company's request in its 2017 Texas Retail Rate Case until it received the 2017 PUCT Final Order on December 18, 2017 Accordingly, it reported in the fourth quarter of 2017 the cumulative effect of the 2017 PUCT Final Order, which related back to July 18, 2017

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 2018/Q4

NOTES TO FINANCIAL STATEMENTS (Continued)

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 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 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 expires March 31, 2019 The filing was assigned PUCT Docket No 49251

Texas Energy Efficiency Cost Recovery Factor On May 1, 2017, the Company filed its annual application with the PUCT, which was assigned PUCT Docket No 47125, to establish its energy efficiency cost recovery factor 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 energy efficiency cost recovery factor 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 Administrative Law Judge issued a proposal for 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

Fuel and Purchased Power Costs The Company's actual fuel costs, including purchased power energy costs, 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

On November 30, 2016, the Company filed a request with the PUCT, which was assigned PUCT Docket No 46610, to increase its fixed fuel factor by approximately 28 8% to reflect increased fuel expenses primarily related to an increase in the price of natural gas used to generate power The increase in the fixed fuel factor was effective on an interim basis January 1, 2017, and approved by the PUCT on January 10, 2017

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

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 2018/Q4

NOTES TO FINANCIAL STATEMENTS (Continued)

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 The Texas fixed fuel factor will continue thereafter until changed by the PUCT As of December 31, 2018, the Company had a net fuel over-recovery balance of approximately $8 9 million in Texas

Fuel Reconciliation Proceeding On September 27, 2016, the Company filed an application with the PUCT, designated as PUCT Docket No 46308, to reconcile $436 6 million of Texas fuel and purchased power expenses incurred during the period of April 1, 2013, through March 31, 2016 On June 29, 2017, the PUCT approved a settlement in this proceeding The settlement provides for the reconciliation of fuel and purchased power costs incurred from April 1, 2013, through March 31, 2016 The financial results for the twelve months ended December 31, 2017, includes a $5 0 million, pre-tax increase to income reflecting the settlement of the Texas fuel reconciliation proceeding This amount represents Palo Verde performance rewards associated with the 2013 to 2015 performance periods net of disallowed fuel and purchased power costs as approved in the settlement Additionally, the settlement modifies and tightens the Palo Verde performance rewards measurement bands beginning with the 2018 performance period The April 1, 2016, through December 31, 2018, Texas jurisdictional fuel and purchased power costs subject to prudence review total approximately $353 4 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 ("MPS") 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 Administrative Law Judge issued a proposal for decision on March 19, 2019, that approved the project as proposed by the Company The Company awaits a final order from the PUCT and cannot predict the outcome of the case at this time

Transmission Cost Recovery Factor On January 25, 2019, the Company filed an application with the PUCT to establish its Transmission Cost Recovery Factor ("TCRF"), which was assigned PUCT Docket No 49148 ("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 The Company cannot predict the outcome of this filing at this time

Distribution Cost Recovery Factor The Company anticipates filing an application with the PUCT and each of its Texas municipalities to establish its Distribution Cost Recovery Factor ("DCRF") in the first quarter ("2019 DCRF rate filing") The 2019 DCRF rate filing is designed to recover a to be determined Texas jurisdictional 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 The Company cannot predict the outcome of this filing at this time

Four Corners Generating Station On February 17, 2015, the Company and Arizona Public Service Company ("APS") entered into an asset purchase agreement ("Purchase and Sale Agreement") providing for the sale of the Company's interest in Four Corners to APS The sale of the Company's interest in Four Corners closed on July 6, 2016

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 2018/Q4

NOTES TO FINANCIAL STATEMENTS (Continued)

On June 10, 2015, the Company filed an application in Texas requesting reasonableness and public interest findings and certain rate and accounting findings related to the Purchase and Sale Agreement This case was assigned PUCT Docket No 44805 Subsequent to the filing of the application, the case was subject to numerous procedural matters, including a March 23, 2016, order in which the PUCT determined not to dismiss the reasonableness and public interest issues in this docket but to consider the requested rate and accounting findings, including coal mine reclamation costs, in a rate case proceeding On September 1, 2016, a motion by parties in the proceeding to suspend the procedural schedule in order to pursue settlement was approved On March 3, 2017, the Company filed a Joint Motion to Implement Stipulation and Agreement ("Stipulation and Agreement"), and PUCT Staff filed its recommendation that the Company's disposition of its interest in Four Corners was reasonable and consistent with the public interest Additionally, the signatories of the Stipulation and Agreement agreed to support the recovery of the Company's Four Corners decommissioning costs in the 2017 Texas Retail Rate Case A final order approving the Stipulation and Agreement was adopted by the PUCT on March 30, 2017 The approval to recover Four Corners decommissioning costs was included in the 2017 PUCT Final Order

Other Required Approvals The Company has obtained other required approvals for tariffs and other approvals required by the Texas Public Utility Regulatory Act and the PUCT

New Mexico Regulatory Matters

2015 New Mexico Rate Case Filing On May 11, 2015, the Company filed a request with the NMPRC, in Case No 15-00127-UT, for an annual increase in non-fuel base rates On June 8, 2016, the NMPRC issued its final order in Case No 15-00127-UT ("NMPRC Final Order"), which approved an annual increase in non-fuel base rates of approximately \$0 6 million, an increase of approximately \$0 5 million in other service fees and a decrease in the Company's allowed return on equity to 9 48% The NMPRC Final Order concluded that all of the Company's then-new plant in service was reasonable and necessary and therefore would be recoverable in rates The Company's rates were approved by the NMPRC effective July 1, 2016, and implemented at such time

Future New Mexico Rate Case Filing On April 12, 2017, the NMPRC issued an order in Case No 15-00109-UT requiring the Company to make a rate filing in New Mexico no later than July 31, 2019, using an appropriate historical test year period

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 February 23, 2018, the Company responded to a NMPRC Staff inquiry regarding the proceeding 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, 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 during the quarter ended December 31, 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,*

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 2018/Q4

NOTES TO FINANCIAL STATEMENTS (Continued)

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, reflects 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 new final order on remand in Case No 17-00255-UT which, in part, eliminated the retroactive TCJA refund

Fuel and Purchased Power Costs Historically, fuel and purchased power costs were recovered through base rates and a Fuel and Purchased Power Cost Adjustment Clause ("FPPCAC") that accounts for changes in the costs of fuel relative to the amount included in base rates Effective July 1, 2016, with the implementation of the NMPRC Final Order, fuel and purchased power costs are no longer recovered through base rates but are recovered through the FPPCAC The Company's request to reconcile its fuel and purchased power costs for the period January 1, 2013, through December 31, 2014, also was approved in the NMPRC Final Order New Mexico jurisdictional costs subject to prudence review are costs from January 1, 2015, through December 31, 2018, that total approximately $206 8 million At December 31, 2018, the Company had a net fuel over-recovery balance of approximately $0 4 million related to the FPPCAC in New Mexico 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 On March 15, 2019, the intervening parties in the case filed a motion for rehearing challenging the final order The Company cannot predict the outcome of this case at this time

New Mexico Renewable Portfolio Standard Effective January 1, 2018, pursuant to the final order in NMPRC Case No 17-00090-UT, the Renewable Portfolio Standard ("RPS") costs for New Mexico are recovered through a separate RPS Cost Rider and not through the FPPCAC At December 31, 2018, the Company had a net fuel over-recovery balance related to the RPS Cost Rider of approximately $1 6 million The RPS Cost Rider is updated in an annual NMPRC filing, including a reconciliation of prior year's RPS costs and RPS Cost Rider revenue

5-MW Holloman Air Force Base ("HAFB") Facility Certificate of Convenience and Necessity ("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

New Mexico Efficient Use of Energy Recovery Factor 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 Efficient Use of Energy recovery factor ("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

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 includes a request for a base incentive of 7 1% of program expenditures, or approximately $0 4 million annually for 2019-2021 The application was assigned Case No 18-00116-UT and hearings were held on November 7, 2018, and November 8, 2018 The Hearing Examiner issued a Recommended Decision on January 30, 2019, and a final order was adopted by the NMPRC, with minor program modifications, on March 6, 2019

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	/ /	2018/Q4

NOTES TO FINANCIAL STATEMENTS (Continued)

Community Solar On April 24, 2018, the Company filed an application with the NMPRC to initiate a community solar program in New Mexico to include construction and ownership of a two-MW solar photovoltaic system located in Doña Ana County near the City of Las Cruces Customer participation would have been on a voluntary basis, and customers would have contracted for a set capacity (kW) amount and would have received all energy produced by their subscribed capacity The application was assigned Case No 18-00099-UT and was dismissed without prejudice on October 31, 2018 The NMPRC set aside its October 31, 2018, order dismissing the application without prejudice, and on December 19, 2018, the NMPRC issued an Order Requiring El Paso Electric Company to Conduct Request for Proposals and to Amend Application, Order Extending Statutory Period and Appointing Hearing Examiner that would have required the Company to amend its initially-filed application on or before February 15, 2019 However, on January 10, 2019, the NMPRC with three new Commissioners reconsidered its prior order and dismissed the Community Solar application without prejudice The case is now closed

Integrated Resource Plan On September 17, 2018, the Company filed its Integrated Resource Plan 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 integrated resource plan 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 The Company cannot predict the outcome of the NMPRC's review of the plan or the outcome of this case at this time

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"), 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, which have optional redemptions beginning in 2019 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 See Note I, of Notes to Financial Statements for further discussion on long-term debt, financing obligations and capital lease obligations

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 a hearing occurred on March 15, 2019 The Hearing Examiner issued a Recommended Decision approving the Company's request, which is subject to adoption, modification or rejection by the NMPRC Additionally, the Company is preparing for potential transactions related to the 2009 Series A and Series B PCBs On February 1, 2019, the Company purchased in lieu of redemption all the $63 5 million 2009 Series A 7 25% PCBs The bonds were purchased utilizing funds borrowed under the RCF The Company is currently holding the bonds and may remarket them or replace them with debt instruments of equivalent value at a future date depending on the Company's financing needs and market conditions

Other Required Approvals The Company has obtained other required approvals for tariffs and other approvals as required by the New Mexico Public Utility Act and the NMPRC

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 2018/Q4
NOTES TO FINANCIAL STATEMENTS (Continued)			

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 (1) propose revisions to their transmission rates under their open access transmission tariffs or transmission owner tariffs on file with the FERC, or (2) 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 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 the third quarter of 2019

Notice of Proposed Rulemaking on Public Utility Transmission Changes to Address Accumulated Deferred Income Taxes On November 15, 2018, the FERC issued a Notice of Proposed Rulemaking ("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 The Company is currently evaluating the impact of this proposed rulemaking

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, which have optional redemptions beginning in 2019 The order also approved the Company's request to continue to utilize the existing RCF with the ability to amend and extend at a future date The authorization is effective from November 15, 2017, through November 14, 2019, and supersedes 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 Additionally, the Company is preparing for potential transactions related to the 2009 Series A and Series B PCBs On February 1, 2019, the Company purchased in lieu of redemption all the $63 5 million 2009 Series A 7 25% PCBs The bonds were purchased utilizing funds borrowed under the RCF The Company is currently holding the bonds and may remarket them or replace them with debt instruments of equivalent value at a future date depending on the Company's financing needs and market conditions and in accordance with FERC action expected in March 2019 in response to the Company's most recent FERC application (see below) See Note I of Notes to Financial Statements for further discussion on long-term debt, financing obligations and capital lease obligations

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, the Company also requested various debt-related authorizations approval to utilize the existing RCF for short-term borrowing not to exceed $400 0 million at any one time, to issue up to $225 0 million in new long-term debt, and to remarket the $63 5 million 2009 Series A 7 25% 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 If approved, the FERC authorization would supersede its prior approvals

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

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 2018/Q4

NOTES TO FINANCIAL STATEMENTS (Continued)

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 facilities crossing the U.S./Mexico border.

The DOE is authorized to assess operators of nuclear generating facilities a share of the costs of decommissioning the DOE's uranium enrichment facilities and for the ultimate costs of disposal of spent nuclear fuel. 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 Rio Grande Electric Cooperative

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, 2018	December 31, 2017
Regulatory assets			
Regulatory tax assets	(a)	$ 54,521	$ 56,651
Final coal reclamation	(b)	4,065	4,726
Four Corners decommissioning	(c)	5,813	6,604
Nuclear fuel postload daily financing charge	(d)	4,032	3,795
Texas 2015 rate case costs (e)	January 2021	747	1,144
Texas 2017 rate case costs	January 2021	2,634	3,642
Texas relate back surcharge (f)	January 2019	—	8,591
New Mexico renewable energy credits and related costs (g)	June 2022	4,709	5,823
New Mexico Palo Verde deferred depreciation	(h)	4,111	4,263
Other regulatory assets	various	1,703	1,508
Total regulatory assets		$ 82,335	$ 96,747
Regulatory liabilities			
Regulatory tax liabilities	(i)	$ 290,359	$ 288,775
Texas energy efficiency	(j)	—	895
New Mexico energy efficiency	(j)	1,694	1,394
New Mexico gain on sale of assets	June 2019	306	567
Fuel revenue over-recovery	(k)	11,047	6,225
Other regulatory liabilities	various	239	—
Total regulatory liabilities		$ 303,645	$ 297,856

(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 2016 PUCT Final Order and the 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 will be recovered over seven years through June 2023. The New Mexico amortization period will be established in the next general rate case.

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 2018/Q4

NOTES TO FINANCIAL STATEMENTS (Continued)

(c) This item relates to the decommissioning of Four Corners. The Texas portion was approved for recovery in PUCT Docket No. 46308 and will be recovered over seven years through July 2024. The New Mexico 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.
(f) 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. Amounts over-recovered through these surcharges will be addressed in the next Texas fuel reconciliation. 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 U.S. Nuclear Regulatory Commission ("NRC") license life for each unit at Palo Verde.
(i) 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 J of Notes to Financial Statements for further discussion.
(j) This item is recovered or credited through a recovery factor that is set annually.
(k) This item represents the net over-recovery of fuel and purchased power expense which is refunded to customers through fuel rates.

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, 2018 (in thousands):

	Gross Plant	Accumulated Depreciation	Net Plant
Nuclear production	$ 1,939,405	$ (1,257,956)	$ 681,449
Steam and other	1,071,974	(304,554)	767,420
Total production	3,011,379	(1,562,510)	1,448,869
Transmission	514,143	(231,281)	282,862
Distribution	1,246,889	(377,960)	868,929
General	238,459	(79,675)	158,784
Intangible	102,070	(61,255)	40,815
Total	$ 5,112,940	$ (2,312,681)	$ 2,800,259

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 Palo Verde Participants include the Company and six other utilities: 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, 2018 and 2017 is as follows (in thousands):

	December 31, 2018		December 31, 2017	
	Palo Verde	Other (a)	Palo Verde	Other (a)
Electric plant in service	$ 1,939,405	$ 87,809	$ 1,909,766	$ 87,641
Accumulated depreciation	(1,257,956)	(67,881)	(1,239,042)	(65,590)
Construction work in progress	44,719	1,511	40,946	1,014
Total	$ 726,168	$ 21,439	$ 711,670	$ 23,065

(a) Includes three jointly-owned transmission lines.

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) / /	2018/Q4

NOTES TO FINANCIAL STATEMENTS (Continued)

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 2018 and 2017 and for the next five years (in thousands)

2017	$ 6,409
2018	7,297
2019 (estimated)	7,263
2020 (estimated)	6,867
2021 (estimated)	5,934
2022 (estimated)	5,047
2023 (estimated)	4,070

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, 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, 2018, the NDT had a balance of $276 9 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 a number of 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 While the

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	/ /	2018/Q4

NOTES TO FINANCIAL STATEMENTS (Continued)

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 2018 and 2017, respectively are presented below (in thousands)

Costs Recovery Period	Amount Refunded	Amount Credited to Customers through Fuel Adjustment Clauses	Period Credited to Customers
July 2016 – June 2017	$ 1,413	$ 1,121	March 2018
July 2015 – June 2016	1,779	1,432	March 2017

On October 31, 2018, APS filed a $10 2 million claim for the period July 1, 2017 through June 30, 2018 The Company's share of this claim is approximately $1 6 million This claim is pending DOE review The majority of the reimbursement received by the Company is expected to be credited to customers through the applicable fuel adjustment clauses

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 $14 1 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 $62 1 million, with an annual payment limitation of approximately $9 7 million

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	/ /	2018/Q4

NOTES TO FINANCIAL STATEMENTS (Continued)

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 5 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,	
2018	**2017**
$ 96,454	$ 99,364

G. Accounting for Asset Retirement Obligation

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, 2018 is $276 9 million

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) / /	2018/Q4

NOTES TO FINANCIAL STATEMENTS (Continued)

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. The 2013 Study resulted in a downward revision of $1.9 million. 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 Rate	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, 2017 through December 31, 2018, including the effects of each year's estimate revisions, is presented below (in thousands). In 2017, the estimate revision reflects increases in the estimated cash flows related to Palo Verde's decommissioning due to implementing the 2016 Study.

	2018	2017
ARO liability at beginning of year	$ 93,029	$ 81,800
Liabilities incurred	—	138
Liabilities settled	(264)	(19)
Revisions to estimate	—	3,461
Accretion expense	8,343	7,649
ARO liability at end of year	$ 101,108	$ 93,029

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 issue new shares, 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. 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.

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	/ /	2018/Q4

NOTES TO FINANCIAL STATEMENTS (Continued)

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.

The expense, deferred tax benefit, and current tax benefit recognized related to restricted stock and other stock-based awards in 2018 and 2017 is presented below (in thousands):

	2018	2017
Expense (a)	$ 3,198	$ 2,997
Deferred tax benefit	671	1,049
Current tax benefit recognized	117	318

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

The aggregate intrinsic value and fair value at grant date of restricted stock and other stock-based awards which vested in 2018 and 2017 is presented below (in thousands):

	2018	2017
Aggregated intrinsic value	$ 3,771	$ 3,711
Fair value at grant date	3,212	2,803

The unvested restricted stock transactions for 2018 are presented below:

	Total Shares	Weighted Average Grant Date Fair Value	Unrecognized Compensation Expense (a) (In thousands)	Aggregate Intrinsic Value (In thousands)
Restricted shares outstanding at December 31, 2017 (b)	106,235	$ 45.76		
Stock awards	62,348	54.49		
Vested	(69,948)	45.93		
Forfeitures	(4,727)	42.29		
Restricted shares outstanding at December 31, 2018 (b)	93,908	51.60	$ 2,009	$ 4,708

(a) 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.
(b) Excludes the stock-based retention grant to the President and Chief Executive Officer ("CEO") of 27,624 shares. See "Restricted Stock with a Market Condition (Performance Shares)" section below for further details.

The weighted average fair value per share at grant date for restricted stock and other stock-based awards granted during 2018 and 2017 were:

	2018	2017
Weighted average fair value per share	$ 54.49	$ 49.78

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.

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) / /	2018/Q4

NOTES TO FINANCIAL STATEMENTS (Continued)

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 30, 2019	71%	39,923	$ 2,143	2016-2018	2,046
January 31, 2018	175%	68,379	1,499	2015-2017	3,569
January 25, 2017	32%	11,314	932	2014-2016	512

In 2019, 2020 and 2021, subject to meeting certain performance criteria and continuous service requirements, additional performance shares could vest. 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, 2018, the maximum number of shares that can be issued under the plan are 223,885 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, 2017 (a)	172,591	$ 38.21		
Performance share awards	45,977	48.99		
Performance shares vested	(39,077)	38.36		
Performance shares forfeited	(3,646)	42.47		
Performance shares outstanding at December 31, 2018 (a)	175,845	40.90	$ 1,961	$ 8,815

(a) On December 15, 2015, the Company issued a stock based retention grant to the President and CEO of 27,624 shares in accordance with the Amended and Restated 2007 LTIP that is eligible for vesting based on the achievement of certain performance conditions and a five year service period, as stated in the President and CEO's employment agreement. The performance condition was met as of November 2016 as determined by the Compensation Committee and has been included in the beginning and ending balance in the table above.
(b) The unrecognized compensation expense is expected to be recognized over the weighted average remaining contractual term of the awards of approximately one year, except for the President and CEO retention grant, which is approximately two years.

A summary of information related to performance shares for 2018 and 2017 is presented below:

	2018	2017
Weighted average per share grant date fair value per share of performance shares awarded	$ 48.99	$ 42.62
Fair value of performance shares vested (in thousands)	1,499	298
Intrinsic value of performance shares vested (in thousands) (a)	2,040	512
Compensation expense (in thousands) (b) (c)	2,271	2,012
Deferred tax benefit related to compensation expense (in thousands) (b)	477	704

(a) Based on a 100%, 32% and 0% performance level, respectively.
(b) Includes adjustments for estimated forfeitures.
(c) Includes President and CEO retention grant.

Name of Respondent	This Report ıs	Date of Report	Year/Period of Report
El Paso Electric Company	(1) X An Orıgınal (2) __ A Resubmıssıon	(Mo, Da, Yr) / /	2018/Q4

NOTES TO FINANCIAL STATEMENTS (Contınued)

Repurchase Program

No shares of the Company's common stock were repurchased durıng the twelve months ended December 31, 2018 Detaıl regardıng the Company's stock repurchase program are presented below

	Since 1999 (a)	Authorized Shares
Shares repurchased (b) (c)	25,406,184	
Cost, ıncludıng commıssıon (ın thousands)	$ 423,647	
Total remaınıng shares avaılable for repurchase at December 31, 2018		393,816

(a) Represents repurchased shares and cost sınce ınceptıon of the stock repurchase program ın 1999
(b) Shares repurchased does not ınclude 86,735 treasury shares related to employee compensatıon arrangements that were not part of the Company's repurchase program
(c) Begınnıng ın 2015, shares of the Company's common stock ıssued for employee benefit and stock ıncentıve plans have been ıssued from the shares repurchased and held ın treasury stock The Company has ıssued 345,352 treasury shares sınce 2015 ıncludıng 96,783 shares durıng 2018

The Company may ın the future make purchases of shares of ıts common stock pursuant to ıts authorızed program ın open market transactıons at prevaılıng prıces and may engage ın prıvate transactıons where approprıate The repurchased shares wıll be avaılable for ıssuance under employee benefit and stock ıncentıve plans or the repurchased shares may be retıred

Dividend Policy

On December 28, 2018, the Company paıd $14 6 mıllıon ın quarterly cash dıvıdends to shareholders The Company paıd a total of $57 5 mıllıon and $53 3 mıllıon ın cash dıvıdends durıng the twelve months ended December 31, 2018 and 2017, respectıvely On January 31, 2019, the Board of Dırectors declared a quarterly cash dıvıdend of $0 36 per share payable on March 29, 2019 to shareholders of record as of the close of busıness on March 15, 2019

Authorization to Issue and Retire Shares

On January 30, 2019, the Company submıtted an applıcatıon wıth both the NMPRC and the FERC seekıng approval to ıssue shares of common stock, ıncludıng the reıssuance of treasury shares, ın an amount up to $200 0 mıllıon ın one or more transactıons In order to alıgn the number of shares of common stock held as treasury stock by the Company wıth varıous regulatory applıcatıons, filıngs and orders, on January 31, 2019, the Board of Dırectors of the Company approved the cancellatıon of 1 4 mıllıon shares of Common Stock held as treasury shares by the Company effectıve upon the later of approval by the FERC of the accountıng treatment of the cancellatıon and March 31, 2019

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) / /	2018/Q4

NOTES TO FINANCIAL STATEMENTS (Continued)

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, 2018	December 31, 2017
	(In thousands)	
Bonds (Account 221):		
Pollution Control Bonds (1):		
7.25% 2009 Series A refunding bonds, due 2040 (7.46% effective interest rate)	$ 63,500	$ 63,500
7.25% 2009 Series B refunding bonds, due 2040 (7.49% effective interest rate)	37,100	37,100
4.50% 2012 Series A refunding bonds, due 2042 (4.63% effective interest rate)	59,235	59,235
Total 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 discount, due 2044 (4.93% effective interest rate)	300,000	300,000
Senior Notes Private Placement:		
4.22% Senior Notes, net of discount, due 2028 (4.30% effective interest rate)	125,000	—
Total Account 224	1,125,000	1,000,000
Unamortized premium on long-term debt Account 225	6,685	6,813
Unamortized discount on long-term debt Account 226	(3,499)	(3,623)
Total long-term debt	$ 1,288,021	$ 1,163,025
Obligations Under Capital Lease – Noncurrent (Account 227) (3):		
5.04% Senior Notes, Series C, due 2020 (5.16% effective interest rate)	$ 45,000	$ 45,000
4.07% Senior Guaranteed Notes, due 2025 (4.18% effective interest rate)	65,000	—
Total Capital Lease Obligations Noncurrent	$ 110,000	$ 45,000
Obligations Under Capital Lease – Current (Account 243):		
Revolving Credit Facility (4)	$ 28,408	$ 89,390
Total Capital Lease Obligations Current	$ 28,408	$ 89,390

1. Pollution Control Bonds

The Company has three series of tax exempt unsecured PCBs in aggregate principal amount of $159.8 million. The 7.25% 2009 Series A and the 7.25% 2009 Series B PCBs with an aggregate principal amount, together, of $100.6 million have optional redemptions beginning in February 2019 and April 2019, respectively, at which time the Company expects to repay, remarket or replace these bonds. The principal and related unamortized issuance cost on these PCBs were reclassified to current maturities of long-term debt as of December 31, 2018. On February 1, 2019, the Company purchased in lieu of redemption all of the 7.25% 2009 Series A with a principal amount of $63.5 million utilizing funds borrowed under the RCF. The Company is currently holding the bonds and may remarket them or replace them with debt instruments of equivalent value at a future date depending on financing needs and market conditions.

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 accumulated other comprehensive income to earnings as interest expense over the life of the 6.00% Senior Notes. See Note O of Notes to Financial Statements. This amortization is included in the effective interest rate of the 6.00% Senior Notes.

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 2018/Q4

NOTES TO FINANCIAL STATEMENTS (Continued)

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 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 will pay 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 note purchase agreement requires compliance with certain covenants, including a total debt to capitalization ratio The Company was in compliance with these requirements throughout 2018 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 ("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 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 of 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

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 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

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) / /	2018/Q4

NOTES TO FINANCIAL STATEMENTS (Continued)

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 The note purchase agreement requires compliance with certain covenants, including a total debt to capitalization ratio The Company and RGRT were in compliance with these requirements throughout 2018

4 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 million and the ability to increase the RCF by up to $100 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 million to $350 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 million RCF with a $50 million subfacility for the issuance of letters of credit, and the Company extended the term of the Company's existing $350 million revolving credit agreement from January 14, 2020 to September 13, 2023 ("Maturity Date") The Company may increase the RCF by up to $50 million (to a total of $400 million) during the term of the RCF Agreement, upon the satisfaction of certain conditions more fully set forth in the RCF Agreement, including obtaining commitments from lenders or third party financial institutions In addition, the Company may extend the Maturity Date up to two times, in each case for an additional one-year period, 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 The RCF Agreement requires compliance with certain covenants, including a total debt to capitalization ratio The Company is in compliance with these requirements throughout 2018 On February 1, 2019, the Company purchased in lieu of redemption all of the 7 25% 2009 Series A PCBs with a principal amount of $63 5 million utilizing funds borrowed under the RCF The Company is currently holding the bonds and may remarket them or replace them with debt instruments of equivalent value at a future date depending on the Company's financing needs and market conditions As of December 31, 2018, the total amount borrowed by the RGRT was $28 4 million for nuclear fuel under the RCF As of December 31, 2018, $23 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 8% as of December 31, 2018

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) / /	2018/Q4

NOTES TO FINANCIAL STATEMENTS (Continued)

As of December 31, 2018, the principal amount of scheduled maturities for the next five years of long-term debt are as follows (in thousands)

2019 (1)	$ 100,600
2020	45,000
2021	—
2022	150,000
2023	—

(1) The 7 25% 2009 Series A and the 7 25% 2009 Series B PCBs with an aggregate principal amount, together, of $100 6 million have optional redemptions beginning in February 2019 and April 2019, respectively, at which time the Company expects to repay, remarket or replace these bonds

J. Income Taxes

On December 22, 2017, the TCJA was enacted The TCJA includes significant changes to the IRC, 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 corporate federal 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 corporate federal 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 SAB 118 The results for the twelve months ended December 31, 2018 and 2017 contain the impact of the TCJA

Reductions in accumulated deferred federal income taxes ("ADFIT") 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 The December 31, 2017 regulatory-basis balance sheet reflects the impact of the TCJA which reduced ADFIT by $296 1 million, reduced regulatory assets by $39 3 million and increased regulatory liabilities by $256 8 million The changes in deferred taxes were recorded at the amount of the reduced future cash flow expected to be included in rates, as required in ASC 740 These adjustments had no impact on the Company's cash flows for the year ended December 31, 2017

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 to reclassify stranded taxes from AOCI to retained earnings The Company is currently evaluating the impact of ASU 2018-02 and its impact on regulated utilities See Note B of Notes to Financial Statements for further discussion on new accounting standards

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 2018/Q4

NOTES TO FINANCIAL STATEMENTS (Continued)

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and liabilities at December 31, 2018 and 2017 are presented below (in thousands):

	December 31, 2018	December 31, 2017
Deferred tax assets:		
Plant, principally due to capitalized costs	$ 36,690	$ 30,269
Benefit of tax loss carryforwards	12,574	24,852
Pensions and benefits	31,801	32,534
Alternative minimum tax credit carryforward	8,855	16,620
Regulatory liabilities related to income taxes	67,167	65,846
Asset retirement obligation	21,305	19,530
Other	18,526	2,299
Total gross deferred tax assets	196,918	191,950
Deferred tax liabilities:		
Plant, principally due to depreciation and basis differences	(438,719)	(421,974)
Regulatory assets related to income taxes	(42,758)	(42,250)
Decommissioning	(32,674)	(24,728)
Other	(4,162)	(4,313)
Total gross deferred tax liabilities	(518,313)	(493,265)
Net accumulated deferred income taxes	$ (321,395)	$ (301,315)

Based on the average annual earnings before taxes for the prior three 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 2018 and 2017 as follows (in thousands):

	Years Ended December 31, 2018	Years Ended December 31, 2017
Income tax expense (benefit):		
Federal:		
Current	$ (5,064)	$ 2,381
Deferred	24,394	45,241
Investment tax credit	2,187	620
Total federal income tax	21,517	48,242
State:		
Current	1,248	250
Deferred	1,841	2,174
Total state income tax	$ 3,089	$ 2,424

As of December 31, 2018, the Company had $8.9 million of alternative minimum tax ("AMT") credit carryforwards. Based on the TCJA provisions, the Company may claim a refund of 50% of the remaining AMT credits in 2019 and 2020. Any AMT credits remaining after 2020 will be refunded in 2021. As of December 31, 2018, the Company had $12.0 million of federal and $0.8 million of state tax loss carryforwards. Under the TCJA, NOLs arising in tax years ending after 2017 cannot be carried back but can be carried forward indefinitely. The use of NOLs generated after 2017 to offset taxable income is limited to 80% of taxable income. Federal NOLs generated prior to 2018 are able to offset 100% of future taxable income to the extent available but have lives of only 20 years.

Federal income tax provisions differ from amounts computed by applying the statutory federal income tax rate of 21% in 2018 and 35% in 2017 to book income before federal income tax as follows (in thousands):

	Years Ended December 31,	
	2018	2017
Federal income tax expense computed on income at statutory rate	$ 23,028	52,279
Difference due to:		
State income taxes (federal effect)	(615)	(848)
Investment Tax Credit, net of deferred taxes	(1,240)	403
Allowance for equity funds used during construction	222	295
Amortization for excess deferred taxes	953	962
Amortization of regulatory assets and liabilities	(330)	217
Permanent tax differences	(501)	(5,066)
Total federal income tax expense	$ 21,517	$ 48,242

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 2014. In August 2017, the Company reached an agreement with the Texas Comptroller of Public Accounts and settled audits in Texas for tax years 2007 through 2011.

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, 2018 and 2017.

The Company recognizes in interest and penalties expense accounts, interest and penalties related to tax benefits that are uncertain. For the year ended December 31, 2018, the Company recognized tax expense interest of $0.6 million. For the year ended December 31, 2017 the Company recognized a tax benefit of $0.2 million. The Company had approximately $1.2 million and $0.7 million accrued for the payment of interest and penalties at December 31, 2018 and 2017, respectively.

K. 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. The Company has entered into the following significant agreements with various counterparties for the purchase and sale of electricity:

Type of Contract	Counterparty	Quantity	Terms	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

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) / /	2018/Q4

NOTES TO FINANCIAL STATEMENTS (Continued)

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 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 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 A briefing schedule extending through July 2019 has been established for the case

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) / /	2018/Q4

NOTES TO FINANCIAL STATEMENTS (Continued)

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") Legal challenges to the CPP are ongoing On August 31, 2018, the EPA published a proposal to replace the CPP called the Affordable Clean Energy ("ACE") rule The ACE rule has not yet been finalized At this time the Company cannot determine the impact that the CPP, the ACE rule, and related proposals and legal challenges may have on our 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, 2018, the Company has accrued its remaining unpaid share of approximately $0 2 million related to this matter

Lease Agreements

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 office, parking facilities and equipment that expire within the next 5 years The Company has transmission and distribution lines that are operated under various land rights agreements, including easements, leases, permits and franchises The majority of these agreements include renewal options that the Company routinely exercises These agreements generally do not impose any restrictions relating to issuance of additional debt, payment of dividends or entering into other lease arrangements

Nuclear Fuel Capital Lease Obligation The Company's capital lease obligation for the financing of nuclear fuel is accomplished through RGRT RGRT had $110 million aggregate principal amount borrowed in the form of senior notes at December 31, 2018 In August 2017, $50 0 million matured and was paid with borrowings from the RCF 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 million aggregate principal amount of 4 07% Senior Guaranteed Notes due August 15, 2025 The net proceeds from this issuance were used to repay outstanding short-term borrowings under the RCF to finance nuclear fuel purchases The Company guarantees the payment of principal and interest on the RGRT Senior Notes The nuclear fuel financing requirements of RGRT are met with a combination of the senior notes and short-term borrowings under the RCF

The Company's total annual rental expense related to operating leases was $1 7 million and $2 4 million for 2018 and 2017, respectively As of December 31, 2018, the Company's minimum future rental payments for the next five years are as follows (in thousands)

2019	$	923
2020		820
2021		700
2022		544
2023		526

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 2018/Q4
NOTES TO FINANCIAL STATEMENTS (Continued)			

Union Matters

The Company has approximately 1,100 employees, about 37% of whom 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 The Company entered into a collective bargaining agreement effective September 3, 2016, with Local 960 for a three-year term ending September 3, 2019 The agreement provides for pay increases of 3% on September 3, 2016, September 3, 2017 and September 3, 2018, respectively The Company presently anticipates negotiating a new three-year collective bargaining agreement to supersede the current collective bargaining agreement after the initial three-year term of the current collective bargaining agreement ends on September 3, 2019 The Company cannot predict the outcome of such negotiations and its impact on the Company's operating results and cash flows

L. 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 K 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

M. Employee Benefits

The Company adopted ASU 2017-07, Compensation-Retirement Benefits, effective January 1, 2018 for GAAP purposes Upon adoption of the new standard, the service cost is included in "Operations and maintenance" in the Company's Statements of Operations The expected return on plan assets is included in "Investment and interest income, net" The amortization of prior service benefit and amortization of gains are included in "Miscellaneous non-operating income" The amortization of prior service cost and amortization of losses are included in "Miscellaneous non-operating deductions" The interest cost component of net periodic benefit cost is included in "Other interest"

In response to industry inquiries surrounding the impact of the implementation of ASU 2017-07 for GAAP purposes, the FERC issued accounting guidance under Docket No AI18-1-000 on December 28, 2017 The FERC determined that companies should continue to record all components of net periodic pension cost in FERC account 926 to promote comparability among utilities As such, the Company records all components of net periodic pension cost as an operating expense in its regulatory-basis financial statements The FERC further determined that companies may elect to capitalize only the service cost component of benefit costs as prescribed in ASU 2017-07 and requires companies to disclose the change in accounting practice with respect to capitalization of this election The Company has elected to conform to the GAAP capitalization policy, which is that only the service cost component is eligible for capitalization

The change of the capitalization policy for the twelve months ended December 31, 2018, primarily resulted in additional capitalized benefits cost of $2 7 million, which 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 In the event that one or both of the Company's retail 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

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	/ /	2018/Q4

NOTES TO FINANCIAL STATEMENTS (Continued)

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.

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,			
	2018		2017	
	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	$ 361,989	$ 28,392	$ 337,768	$ 27,462
Service cost (a)	9,086	480	8,156	362
Interest cost	12,013	865	12,196	863
Actuarial (gain) loss	(29,911)	(1,087)	20,829	2,217
Benefits paid	(17,681)	(1,931)	(16,960)	(2,512)
Benefit obligation at end of year	335,496	26,719	361,989	28,392
Change in plan assets:				
Fair value of plan assets at end of prior year	304,389	—	269,766	—
Actual return (loss) on plan assets	(19,683)	—	44,283	—
Employer contribution	7,300	1,931	7,300	2,512
Benefits paid	(17,681)	(1,931)	(16,960)	(2,512)
Assumed expenses	(1,522)	—	—	—
Fair value of plan assets at end of year	272,803	—	304,389	—
Funded status at end of year	$ (62,693)	$ (26,719)	$ (57,600)	$ (28,392)

(a) Service cost for the Retirement Plan for 2018 excludes assumed expenses of $1,522 thousand for administrative and investment expenses paid from plan assets during the year.

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 2018/Q4

NOTES TO FINANCIAL STATEMENTS (Continued)

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

	December 31,			
	2018		2017	
	Retirement Income Plan	Non-Qualified Retirement Plans	Retirement Income Plan	Non-Qualified Retirement Plans
Current liabilities	$ —	$ (2,153)	$ —	$ (2,154)
Noncurrent liabilities	(62,693)	(24,566)	(57,600)	(26,238)
Total	$ (62,693)	$ (26,719)	$ (57,600)	$ (28,392)

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

	December 31,			
	2018		2017	
	Retirement Income Plan	Non-Qualified Retirement Plans	Retirement Income Plan	Non-Qualified Retirement Plans
Projected benefit obligation	$ (335,496)	$ (26,719)	$ (361,989)	$ (28,392)
Accumulated benefit obligation	(308,582)	(24,251)	(329,279)	(25,370)
Fair value of plan assets	272,803	—	304,389	—

Pre-tax amounts recognized in accumulated other comprehensive income consist of the following (in thousands):

	Years Ended December 31,			
	2018		2017	
	Retirement Income Plan	Non-Qualified Retirement Plans	Retirement Income Plan	Non-Qualified Retirement Plans
Net loss	$ 112,532	$ 9,300	$ 109,215	$ 11,408
Prior service benefit	(16,942)	(107)	(20,410)	(146)
Total	$ 95,590	$ 9,193	$ 88,805	$ 11,262

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

	2018			2017		
		Non-Qualified			Non-Qualified	
	Retirement Income Plan	Supplemental Retirement Plan	Excess Benefit Plan	Retirement Income Plan	Supplemental Retirement Plan	Excess Benefit Plan
Discount rate	4.42%	4.11%	4.45%	3.77%	3.40%	3.81%
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, 2018 retirement plans' projected benefit obligation by 11.7%. A 1% decrease in the discount rate would increase the December 31, 2018 retirement plans' projected benefit obligation by 14.4%.

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) / /	2018/Q4

NOTES TO FINANCIAL STATEMENTS (Continued)

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

	Years Ended December 31,			
	2018		2017	
	Retirement Income Plan	Non-Qualified Retirement Plans	Retirement Income Plan	Non-Qualified Retirement Plans
Service cost (a)	$ 10,608	$ 480	$ 8,156	362
Interest cost	12,013	865	12,196	863
Expected return on plan assets	(21,076)	—	(19,189)	—
Amortization of:				
Net loss	7,531	1,022	7,572	882
Prior service benefit	(3,467)	(39)	(3,467)	(39)
Net periodic benefit cost	$ 5,609	$ 2,328	$ 5,268	$ 2,068

(a) Service cost for the Retirement Plan for 2018 includes assumed expenses of $1,522 thousand for administrative and investment expenses paid from plan assets during the year.

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

	Years Ended December 31,			
	2018		2017	
	Retirement Income Plan	Non-Qualified Retirement Plans	Retirement Income Plan	Non-Qualified Retirement Plans
Net (gain) loss	$ 10,848	$ (1,087)	$ (4,265)	$ 2,217
Amortization of:				
Net loss	(7,531)	(1,022)	(7,572)	(882)
Prior service benefit	3,467	39	3,467	39
Total recognized in other comprehensive income	$ 6,784	$ (2,070)	$ (8,370)	$ 1,374

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

	Years Ended December 31,			
	2018		2017	
	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	$ 12,393	$ 258	$ (3,102)	$ 3,442

The following are amounts in accumulated other comprehensive income that are expected to be recognized as components of net periodic benefit cost during 2019 (in thousands):

	Retirement Income Plan	Non-Qualified Retirement Plans
Net loss	$ 4,905	763
Prior service benefit	(3,467)	(39)

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) / /	2018/Q4

NOTES TO FINANCIAL STATEMENTS (Continued)

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

	2018			2017		
		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	3.77%	3.40%	3.81%	4.30%	3.76%	4.35%
Service cost	3.86%	N/A	3.89%	4.51%	N/A	4.52%
Interest cost	3.40%	2.84%	3.48%	3.70%	2.94%	3.78%
Expected long-term return on plan assets	7.5%	N/A	N/A	7.0%	N/A	N/A
Rate of compensation increase	4.5%	N/A	4.5%	4.5%	N/A	4.5%

The Company's overall expected long-term rate of return on assets is 7.5% as of January 1, 2019, 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, 2018
Equity securities	49.0%
Fixed income	41.2%
Alternative investments	9.8%
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.

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) / /	2018/Q4

NOTES TO FINANCIAL STATEMENTS (Continued)

The fair value of the Company's Retirement Plan assets at December 31, 2018 and 2017, 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, 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	$ —	$ —

Description of Securities	Fair Value as of December 31, 2017	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	$ 1,582	$ 1,582	$ —	$ —
Common Collective Trusts (a)				
Equity funds	158,684	158,684	—	—
Fixed income funds	124,491	124,491	—	—
Real asset funds	15,779	15,779	—	—
Total Common Collective Trusts	298,954	298,954	—	—
Limited Partnership Interest in Real Estate (b)	3,853			
Total Plan Investments	$ 304,389	$ 300,536	$ —	$ —

(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, 2016	$ 6,991
Sale of land	(2,687)
Unrealized loss in fair value	(451)
Balances at December 31, 2017	3,853
Sale of land	(48)
Unrealized loss in fair value	(450)
Balances at December 31, 2018	$ 3,355

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, 2018 and 2017 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, 2018 and 2017

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

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

	Retirement Income Plan	Non-Qualified Retirement Plan
2019	$ 17,745	$ 2,154
2020	18,278	2,094
2021	18,775	2,042
2022	19,276	1,988
2023	20,545	1,956
2024-2028	108,371	8,811

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 2018 and 2017 were $4 6 million and $4 4 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

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) / /	2018/Q4

NOTES TO FINANCIAL STATEMENTS (Continued)

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, 2018	December 31, 2017
Change in benefit obligation:		
Benefit obligation at end of prior year	$ 67,290	$ 73,515
Service cost (a)	2,591	2,236
Interest cost	2,252	2,723
Actuarial gain	(9,295)	(8,319)
Benefits paid from plan assets	(3,003)	(4,087)
Benefits paid from corporate assets	(141)	—
Retiree contributions	1,168	1,222
Benefit obligation at end of year	60,862	67,290
Change in plan assets:		
Fair value of plan assets at end of prior year	40,873	39,115
Actual return (loss) on plan assets	(2,997)	4,173
Employer contribution	450	450
Benefits paid from plan assets	(3,003)	(4,087)
Retiree contributions	1,168	1,222
Assumed expenses	(204)	—
Fair value of plan assets at end of year	36,287	40,873
Funded status at end of year	$ (24,575)	$ (26,417)

(a) Service cost for 2018 excludes assumed expenses of $204 thousand for administrative and investment expenses paid from plan assets during the year.

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

	December 31, 2018	December 31, 2017
Current liabilities	$ —	$ —
Noncurrent liabilities	(24,575)	(26,417)
Total	$ (24,575)	$ (26,417)

Pre-tax amounts recognized in accumulated other comprehensive income consist of the following (in thousands):

	December 31, 2018	December 31, 2017
Net gain	$ (36,890)	$ (35,194)
Prior service benefit	(28,706)	(34,857)
Total	$ (65,596)	$ (70,051)

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) / /	2018/Q4

NOTES TO FINANCIAL STATEMENTS (Continued)

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

	December 31, 2018	December 31, 2017
Discount rate at end of year	4.43%	3.79%
Health care cost trend rates:		
Initial		
Pre-65 medical	6.00%	6.25%
Post-65 medical	4.50%	4.50%
Pre-65 drug	7.00%	7.25%
Post-65 drug	8.50%	10.00%
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, 2018 accumulated post-retirement benefit obligation by 13.4%. A 1% decrease in the discount rate would increase the December 31, 2018 accumulated post-retirement benefit obligation by 17.1%.

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

	Years Ended December 31, 2018	Years Ended December 31, 2017
Service cost (a)	$ 2,795	$ 2,236
Interest cost	2,252	2,723
Expected return on plan assets	(2,435)	(1,907)
Amortization of:		
Prior service benefit	(6,151)	(6,151)
Net gain	(2,166)	(1,678)
Net periodic benefit cost	$ (5,705)	$ (4,777)

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

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

	Years Ended December 31, 2018	Years Ended December 31, 2017
Net gain	$ (3,863)	$ (10,586)
Amortization of:		
Prior service benefit	6,151	6,151
Net gain	2,166	1,678
Total recognized in other comprehensive income	$ 4,454	$ (2,757)

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

	Years Ended December 31, 2018	Years Ended December 31, 2017
Total recognized in net periodic benefit cost and other comprehensive income	$ (1,251)	$ (7,534)

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	/ /	2018/Q4

NOTES TO FINANCIAL STATEMENTS (Continued)

The amount in accumulated other comprehensive income that is expected to be recognized as a component of net periodic benefit cost during 2019 is a prior service benefit of $5.2 million and a net gain of $2.3 million.

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

	2018	2017
Discount rate:		
Benefit obligation	3.79%	4.37%
Service cost	3.87%	4.59%
Interest cost	3.38%	3.76%
Expected long-term return on plan assets	6.12%	4.875%
Health care cost trend rates:		
Initial		
Pre-65 medical	6.25%	6.5%
Post-65 medical	4.5%	4.5%
Pre-65 drug	7.25%	7.5%
Post-65 drug	10.0%	10.5%
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, 2018 benefit obligation by $9.9 million or $7.8 million, respectively. In addition, a 1% change in said rate would increase or decrease the aggregate 2018 service and interest cost components of the net periodic benefit cost by $1.2 million or $0.9 million, respectively.

The Company's overall expected long-term rate of return on assets is 7.85%, as of January 1, 2019, 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, 2019. The trust's tax rate was assumed to be 35.0% at January 1, 2017 and 23.6% at January 1, 2019. 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, 2018
Equity securities	49.3%
Fixed income	34.3%
Alternative investments	16.4%
Total	100.0%

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.

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) / /	2018/Q4

NOTES TO FINANCIAL STATEMENTS (Continued)

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, 2018 and 2017 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, 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	$ —	$ —

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) / /	2018/Q4

NOTES TO FINANCIAL STATEMENTS (Continued)

Description of Securities	Fair Value as of December 31, 2017	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	$ 809	$ 809	$ —	$
Institutional Funds (a)				
Equity funds	19,862	19,862	$ —	$ —
Fixed income funds	13,686	13,686	—	—
Multi asset funds	4,137	4,137	—	
Real asset funds	1,657	1,657	—	
Total Institutional Funds	39,342	39,342	—	—
Limited Partnership Interest in Real Estate (b)	722			
Total Plan Investments	$ 40,873	$ 40,151	$ —	$ —

(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, 2016	$ 1,311
Sale of land	(504)
Unrealized loss in fair value	(85)
Balance at December 31, 2017	722
Sale of land	(9)
Unrealized loss in fair value	(84)
Balance at December 31, 2018	$ 629

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, 2018 and 2017. 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, 2018 and 2017.

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 guidelines prescribed by the Company the fiduciaries responsible for the OPEB 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 ERISA and DOL regulations.

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) / /	2018/Q4

NOTES TO FINANCIAL STATEMENTS (Continued)

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

2019	$ 2,145
2020	2,542
2021	2,719
2022	2,869
2023	2,999
2024-2028	16,803

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 Company's 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 Compensation Committee determines otherwise In 2018, the Company reached the required levels of earnings, certain O&M expenses, reliability and customer satisfaction goals for an incentive payment of $11 0 million In 2017, the Company achieved required levels of similar goals for incentive payments of $9 7 million

N. 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 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

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 2018/Q4

NOTES TO FINANCIAL STATEMENTS (Continued)

Military Installations

The Company serves HAFB, White Sands Missile Range ("White Sands") and Fort Bliss These military installations represent approximately 2 6% of the Company's annual retail revenues 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 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 will purchase 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

O. 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, long-term debt, financing 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,			
	2018		2017	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
Pollution Control Bonds	$ 159,835	$ 161,917	$ 159,835	$ 169,186
Senior Notes (1)	1,128,186	1,244,310	1,003,190	1,211,922
RGRT Senior Notes (1) (2)	110,000	111,440	45,000	47,070
RCF (2)	51,408	51,408	174,390	174,390
Total	$ 1,449,429	$ 1,569,075	$ 1,382,415	$ 1,602,568

(1) On June 28, 2018, the Company issued $125 million in aggregate principal amount of 4 22% Senior Notes due August 15, 2028 and guaranteed the issuance by the RGRT of $65 million in aggregate principal amount of 4 07% Senior Guaranteed Notes due August 15, 2025 See Note I of Notes to Financial Statements
(2) Nuclear fuel capital lease obligations, as of December 31, 2018 and December 31, 2017, is funded through $110 million and $45 million RGRT Senior Notes and $28 4 million and $89 4 million, respectively under the RCF As of December 31, 2018, $23 0 million was outstanding under the RCF for working capital or general corporate purposes As of December 31, 2017, $85 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

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 2019, approximately $0 6 million of this accumulated other comprehensive loss item will be reclassified to interest expense

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) / /	2018/Q4

NOTES TO FINANCIAL STATEMENTS (Continued)

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, 2018, except for certain natural gas commodity contracts with optionality features, that had the characteristics of derivatives met the "normal purchases and normal sales" exception provided in the FASB guidance for accounting for derivative instruments and hedging activities, and, as such, were not required to be accounted for as derivatives.

Marketable Securities. The Company's marketable securities, included in the NDT in the regulatory-basis balance sheet, are reported at fair value, which was $276.9 million and $286.9 million at December 31, 2018 and 2017, respectively. The investments in the NDT are classified as available for sale debt securities, equity securities and cash and cash equivalents. These investments are recorded at their estimated fair value in accordance with FASB guidance for certain investments in debt and equity securities. On January 1, 2018, the Company adopted ASU 2016-01, Financial Instruments-Overall, which eliminates the requirements to classify investments in equity securities with readily determinable fair values as trading or available for sale and requires entities to recognize changes in fair value for these securities in net income as reported in the Regulatory-Basis Statement of Income. ASU 2016-01 requires a modified-retrospective approach and therefore, comparative information has not been restated and continues to be reported under the accounting standards in effect for those periods.

The reported fair values include gross unrealized losses on securities classified as available for sale whose impairment the Company has deemed to be temporary. The tables below present the gross unrealized losses and the fair value of these securities, 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.

	December 31, 2017					
	Less than 12 Months		12 Months or Longer		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Description of Securities (2):						
Federal Agency Mortgage Backed Securities	$ 4,700	$ (46)	$ 10,099	$ (165)	$ 14,799	$ (211)
U.S. Government Bonds	28,866	(416)	18,186	(969)	47,052	(1,385)
Municipal Debt Obligations	4,290	(73)	9,736	(742)	14,026	(815)
Corporate Debt Obligations	10,685	(107)	4,475	(331)	15,160	(438)
Total Debt Securities	48,541	(642)	42,496	(2,207)	91,037	(2,849)
Domestic Equity Securities	962	(210)	—	—	962	(210)
Total	$ 49,503	$ (852)	$ 42,496	$ (2,207)	$ 91,999	$ (3,059)

(2) Includes approximately 146 securities.

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) / /	2018/Q4

NOTES TO FINANCIAL STATEMENTS (Continued)

The Company monitors the length of time specific securities trade 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 of debt securities classified as available for sale is considered to be other than temporary. The Company recognizes impairment losses on certain of its available for sale debt securities deemed to be other than temporary. In accordance with the FASB guidance, these impairment losses are recognized in net income, and a lower cost basis is established for these securities. In addition, the Company will research the future prospects of individual securities as necessary. The Company does not anticipate expending monies held in trust before 2044 or a later period when decommissioning of Palo Verde begins. For the twelve months ended December 31, 2018 and 2017, the Company did not recognize other than temporary impairment losses on its available-for-sale securities.

Investments categorized as available for sale securities also include gross unrealized gains which have not been recognized in the Company's net income. The table below presents the unrecognized gross unrealized gains and the fair value of these securities, aggregated by investment category (in thousands):

	December 31, 2018		December 31, 2017	
	Fair Value	Unrealized Gains	Fair Value	Unrealized Gains
Description of Securities:				
Federal Agency Mortgage Backed Securities	$ 9,959	$ 176	$ 5,933	$ 203
U.S. Government Bonds	6,987	149	11,129	256
Municipal Debt Obligations	1,952	120	2,558	109
Corporate Debt Obligations	8,283	222	19,514	1,067
Total Debt Securities	27,181	667	39,134	1,635
Domestic Equity Securities	—	—	120,065	45,587
International Equity Securities	—	—	28,804	5,908
Cash and Cash Equivalents	—	—	6,864	—
Total	$ 27,181	$ 667	$ 194,867	$ 53,130

The Company's marketable securities include investments in mortgage-backed securities, municipal, corporate and federal debt obligations. The contractual year for maturity for these available-for-sale securities as of December 31, 2018 is as follows (in thousands):

	Total	2019	2020 through 2023	2024 through 2028	2029 and Beyond
Federal Agency Mortgage Backed Securities	$ 30,713	$ —	$ 19	$ 547	$ 30,147
U.S. Government Bonds	47,607	8,302	20,377	15,008	3,920
Municipal Debt Obligations	14,089	657	5,916	5,245	2,271
Corporate Debt Obligations	41,773	3,101	20,032	6,618	12,022
Total Available for Sale Debt Securities	$ 134,182	$ 12,060	$ 46,344	$ 27,418	$ 48,360

The Company's available for sale securities in the NDT are sold from time to time and the Company uses 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, 2018 and 2017, and the related effects on pre-tax income are as follows (in thousands):

	2018	2017
Proceeds from sales or maturities of available-for-sale securities	$ 25,955	$ 97,037
Gross realized gains included in pre-tax income	$ 17	$ 11,773
Gross realized losses included in pre-tax income	(1,462)	(1,147)
Net gains (losses) included in pre-tax income	$ (1,445)	$ 10,626

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) / /	2018/Q4

NOTES TO FINANCIAL STATEMENTS (Continued)

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

	December 31, 2018
Net gains and (losses) recognized on equity securities	$ (11,405)
Less Net gains and (losses) recognized on equity securities sold	7,079
Unrealized gains and (losses) recognized on equity securities still held at reporting date	$ (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 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 Institutional Funds-International Equity investments 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 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

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 The Company analyzes available-for-sale securities to determine if losses are other than temporary

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) / /	2018/Q4

NOTES TO FINANCIAL STATEMENTS (Continued)

The fair value of the NDT and investments in debt securities at December 31, 2018 and 2017, 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, 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 Debt Securities:				
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	$ —

Description of Securities	Fair Value as of December 31, 2017	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	$ 1,735	$ —	$ —	$ 1,735
Available for sale:				
Federal Agency Mortgage Backed Securities	$ 20,732	$ —	$ 20,732	$ —
U.S. Government Bonds	58,181	58,181	—	—
Municipal Debt Obligations	16,584	—	16,584	—
Corporate Debt Obligations	34,674	—	34,674	—
Subtotal, Debt Securities	130,171	58,181	71,990	—
Domestic	121,027	121,027	—	—
International	28,804	28,804	—	—
Subtotal, Equity Securities	149,831	149,831	—	—
Cash and Cash Equivalents	6,864	6,864	—	—
Total	$ 286,866	$ 214,876	$ 71,990	$ —

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):

	2018	2017
Balance at January 1	$ 1,735	$ 1,421
Net unrealized gains (losses) in fair value recognized in oncome (a)	(79)	314
Balance at December 31	$ 1,656	$ 1,735

(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-month periods ending December 31, 2018 and 2017. There were no purchases, sales, issuances and settlements related to the assets in the Level 3 fair value measurement category during the twelve-month periods ending December 31, 2018 and 2017.

P. Supplemental Statements of Cash Flows Disclosures

	Years Ended December 31, 2018	2017
	(In thousands)	
Cash paid for:		
Interest on long-term debt and borrowing under the revolving credit facility	$ 70,016	$ 70,523
Income tax paid, net	3,546	2,055
Non-cash investing and financing activities:		
Changes in accrued plant additions	1,075	(5,090)
Grants of restricted shares of common stock	1,039	1,171
Issuance of performance shares	1,499	932

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 2018/Q4

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	28,462,544			(23,927,881)
2	Preceding Qtr/Yr to Date Reclassifications from Acct 219 to Net Income	(8,523,889)			(1,813,331)
3	Preceding Quarter/Year to Date Changes in Fair Value	20,251,071			7,951,360
4	Total (lines 2 and 3)	11,727,182			6,138,029
5	Balance of Account 219 at End of Preceding Quarter/Year	40,189,726			(17,789,852)
6	Balance of Account 219 at Beginning of Current Year	(534,630)			(17,789,852)
7	Current Qtr/Yr to Date Reclassifications from Acct 219 to Net Income	1,135,903			(2,544,470)
8	Current Quarter/Year to Date Changes in Fair Value	(3,350,077)			(4,588,871)
9	Total (lines 7 and 8)	(2,214,174)			(7,133,341)
10	Balance of Account 219 at End of Current Quarter/Year	(2,748,804)			(24,923,193)

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 2018/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		(11,650,678)	(7,116,015)	[redacted]	
2		309,164	(10,028,056)		
3			28,202,431		
4		309,164	18,174,375	98,703,869	116,878,244
5		(11,341,514)	11,058,360	[redacted]	
6		(11,341,514)	(29,665,996)		
7		422,631	(985,936)		
8			(7,938,948)		
9		422,631	(8,924,884)	85,050,298	76,125,414
10		(10,918,883)	(38,590,880)	[redacted]	

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	/ /	2018/Q4

FOOTNOTE DATA

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

The Company's decommissioning trust funds include marketable securities that are reported at fair value. These securities are classified as available for sale under FASB guidance for certain investments in debt and equity securities and are valued using prices and other relevant information generated by market transactions involving identical or comparable securities. 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").

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.

Schedule Page: 122(a)(b) Line No.: 6 Column: b

Upon adoption of ASU 2016-01, Financial Instruments-Overall, the Company recorded, on January 1, 2018, a cumulative effect adjustment, net of income taxes, to increase retained earnings by $40.7 million with a reduction to AOCI.

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 2018/Q4

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)	4,161,603,198	4,161,603,198
4	Property Under Capital Leases		
5	Plant Purchased or Sold		
6	Completed Construction not Classified	951,336,925	951,336,925
7	Experimental Plant Unclassified		
8	Total (3 thru 7)	5,112,940,123	5,112,940,123
9	Leased to Others		
10	Held for Future Use		
11	Construction Work in Progress	169,327,229	169,327,229
12	Acquisition Adjustments		
13	Total Utility Plant (8 thru 12)	5,282,267,352	5,282,267,352
14	Accum Prov for Depr, Amort, & Depl	2,312,681,378	2,312,681,378
15	Net Utility Plant (13 less 14)	2,969,585,974	2,969,585,974
16	Detail of Accum Prov for Depr, Amort & Depl		
17	In Service		
18	Depreciation	2,251,426,740	2,251,426,740
19	Amort & Depl of Producing Nat Gas Land/Land Right		
20	Amort of Underground Storage Land/Land Rights		
21	Amort of Other Utility Plant	61,254,638	61,254,638
22	Total In Service (18 thru 21)	2,312,681,378	2,312,681,378
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)	2,312,681,378	2,312,681,378

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 2018/Q4

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
					4
					5
					6
					7
					8
					9
					10
					11
					12
					13
					14
					15
					16
					17
					18
					19
					20
					21
					22
					23
					24
					25
					26
					27
					28
					29
					30
					31
					32
					33

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 2018/Q4

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)	195,938,084	42,368,967
13	(Less) Accum Prov for Amortization of Nuclear Fuel Assem (120 5)	74,727,129	-432,365
14	TOTAL Nuclear Fuel Stock (Total 6, 10, 11, 12, less 13)	121,210,955	
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 2018/Q4

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

Changes during Year		Balance	Line
Amortization (d)	Other Reductions (Explain in a footnote) (e)	End of Year (f)	No
			1
			2
			3
			4
			5
			6
			7
			8
			9
			10
			11
	38,463,182	199,843,869	12
-37,911,081	38,463,182	73,742,663	13
		126,101,206	14
			15
			16
			17
			18
			19
			20
			21
			22

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	/ /	2018/Q4

FOOTNOTE DATA

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

During 2018, the Company capitalized approximately $5.4 million of costs, including interest on RGRT borrowings, accrued interest on the RGRT Senior Notes and trustee 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 2018 reloads for Palo Verde Units 2 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 2018 reloads in Palo Verde Units 2 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 sheets. The total amount borrowed for nuclear fuel by the RGRT at December 31, 2018 was $138.4 million of which $28.4 million had been borrowed under the revolving credit facility, and $110 million was borrowed through senior notes.