| Name of Respondent<br>El Paso Electric Company | This Report is<br>(1) X An Original<br>(2) __ A Resubmission | Date of Report<br>(Mo, Da, Yr)<br>/ / | Year/Period of Report<br>2017/Q4 |
|---|---|---|---|

FOOTNOTE DATA

***Schedule Page: 350 Line No.: 6 Column: e***

Represents Texas rate case costs related to Docket No. 44941 which the Company filed with the PUCT in August 2015. Per the 2016 PUCT Final Order in Docket No. 44941, these costs were being amortized over two years beginning in October 2016. Per the 2017 PUCT Final Order in the 2017 Texas rate case, Docket No. 46831, the unamortized costs will be amortized over three years beginning in January 2018.

***Schedule Page: 350 Line No.: 7 Column: i***

Represents Texas rate case costs related to Docket No. 46831 which the Company filed with the PUCT in February 2017. These costs are being amortized over three years beginning in January 2018.

***Schedule Page: 350 Line No.: 18 Column: e***

Represents New Mexico rate case costs related to NMPRC Case No. 15-00127-UT which the Company filed with the NMPRC in May 2015. These costs are being amortized over three years beginning in July 2016.

| Name of Respondent | This Report Is | Date of Report (Mo, Da, Yr) | Year/Period of Report |
|---|---|---|---|
| El Paso Electric Company | (1) [X] An Original<br>(2) [ ] A Resubmission | / / | End of 2017/Q4 |

DISTRIBUTION OF SALARIES AND WAGES

Report below the distribution of total salaries and wages for the year Segregate amounts originally charged to clearing accounts to Utility Departments, Construction, Plant Removals, and Other Accounts, and enter such amounts in the appropriate lines and columns provided In determining this segregation of salaries and wages originally charged to clearing accounts, a method of approximation giving substantially correct results may be used

| Line No | Classification<br>(a) | Direct Payroll Distribution<br>(b) | Allocation of Payroll charged for Clearing Accounts<br>(c) | Total<br>(d) |
|---|---|---|---|---|
| 1 | Electric | | | |
| 2 | Operation | | | |
| 3 | Production | 9,452,249 | | |
| 4 | Transmission | 7,052,246 | | |
| 5 | Regional Market | | | |
| 6 | Distribution | 8,519,220 | | |
| 7 | Customer Accounts | 8,658,904 | | |
| 8 | Customer Service and Informational | | | |
| 9 | Sales | | | |
| 10 | Administrative and General | 33,723,120 | | |
| 11 | TOTAL Operation (Enter Total of lines 3 thru 10) | 67,405,739 | | |
| 12 | Maintenance | | | |
| 13 | Production | 6,812,815 | | |
| 14 | Transmission | 865,626 | | |
| 15 | Regional Market | | | |
| 16 | Distribution | 4,236,336 | | |
| 17 | Administrative and General | 436,032 | | |
| 18 | TOTAL Maintenance (Total of lines 13 thru 17) | 12,350,809 | | |
| 19 | Total Operation and Maintenance | | | |
| 20 | Production (Enter Total of lines 3 and 13) | 16,265,064 | | |
| 21 | Transmission (Enter Total of lines 4 and 14) | 7,917,872 | | |
| 22 | Regional Market (Enter Total of Lines 5 and 15) | | | |
| 23 | Distribution (Enter Total of lines 6 and 16) | 12,755,556 | | |
| 24 | Customer Accounts (Transcribe from line 7) | 8,658,904 | | |
| 25 | Customer Service and Informational (Transcribe from line 8) | | | |
| 26 | Sales (Transcribe from line 9) | | | |
| 27 | Administrative and General (Enter Total of lines 10 and 17) | 34,159,152 | | |
| 28 | TOTAL Oper and Maint (Total of lines 20 thru 27) | 79,756,548 | 895,831 | 80,652,379 |
| 29 | Gas | | | |
| 30 | Operation | | | |
| 31 | Production-Manufactured Gas | | | |
| 32 | Production-Nat Gas (Including Expl and Dev ) | | | |
| 33 | Other Gas Supply | | | |
| 34 | Storage, LNG Terminaling and Processing | | | |
| 35 | Transmission | | | |
| 36 | Distribution | | | |
| 37 | Customer Accounts | | | |
| 38 | Customer Service and Informational | | | |
| 39 | Sales | | | |
| 40 | Administrative and General | | | |
| 41 | TOTAL Operation (Enter Total of lines 31 thru 40) | | | |
| 42 | Maintenance | | | |
| 43 | Production-Manufactured Gas | | | |
| 44 | Production-Natural Gas (Including Exploration and Development) | | | |
| 45 | Other Gas Supply | | | |
| 46 | Storage, LNG Terminaling and Processing | | | |
| 47 | Transmission | | | |

| 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 2017/Q4 |

DISTRIBUTION OF SALARIES AND WAGES (Continued)

| Line No | Classification (a) | Direct Payroll Distribution (b) | Allocation of Payroll charged for Clearing Accounts (c) | Total (d) |
|---|---|---|---|---|
| 48 | Distribution | | | |
| 49 | Administrative and General | | | |
| 50 | TOTAL Maint (Enter Total of lines 43 thru 49) | | | |
| 51 | Total Operation and Maintenance | | | |
| 52 | Production-Manufactured Gas (Enter Total of lines 31 and 43) | | | |
| 53 | Production-Natural Gas (Including Expl and Dev ) (Total lines 32, | | | |
| 54 | Other Gas Supply (Enter Total of lines 33 and 45) | | | |
| 55 | Storage, LNG Terminaling and Processing (Total of lines 31 thru 47) | | | |
| 56 | Transmission (Lines 35 and 47) | | | |
| 57 | Distribution (Lines 36 and 48) | | | |
| 58 | Customer Accounts (Line 37) | | | |
| 59 | Customer Service and Informational (Line 38) | | | |
| 60 | Sales (Line 39) | | | |
| 61 | Administrative and General (Lines 40 and 49) | | | |
| 62 | TOTAL Operation and Maint (Total of lines 52 thru 61) | | | |
| 63 | Other Utility Departments | | | |
| 64 | Operation and Maintenance | | | |
| 65 | TOTAL All Utility Dept (Total of lines 28, 62, and 64) | 79,756,548 | 895,831 | 80,652,379 |
| 66 | Utility Plant | | | |
| 67 | Construction (By Utility Departments) | | | |
| 68 | Electric Plant | 22,489,666 | 1,981,368 | 24,471,034 |
| 69 | Gas Plant | | | |
| 70 | Other (provide details in footnote) | | | |
| 71 | TOTAL Construction (Total of lines 68 thru 70) | 22,489,666 | 1,981,368 | 24,471,034 |
| 72 | Plant Removal (By Utility Departments) | | | |
| 73 | Electric Plant | 52,624 | 2,757 | 55,381 |
| 74 | Gas Plant | | | |
| 75 | Other (provide details in footnote) | | | |
| 76 | TOTAL Plant Removal (Total of lines 73 thru 75) | 52,624 | 2,757 | 55,381 |
| 77 | Other Accounts (Specify, provide details in footnote) | | | |
| 78 | In-Kind Donations and Exp for Certain Civic, Political & Rel | 326,348 | 21,374 | 347,722 |
| 79 | Prepayment and Other | 257,526 | 14,462 | 271,988 |
| 80 | | | | |
| 81 | | | | |
| 82 | | | | |
| 83 | | | | |
| 84 | | | | |
| 85 | | | | |
| 86 | | | | |
| 87 | | | | |
| 88 | | | | |
| 89 | | | | |
| 90 | | | | |
| 91 | | | | |
| 92 | | | | |
| 93 | | | | |
| 94 | | | | |
| 95 | TOTAL Other Accounts | 583,874 | 35,836 | 619,710 |
| 96 | TOTAL SALARIES AND WAGES | 102,882,712 | 2,915,792 | 105,798,504 |

| Name of Respondent | This Report Is | Date of Report (Mo, Da, Yr) | Year/Period of Report |
|---|---|---|---|
| El Paso Electric Company | (1) [X] An Original<br>(2) [ ] A Resubmission | / / | End of 2017/Q4 |

PURCHASES AND SALES OF ANCILLARY SERVICES

Report the amounts for each type of ancillary service shown in column (a) for the year as specified in Order No 888 and defined in the respondents Open Access Transmission Tariff

In columns for usage, report usage-related billing determinant and the unit of measure

(1) On line 1 columns (b), (c), (d), (e), (f) and (g) report the amount of ancillary services purchased and sold during the year

(2) On line 2 columns (b) (c), (d), (e), (f), and (g) report the amount of reactive supply and voltage control services purchased and sold during the year

(3) On line 3 columns (b) (c), (d), (e), (f), and (g) report the amount of regulation and frequency response services purchased and sold during the year

(4) On line 4 columns (b), (c), (d), (e), (f), and (g) report the amount of energy imbalance services purchased and sold during the year

(5) On lines 5 and 6, columns (b), (c), (d), (e), (f), and (g) report the amount of operating reserve spinning and supplement services purchased and sold during the period

(6) On line 7 columns (b), (c), (d), (e), (f), and (g) report the total amount of all other types ancillary services purchased or sold during the year Include in a footnote and specify the amount for each type of other ancillary service provided

| | | Amount Purchased for the Year | | | Amount Sold for the Year | | |
|---|---|---|---|---|---|---|---|
| | | Usage - Related Billing Determinant | | | Usage - Related Billing Determinant | | |
| Line No | Type of Ancillary Service (a) | Number of Units (b) | Unit of Measure (c) | Dollars (d) | Number of Units (e) | Unit of Measure (f) | Dollars (g) |
| 1 | Scheduling, System Control and Dispatch | 8,426,939 | MWh | 808,986 | 2,684,782 | MWh | 819,919 |
| 2 | Reactive Supply and Voltage | 8,426,939 | MWh | 505,616 | 1,390,060 | MWh | 225,993 |
| 3 | Regulation and Frequency Response | | | | | | |
| 4 | Energy Imbalance | | | | | | |
| 5 | Operating Reserve - Spinning | | | | | | |
| 6 | Operating Reserve - Supplement | | | | | | |
| 7 | Other | | | | | | |
| 8 | Total (Lines 1 thru 7) | 16,853,878 | | 1,314,602 | 4,074,842 | | 1,045,912 |

| Name of Respondent<br>El Paso Electric Company | This Report is<br>(1) X An Original<br>(2) __ A Resubmission | Date of Report<br>(Mo, Da, Yr)<br>/ / | Year/Period of Report<br>2017/Q4 |
|---|---|---|---|

FOOTNOTE DATA

**Schedule Page: 398 Line No.: 1 Column: b**

Ancillary Services Purchased represents service to Native Load that the Company self-provides from its own facilities. The dollar values are imputed as though the Company took these services under its own tariff.

**Schedule Page: 398 Line No.: 1 Column: d**

Ancillary Services Purchased represents service to Native Load that the Company self-provides from its own facilities. The dollar values are imputed as though the Company took these services under its own tariff.

**Schedule Page: 398 Line No.: 1 Column: e**

The Number of Units includes 1,905,861 MWh from hourly services (of which 14,612 MWh were sold to El Paso Electric Marketing (El Paso Electric Company's Resource Management Department)); 13,029 MWh from daily services (of which 7,266 MWh were sold to El Paso Electric Marketing (El Paso Electric Company's Resource Management Department)); 389 MWh from monthly services; 72 MWh from weekly services and 765,431 MWh from yearly contracts, (of which 62,877 MWh were sold to Rio Grande Electric Cooperative, a network customer of El Paso Electric Company).

**Schedule Page: 398 Line No.: 1 Column: g**

$185,269 pertains to hourly services (of which $1,403 pertains to El Paso Electric Marketing (El Paso Electric Company's Resource Management Department)). $29,607 pertains to daily services (of which $16,712 pertains to El Paso Electric Marketing(El Paso Electric Company's Resource Management Department)). $27,320 pertains to monthly services. $1,178 pertains to weekly services and $576,545 pertains to yearly contracts (of which $7,579 pertains to Rio Grande Electric Cooperative, a network customer of El Paso Electric Company).

**Schedule Page: 398 Line No.: 2 Column: b**

Ancillary Services Purchased represents service to Native Load that the Company self-provides from its own facilities. The dollar values are imputed as though the Company took these services under its own tariff.

**Schedule Page: 398 Line No.: 2 Column: d**

Ancillary Services Purchased represents service to Native Load that the Company self-provides from its own facilities. The dollar values are imputed as though the Company took these services under its own tariff.

**Schedule Page: 398 Line No.: 2 Column: e**

The Number of Units includes 617,872 MWh from hourly services (of which 14,612 MWh were sold to El Paso Electric Marketing (El Paso Electric Company's Resource Management Department)); 11,000 MWh from daily services (of which 7,240 MWh were sold to El Paso Electric Marketing (El Paso Electric Company's Resource Management Department)); 389 MWh from monthly services; 72 MWh from weekly services and 760,727 MWh from yearly contracts (of which 62,877 MWh were sold to Rio Grande Electric Cooperative, a network customer of El Paso Electric Company).

**Schedule Page: 398 Line No.: 2 Column: g**

$37,094 pertains to hourly services (of which $877 pertains to El Paso Electric Marketing (El Paso Electric Company's Resource Management Department)). $15,555 pertains to daily services (of which $10,498 pertains to El Paso Electric Marketing(El Paso Electric Company's Resource Management Department)). $17,116 pertains to monthly services. $739 pertains to weekly services and $155,489 pertains to yearly contracts (of which $4,747 pertains to Rio Grande Electric Cooperative, a network customer of El Paso Electric Company).

| Name of Respondent | This Report Is | Date of Report (Mo, Da, Yr) | Year/Period of Report |
|---|---|---|---|
| El Paso Electric Company | (1) [X] An Original<br>(2) [ ] A Resubmission | / / | End of 2017/Q4 |

MONTHLY TRANSMISSION SYSTEM PEAK LOAD

(1) Report the monthly peak load on the respondent's transmission system If the respondent has two or more power systems which are not physically integrated, furnish the required information for each non-integrated system
(2) Report on Column (b) by month the transmission system's peak load
(3) Report on Columns (c ) and (d) the specified information for each monthly transmission - system peak load reported on Column (b)
(4) Report on Columns (e) through (j) by month the system' monthly maximum megawatt load by statistical classifications See General Instruction for the definition of each statistical classification

NAME OF SYSTEM

| Line No | Month (a) | Monthly Peak MW - Total (b) | Day of Monthly Peak (c) | Hour of Monthly Peak (d) | Firm Network Service for Self (e) | Firm Network Service for Others (f) | Long-Term Firm Point-to-point Reservations (g) | Other Long-Term Firm Service (h) | Short-Term Firm Point-to-point Reservation (i) | Other Service (j) |
|---|---|---|---|---|---|---|---|---|---|---|
| 1 | January | 1,061 | 25 | 2000 | | 6 | 667 | 50 | 80 | |
| 2 | February | 991 | 15 | 2000 | | 6 | 673 | 50 | 81 | |
| 3 | March | 1,197 | 22 | 1600 | | 7 | 675 | 50 | 78 | |
| 4 | Total for Quarter 1 | | | | | 19 | 2,015 | 150 | 239 | |
| 5 | April | 1,313 | 20 | 1600 | | 8 | 681 | 50 | 73 | |
| 6 | May | 1,432 | 25 | 1600 | | 13 | 680 | 50 | 73 | |
| 7 | June | 1,935 | 22 | 1600 | | 13 | 691 | 50 | 63 | |
| 8 | Total for Quarter 2 | | | | | 34 | 2,052 | 150 | 209 | |
| 9 | July | 1,792 | 11 | 1600 | | 14 | 650 | 50 | 104 | |
| 10 | August | 1,773 | 10 | 1600 | | 14 | 677 | 50 | 77 | |
| 11 | September | 1,685 | 13 | 1600 | | 10 | 679 | 50 | 75 | |
| 12 | Total for Quarter 3 | | | | | 38 | 2,006 | 150 | 256 | |
| 13 | October | 1,531 | 5 | 1600 | | 8 | 673 | 50 | 81 | |
| 14 | November | 1,012 | 14 | 1800 | | 5 | 693 | 50 | 61 | |
| 15 | December | 1,163 | 7 | 1900 | | 6 | 663 | 50 | 91 | |
| 16 | Total for Quarter 4 | | | | | 19 | 2,029 | 150 | 233 | |
| 17 | Total Year to Date/Year | | | | | 110 | 8,102 | 600 | 937 | |
| | | | | | | | | | | |

| Name of Respondent | This Report is | Date of Report | Year/Period of Report |
|---|---|---|---|
| El Paso Electric Company | (1) X An Original<br>(2) __ A Resubmission | (Mo, Da, Yr)<br>/ / | 2017/Q4 |

FOOTNOTE DATA

**Schedule Page: 401 Line No.: 36 Column: b**

Includes 90,527 MWhs related to the Company's Power Purchase and Sales Agreement with Freeport-McMoRan dated December 16, 2005.

**Schedule Page: 401 Line No.: 36 Column: c**

Includes 90,527 MWhs related to the Company's Power Purchase and Sales Agreement with Freeport-McMoRan dated December 16, 2005.

**Schedule Page: 401 Line No.: 37 Column: b**

Includes 88,991 MWhs related to the Company's Power Purchase and Sales Agreement with Freeport-McMoRan dated December 16, 2005.

**Schedule Page: 401 Line No.: 37 Column: c**

Includes 88,991 MWhs related to the Company's Power Purchase and Sales Agreement with Freeport-McMoRan dated December 16, 2005.

**Schedule Page: 401 Line No.: 38 Column: b**

Includes 92,412 MWhs related to the Company's Power Purchase and Sales Agreement with Freeport-McMoRan dated December 16, 2005.

**Schedule Page: 401 Line No.: 38 Column: c**

Includes 92,412 MWhs related to the Company's Power Purchase and Sales Agreement with Freeport-McMoRan dated December 16, 2005.

**Schedule Page: 401 Line No.: 39 Column: b**

Includes 45,113 MWhs related to the Company's Power Purchase and Sales Agreement with Freeport-McMoRan dated December 16, 2005.

**Schedule Page: 401 Line No.: 39 Column: c**

Includes 45,113 MWhs related to the Company's Power Purchase and Sales Agreement with Freeport-McMoRan dated December 16, 2005.

**Schedule Page: 401 Line No.: 40 Column: b**

Includes 92,205 MWhs related to the Company's Power Purchase and Sales Agreement with Freeport-McMoRan dated December 16, 2005.

**Schedule Page: 401 Line No.: 40 Column: c**

Includes 92,205 MWhs related to the Company's Power Purchase and Sales Agreement with Freeport-McMoRan dated December 16, 2005.

| Name of Respondent | This Report Is | Date of Report (Mo, Da, Yr) | Year/Period of Report |
|---|---|---|---|
| El Paso Electric Company | (1) [X] An Original<br>(2) [ ] A Resubmission | / / | End of 2017/Q4 |

ELECTRIC ENERGY ACCOUNT

Report below the information called for concerning the disposition of electric energy generated, purchased, exchanged and wheeled during the year

| Line No | Item (a) | MegaWatt Hours (b) | Line No | Item (a) | MegaWatt Hours (b) |
|---|---|---|---|---|---|
| 1 | SOURCES OF ENERGY | | 21 | DISPOSITION OF ENERGY | |
| 2 | Generation (Excluding Station Use) | | 22 | Sales to Ultimate Consumers (Including Interdepartmental Sales) | 7,843,959 |
| 3 | Steam | 2,626,114 | | | |
| 4 | Nuclear | 5,109,325 | 23 | Requirements Sales for Resale (See instruction 4, page 311 ) | 62,887 |
| 5 | Hydro-Conventional | | | | |
| 6 | Hydro-Pumped Storage | | 24 | Non-Requirements Sales for Resale (See instruction 4, page 311 ) | 2,997,908 |
| 7 | Other | 1,215,436 | | | |
| 8 | Less Energy for Pumping | | 25 | Energy Furnished Without Charge | |
| 9 | Net Generation (Enter Total of lines 3 through 8) | 8,950,875 | 26 | Energy Used by the Company (Electric Dept Only, Excluding Station Use) | 13,281 |
| 10 | Purchases | 2,470,154 | 27 | Total Energy Losses | 528,705 |
| 11 | Power Exchanges | | 28 | TOTAL (Enter Total of Lines 22 Through 27) (MUST EQUAL LINE 20) | 11,446,740 |
| 12 | Received | 40,026 | | | |
| 13 | Delivered | 14,315 | | | |
| 14 | Net Exchanges (Line 12 minus line 13) | 25,711 | | | |
| 15 | Transmission For Other (Wheeling) | | | | |
| 16 | Received | 3,654,577 | | | |
| 17 | Delivered | 3,654,577 | | | |
| 18 | Net Transmission for Other (Line 16 minus line 17) | | | | |
| 19 | Transmission By Others Losses | | | | |
| 20 | TOTAL (Enter Total of lines 9, 10, 14, 18 and 19) | 11,446,740 | | | |

| Name of Respondent | This Report Is: | Date of Report (Mo, Da, Yr) | Year/Period of Report |
|---|---|---|---|
| El Paso Electric Company | (1) [X] An Original<br>(2) [ ] A Resubmission | / / | End of 2017/Q4 |

## MONTHLY PEAKS AND OUTPUT

1. Report the monthly peak load and energy output. If the respondent has two or more power which are not physically integrated, furnish the required information for each non- integrated system.
2. Report in column (b) by month the system's output in Megawatt hours for each month.
3. Report in column (c) by month the non-requirements sales for resale. Include in the monthly amounts any energy losses associated with the sales.
4. Report in column (d) by month the system's monthly maximum megawatt load (60 minute integration) associated with the system.
5. Report in column (e) and (f) the specified information for each monthly peak load reported in column (d).

NAME OF SYSTEM: MONTHLY PEAKS AND OUTPUT

| Line No. | Month (a) | Total Monthly Energy (b) | Monthly Non-Requirments Sales for Resale & Associated Losses (c) | MONTHLY PEAK Megawatts (See Instr. 4) (d) | MONTHLY PEAK Day of Month (e) | MONTHLY PEAK Hour (f) |
|---|---|---|---|---|---|---|
| 29 | January | 855,829 | 229,465 | 1,061 | 25 | 2000 |
| 30 | February | 825,787 | 288,828 | 991 | 15 | 2000 |
| 31 | March | 917,217 | 314,840 | 1,197 | 22 | 1600 |
| 32 | April | 784,125 | 158,551 | 1,313 | 20 | 1600 |
| 33 | May | 959,322 | 241,153 | 1,432 | 25 | 1600 |
| 34 | June | 1,081,887 | 193,225 | 1,935 | 22 | 1600 |
| 35 | July | 1,128,590 | 227,591 | 1,792 | 11 | 1600 |
| 36 | August | 1,163,984 | 270,293 | 1,773 | 10 | 1600 |
| 37 | September | 1,067,651 | 280,289 | 1,685 | 13 | 1600 |
| 38 | October | 873,143 | 200,636 | 1,531 | 5 | 1600 |
| 39 | November | 816,410 | 250,622 | 1,012 | 14 | 1800 |
| 40 | December | 972,795 | 342,415 | 1,163 | 7 | 1900 |
| 41 | TOTAL | 11,446,740 | 2,997,908 | | | |

| Name of Respondent | This Report is | Date of Report | Year/Period of Report |
|---|---|---|---|
| El Paso Electric Company | (1) X An Original<br>(2) __ A Resubmission | (Mo, Da, Yr)<br>/ / | 2017/Q4 |

FOOTNOTE DATA

**Schedule Page: 401 Line No.: 10 Column: b**
Includes 955,024 MWhs related to purchases to Freeport-McMoRan related to the Company's Power Purchase and Sales Agreement with Freeport-McMoRan dated December 16, 2005.

**Schedule Page: 401 Line No.: 20 Column: b**
Includes 955,024 MWhs related to purchases to Freeport-McMoRan related to the Company's Power Purchase and Sales Agreement with Freeport-McMoRan dated December 16, 2005.

**Schedule Page: 401 Line No.: 24 Column: b**
Includes 955,024 MWhs related to purchases to Freeport-McMoRan related to the Company's Power Purchase and Sales Agreement with Freeport-McMoRan dated December 16, 2005.

**Schedule Page: 401 Line No.: 28 Column: b**
Includes 955,024 MWhs related to purchases to Freeport-McMoRan related to the Company's Power Purchase and Sales Agreement with Freeport-McMoRan dated December 16, 2005.

**Schedule Page: 401 Line No.: 29 Column: b**
Includes 61,808 MWhs related to the Company's Power Purchase and Sales Agreement with Freeport-McMoRan dated December 16, 2005.

**Schedule Page: 401 Line No.: 29 Column: c**
Includes 61,808 MWhs related to the Company's Power Purchase and Sales Agreement with Freeport-McMoRan dated December 16, 2005.

**Schedule Page: 401 Line No.: 30 Column: b**
Includes 82,903 MWhs related to the Company's Power Purchase and Sales Agreement with Freeport-McMoRan dated December 16, 2005.

**Schedule Page: 401 Line No.: 30 Column: c**
Includes 82,903 MWhs related to the Company's Power Purchase and Sales Agreement with Freeport-McMoRan dated December 16, 2005.

**Schedule Page: 401 Line No.: 31 Column: b**
Includes 91,660 MWhs related to the Company's Power Purchase and Sales Agreement with Freeport-McMoRan dated December 16, 2005.

**Schedule Page: 401 Line No.: 31 Column: c**
Includes 91,660 MWhs related to the Company's Power Purchase and Sales Agreement with Freeport-McMoRan dated December 16, 2005.

**Schedule Page: 401 Line No.: 32 Column: b**
Includes 45,898 MWhs related to the Company's Power Purchase and Sales Agreement with Freeport-McMoRan dated December 16, 2005.

**Schedule Page: 401 Line No.: 32 Column: c**
Includes 45,898 MWhs related to the Company's Power Purchase and Sales Agreement with Freeport-McMoRan dated December 16, 2005.

**Schedule Page: 401 Line No.: 33 Column: b**
Includes 92,190 MWhs related to the Company's Power Purchase and Sales Agreement with Freeport-McMoRan dated December 16, 2005.

**Schedule Page: 401 Line No.: 33 Column: c**
Includes 92,190 MWhs related to the Company's Power Purchase and Sales Agreement with Freeport-McMoRan dated December 16, 2005.

**Schedule Page: 401 Line No.: 34 Column: b**
Includes 79,980 MWhs related to the Company's Power Purchase and Sales Agreement with Freeport-McMoRan dated December 16, 2005.

**Schedule Page: 401 Line No.: 34 Column: c**
Includes 79,980 MWhs related to the Company's Power Purchase and Sales Agreement with Freeport-McMoRan dated December 16, 2005.

**Schedule Page: 401 Line No.: 35 Column: b**
Includes 91,337 MWhs related to the Company's Power Purchase and Sales Agreement with Freeport-McMoRan dated December 16, 2005.

**Schedule Page: 401 Line No.: 35 Column: c**
Includes 91,337 MWhs related to the Company's Power Purchase and Sales Agreement with Freeport-McMoRan dated December 16, 2005.

| Name of Respondent | This Report is | Date of Report | Year/Period of Report |
|---|---|---|---|
| El Paso Electric Company | (1) X An Original<br>(2) __ A Resubmission | (Mo, Da, Yr)<br>/ / | 2017/Q4 |

FOOTNOTE DATA

**Schedule Page: 401 Line No.: 36 Column: b**
Includes 90,527 MWhs related to the Company's Power Purchase and Sales Agreement with Freeport-McMoRan dated December 16, 2005.

**Schedule Page: 401 Line No.: 36 Column: c**
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**Schedule Page: 401 Line No.: 37 Column: b**
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**Schedule Page: 401 Line No.: 37 Column: c**
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**Schedule Page: 401 Line No.: 38 Column: b**
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| 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 2017/Q4 |

## STEAM-ELECTRIC GENERATING PLANT STATISTICS (Large Plants)

1 Report data for plant in Service only 2 Large plants are steam plants with installed capacity (name plate rating) of 25,000 Kw or more Report in this page gas-turbine and internal combustion plants of 10,000 Kw or more, and nuclear plants 3 Indicate by a footnote any plant leased or operated as a joint facility 4 If net peak demand for 60 minutes is not available, give data which is available, specifying period 5 If any employees attend more than one plant, report on line 11 the approximate average number of employees assignable to each plant 6 If gas is used and purchased on a therm basis report the Btu content or the gas and the quantity of fuel burned converted to Mct 7 Quantities of fuel burned (Line 38) and average cost per unit of fuel burned (Line 41) must be consistent with charges to expense accounts 501 and 547 (Line 42) as show on Line 20 8 If more than one fuel is burned in a plant furnish only the composite heat rate for all fuels burned

| Line No | Item (a) | Plant Name Rio Grande (b) | | | Plant Name Rio Grande Unit 9 (c) | | |
|---|---|---|---|---|---|---|---|
| 1 | Kind of Plant (Internal Comb, Gas Turb, Nuclear | Steam | | | Gas Turbine | | |
| 2 | Type of Constr (Conventional, Outdoor, Boiler, etc) | Indoor and Outdoor | | | Outdoor | | |
| 3 | Year Originally Constructed | 1929 | | | 2013 | | |
| 4 | Year Last Unit was Installed | 1972 | | | 2013 | | |
| 5 | Total Installed Cap (Max Gen Name Plate Ratings-MW) | 256 50 | | | 131 80 | | |
| 6 | Net Peak Demand on Plant - MW (60 minutes) | 216 | | | 92 | | |
| 7 | Plant Hours Connected to Load | 8557 | | | 2286 | | |
| 8 | Net Continuous Plant Capability (Megawatts) | 233 | | | 88 | | |
| 9 | When Not Limited by Condenser Water | 238 | | | 93 | | |
| 10 | When Limited by Condenser Water | 233 | | | 88 | | |
| 11 | Average Number of Employees | 50 | | | 0 | | |
| 12 | Net Generation, Exclusive of Plant Use - KWh | 681456000 | | | 146038000 | | |
| 13 | Cost of Plant Land and Land Rights | 100945 | | | 0 | | |
| 14 | Structures and Improvements | 7048817 | | | 22092666 | | |
| 15 | Equipment Costs | 57277081 | | | 74082093 | | |
| 16 | Asset Retirement Costs | 76983 | | | 0 | | |
| 17 | Total Cost | 64503826 | | | 96174759 | | |
| 18 | Cost per KW of Installed Capacity (line 17/5) Including | 251 4769 | | | 729 7023 | | |
| 19 | Production Expenses Oper, Supv, & Engr | 783727 | | | 0 | | |
| 20 | Fuel | 33185157 | | | 5287336 | | |
| 21 | Coolants and Water (Nuclear Plants Only) | 0 | | | 0 | | |
| 22 | Steam Expenses | 1672760 | | | 0 | | |
| 23 | Steam From Other Sources | 0 | | | 0 | | |
| 24 | Steam Transferred (Cr) | 0 | | | 0 | | |
| 25 | Electric Expenses | 178383 | | | 0 | | |
| 26 | Misc Steam (or Nuclear) Power Expenses | 1234057 | | | 197 | | |
| 27 | Rents | 0 | | | 0 | | |
| 28 | Allowances | 0 | | | 0 | | |
| 29 | Maintenance Supervision and Engineering | 827258 | | | 0 | | |
| 30 | Maintenance of Structures | 542690 | | | 12605 | | |
| 31 | Maintenance of Boiler (or reactor) Plant | 1831339 | | | 0 | | |
| 32 | Maintenance of Electric Plant | 1274331 | | | 857871 | | |
| 33 | Maintenance of Misc Steam (or Nuclear) Plant | 836163 | | | 19344 | | |
| 34 | Total Production Expenses | 42365865 | | | 6177353 | | |
| 35 | Expenses per Net KWh | 0 0622 | | | 0 0423 | | |
| 36 | Fuel Kind (Coal, Gas, Oil, or Nuclear) | Gas | Oil | | Gas | Oil | |
| 37 | Unit (Coal-tons/Oil-barrel/Gas-mcf/Nuclear-indicate) | Mcf | BBL | | Mcf | BBL | |
| 38 | Quantity (Units) of Fuel Burned | 8111313 | 0 | 0 | 1337146 | 0 | 0 |
| 39 | Avg Heat Cont - Fuel Burned (btu/indicate if nuclear) | 1056400 | 0 | 0 | 1056600 | 0 | 0 |
| 40 | Avg Cost of Fuel/unit, as Delvd f o b during year | 4 091 | 0 000 | 0 000 | 3 954 | 0 000 | 0 000 |
| 41 | Average Cost of Fuel per Unit Burned | 4 091 | 0 000 | 0 000 | 3 954 | 0 000 | 0 000 |
| 42 | Average Cost of Fuel Burned per Million BTU | 3 873 | 0 000 | 0 000 | 3 742 | 0 000 | 0 000 |
| 43 | Average Cost of Fuel Burned per KWh Net Gen | 0 049 | 0 000 | 0 000 | 0 036 | 0 000 | 0 000 |
| 44 | Average BTU per KWh Net Generation | 12575 000 | 0 000 | 0 000 | 9675 000 | 0 000 | 0 000 |

| 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 2017/Q4 |

STEAM-ELECTRIC GENERATING PLANT STATISTICS (Large Plants) *(Continued)*

9 Items under Cost of Plant are based on U S of A Accounts Production expenses do not include Purchased Power, System Control and Load Dispatching, and Other Expenses Classified as Other Power Supply Expenses 10 For IC and GT plants, report Operating Expenses, Account Nos 547 and 549 on Line 25 "Electric Expenses," and Maintenance Account Nos 553 and 554 on Line 32, "Maintenance of Electric Plant " Indicate plants designed for peak load service Designate automatically operated plants 11 For a plant equipped with combinations of fossil fuel steam, nuclear steam, hydro, internal combustion or gas-turbine equipment, report each as a separate plant However, if a gas-turbine unit functions in a combined cycle operation with a conventional steam unit, include the gas-turbine with the steam plant 12 If a nuclear power generating plant, briefly explain by footnote (a) accounting method for cost of power generated including any excess costs attributed to research and development, (b) types of cost units used for the various components of fuel cost, and (c) any other informative data concerning plant type fuel used, fuel enrichment type and quantity for the report period and other physical and operating characteristics of plant

| Plant Name *Newman* (d) | Plant Name *Montana* (e) | Plant Name *Copper* (f) | Line No |
|---|---|---|---|
| | | | |
| Steam | Gas Turbine | Gas Turbine | 1 |
| Indoor and Outdoor | Outdoor | Outdoor | 2 |
| 1959 | 2015 | 1979 | 3 |
| 2011 | 2016 | 1980 | 4 |
| 882 00 | 527 20 | 80 50 | 5 |
| 542 | 371 | 74 | 6 |
| 8760 | 6854 | 577 | 7 |
| 752 | 355 | 64 | 8 |
| 761 | 375 | 64 | 9 |
| 752 | 355 | 64 | 10 |
| 70 | 14 | 0 | 11 |
| 1944658000 | 1044668000 | 18913000 | 12 |
| 181900 | 2313124 | 10000 | 13 |
| 47635089 | 76798451 | 785480 | 14 |
| 401239077 | 302500237 | 16153807 | 15 |
| -325470 | 240402 | 15479 | 16 |
| 448730596 | 381852214 | 16964766 | 17 |
| 508 7648 | 724 3024 | 210 7424 | 18 |
| 1823328 | 571034 | 0 | 19 |
| 70408994 | 32075462 | 1269726 | 20 |
| 0 | 0 | 0 | 21 |
| 1142311 | 229205 | 0 | 22 |
| 0 | 0 | 0 | 23 |
| 0 | 0 | 0 | 24 |
| 2809591 | 0 | 0 | 25 |
| 2160648 | 2227236 | 67945 | 26 |
| 466271 | 57684 | 41 | 27 |
| 108763 | 0 | 0 | 28 |
| 1457000 | 1234 | 2469 | 29 |
| 892876 | 74135 | 4927 | 30 |
| 5860217 | 0 | 0 | 31 |
| 12296779 | 2008094 | 115818 | 32 |
| 2082433 | 341776 | 27972 | 33 |
| 101509211 | 37585860 | 1488898 | 34 |
| 0 0522 | 0 0360 | 0 0787 | 35 |

| (d) | (d) | (d) | (e) | (e) | (e) | (f) | (f) | (f) | Line No |
|---|---|---|---|---|---|---|---|---|---|
| Gas | Oil | | Gas | Oil | | Gas | Oil | | 36 |
| Mcf | BBL | | Mcf | BBL | | Mcf | BBL | | 37 |
| 20028177 | 0 | 0 | 9159213 | 0 | 0 | 341985 | 0 | 0 | 38 |
| 1055900 | 0 | 0 | 1055600 | 0 | 0 | 1044200 | 0 | 0 | 39 |
| 3 515 | 0 000 | 0 000 | 3 502 | 0 000 | 0 000 | 3 713 | 0 000 | 0 000 | 40 |
| 3 515 | 0 000 | 0 000 | 3 502 | 0 000 | 0 000 | 3 713 | 0 000 | 0 000 | 41 |
| 3 329 | 0 000 | 0 000 | 3 318 | 0 000 | 0 000 | 3 556 | 0 000 | 0 000 | 42 |
| 0 036 | 0 000 | 0 000 | 0 031 | 0 000 | 0 000 | 0 067 | 0 000 | 0 000 | 43 |
| 10874 000 | 0 000 | 0 000 | 9255 000 | 0 000 | 0 000 | 18881 000 | 0 000 | 0 000 | 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 | / / | End of 2017/Q4 |

STEAM-ELECTRIC GENERATING PLANT STATISTICS (Large Plants) *(Continued)*

1 Report data for plant in Service only 2 Large plants are steam plants with installed capacity (name plate rating) of 25,000 Kw or more Report in this page gas-turbine and internal combustion plants of 10,000 Kw or more, and nuclear plants 3 Indicate by a footnote any plant leased or operated as a joint facility 4 If net peak demand for 60 minutes is not available, give data which is available, specifying period 5 If any employees attend more than one plant, report on line 11 the approximate average number of employees assignable to each plant 6 If gas is used and purchased on a therm basis report the Btu content or the gas and the quantity of fuel burned converted to Mct 7 Quantities of fuel burned (Line 38) and average cost per unit of fuel burned (Line 41) must be consistent with charges to expense accounts 501 and 547 (Line 42) as show on Line 20 8 If more than one fuel is burned in a plant furnish only the composite heat rate for all fuels burned

| Line No | Item (a) | Plant Name *Palo Verde* (b) | | | Plant Name (c) | | |
|---|---|---|---|---|---|---|---|
| 1 | Kind of Plant (Internal Comb, Gas Turb, Nuclear | Nuclear | | | | | |
| 2 | Type of Constr (Conventional, Outdoor, Boiler, etc) | Under 50% Outdoor | | | | | |
| 3 | Year Originally Constructed | 1986 | | | | | |
| 4 | Year Last Unit was Installed | 1988 | | | | | |
| 5 | Total Installed Cap (Max Gen Name Plate Ratings-MW) | 669 20 | | | 0 00 | | |
| 6 | Net Peak Demand on Plant - MW (60 minutes) | 630 | | | 0 | | |
| 7 | Plant Hours Connected to Load | 8760 | | | 0 | | |
| 8 | Net Continuous Plant Capability (Megawatts) | 622 | | | 0 | | |
| 9 | When Not Limited by Condenser Water | 622 | | | 0 | | |
| 10 | When Limited by Condenser Water | 622 | | | 0 | | |
| 11 | Average Number of Employees | 333 | | | 0 | | |
| 12 | Net Generation, Exclusive of Plant Use - KWh | 5109325000 | | | 0 | | |
| 13 | Cost of Plant Land and Land Rights | 2347713 | | | 0 | | |
| 14 | Structures and Improvements | 529882301 | | | 0 | | |
| 15 | Equipment Costs | 1339136339 | | | 0 | | |
| 16 | Asset Retirement Costs | -38768493 | | | 0 | | |
| 17 | Total Cost | 1832597860 | | | 0 | | |
| 18 | Cost per KW of Installed Capacity (line 17/5) Including | 2738 4905 | | | 0 | | |
| 19 | Production Expenses Oper, Supv, & Engr | 13376785 | | | 0 | | |
| 20 | Fuel | 44047597 | | | 0 | | |
| 21 | Coolants and Water (Nuclear Plants Only) | 7373187 | | | 0 | | |
| 22 | Steam Expenses | 6095977 | | | 0 | | |
| 23 | Steam From Other Sources | 0 | | | 0 | | |
| 24 | Steam Transferred (Cr) | 0 | | | 0 | | |
| 25 | Electric Expenses | 4932080 | | | 0 | | |
| 26 | Misc Steam (or Nuclear) Power Expenses | 23628866 | | | 0 | | |
| 27 | Rents | 0 | | | 0 | | |
| 28 | Allowances | 0 | | | 0 | | |
| 29 | Maintenance Supervision and Engineering | 2671280 | | | 0 | | |
| 30 | Maintenance of Structures | 1130947 | | | 0 | | |
| 31 | Maintenance of Boiler (or reactor) Plant | 8433670 | | | 0 | | |
| 32 | Maintenance of Electric Plant | 6609392 | | | 0 | | |
| 33 | Maintenance of Misc Steam (or Nuclear) Plant | 2021558 | | | 0 | | |
| 34 | Total Production Expenses | 120321339 | | | 0 | | |
| 35 | Expenses per Net KWh | 0 0235 | | | 0 0000 | | |
| 36 | Fuel Kind (Coal, Gas, Oil, or Nuclear) | Nuclear | | | | | |
| 37 | Unit (Coal-tons/Oil-barrel/Gas-mcf/Nuclear-indicate) | MMbtu | | | | | |
| 38 | Quantity (Units) of Fuel Burned | 52534565 | 0 | 0 | 0 | 0 | 0 |
| 39 | Avg Heat Cont - Fuel Burned (btu/indicate if nuclear) | 0 | 0 | 0 | 0 | 0 | 0 |
| 40 | Avg Cost of Fuel/unit, as Delvd f o b during year | 0 834 | 0 000 | 0 000 | 0 000 | 0 000 | 0 000 |
| 41 | Average Cost of Fuel per Unit Burned | 0 834 | 0 000 | 0 000 | 0 000 | 0 000 | 0 000 |
| 42 | Average Cost of Fuel Burned per Million BTU | 0 834 | 0 000 | 0 000 | 0 000 | 0 000 | 0 000 |
| 43 | Average Cost of Fuel Burned per KWh Net Gen | 0 009 | 0 000 | 0 000 | 0 000 | 0 000 | 0 000 |
| 44 | Average BTU per KWh Net Generation | 10282 000 | 0 000 | 0 000 | 0 000 | 0 000 | 0 000 |

| Name of Respondent<br>El Paso Electric Company | This Report is<br>(1) X An Original<br>(2) __ A Resubmission | Date of Report<br>(Mo, Da, Yr)<br>/ / | Year/Period of Report<br>2017/Q4 |
|---|---|---|---|

FOOTNOTE DATA

**Schedule Page: 402 Line No.: 7 Column: b**

Line 7 (applies to Rio Grande, Rio Grande Unit 9, Newman, MPS, and Copper plants) is reported as any hour in which a unit at a plant was connected to load. Partial hours are rounded up to a full hour

**Schedule Page: 402 Line No.: 11 Column: c**

Average number of employees for Rio Grande Unit 9 is included in the average number of employees for Rio Grande plant.

**Schedule Page: 403 Line No.: 11 Column: f**

Average number of employees for Copper is included in the average number of employees for Newman plant.

**Schedule Page: 402.1 Line No.: 1 Column: b**

The Company owns a 15.8% interest in each of the three nuclear generating units and common facilities at Palo Verde. The Palo Verde Participants include Arizona Public Service Company which serves as operating agent for Palo Verde, 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. The Company is entitled to 15.8% of the energy generated by Palo Verde.

**Schedule Page: 402.1 Line No.: 5 Column: b**

Data on lines 5,6,8,9,10 and 11 represents the Company's 15.8% share of Palo Verde Nuclear Generating Station.

**Schedule Page: 402.1 Line No.: 20 Column: b**

Excludes a DOE refund of $1,567,606.

| Name of Respondent | This Report Is | Date of Report (Mo, Da, Yr) | Year/Period of Report |
|---|---|---|---|
| El Paso Electric Company | (1) [X] An Original<br>(2) [ ] A Resubmission | / / | End of 2017/Q4 |

GENERATING PLANT STATISTICS (Small Plants)

1 Small generating plants are steam plants of, less than 25,000 Kw, internal combustion and gas turbine-plants, conventional hydro plants and pumped storage plants of less than 10,000 Kw installed capacity (name plate rating) 2 Designate any plant leased from others, operated under a license from the Federal Energy Regulatory Commission, or operated as a joint facility, and give a concise statement of the facts in a footnote If licensed project, give project number in footnote

| Line No | Name of Plant (a) | Year Orig Const (b) | Installed Capacity Name Plate Rating (In MW) (c) | Net Peak Demand MW (60 min ) (d) | Net Generation Excluding Plant Use (e) | Cost of Plant (f) |
|---|---|---|---|---|---|---|
| 1 | Solar Plants | | | | | |
| 2 | Newman PV System | 2009 | 0 06 | | 122 | 388,498 |
| 3 | Rio Grande PV System | 2009 | 0 06 | | 120 | 168,882 |
| 4 | Wrangler CPV System | 2011 | 0 05 | | 64 | 418,730 |
| 5 | Stanton PV System | 2012 | 0 03 | | 68 | 273,687 |
| 6 | El Paso Community College PV System | 2012 | 0 02 | | 31 | 97,020 |
| 7 | Van Horn PV System | 2013 | 0 02 | | 36 | 99,675 |
| 8 | Montana Solar | 2017 | 3 00 | | 5,375 | 7,447,099 |
| 9 | Total Solar | | 3 24 | | 5,816 | 8,893,591 |
| 10 | | | | | | |
| 11 | | | | | | |
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| Name of Respondent | This Report Is | Date of Report (Mo, Da, Yr) | Year/Period of Report |
|---|---|---|---|
| El Paso Electric Company | (1) [X] An Original<br>(2) [ ] A Resubmission | / / | End of 2017/Q4 |

GENERATING PLANT STATISTICS (Small Plants) (Continued)

3 List plants appropriately under subheadings for steam, hydro, nuclear, internal combustion and gas turbine plants For nuclear, see instruction 11, Page 403 4 If net peak demand for 60 minutes is not available, give the which is available, specifying period 5 If any plant is equipped with combinations of steam, hydro internal combustion or gas turbine equipment, report each as a separate plant However, if the exhaust heat from the gas turbine is utilized in a steam turbine regenerative feed water cycle, or for preheated combustion air in a boiler, report as one plant

| Plant Cost (Incl Asset Retire Costs) Per MW (g) | Operation Exc'l Fuel (h) | Production Expenses Fuel (i) | Production Expenses Maintenance (j) | Kind of Fuel (k) | Fuel Costs (in cents (per Million Btu) (l) | Line No |
|---|---|---|---|---|---|---|
| | | | | | | 1 |
| 8,422,406 | | | | | | 2 |
| 8,687,594 | | | | | | 3 |
| 8,723,542 | | | | | | 4 |
| 8,552,719 | | | | | | 5 |
| 6,468,000 | | | | | | 6 |
| 6,472,403 | | | | | | 7 |
| 2,482,366 | | | 23,108 | | | 8 |
| 49,809,030 | | | 23,108 | | | 9 |
| | | | | | | 10 |
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| | | | | | | 46 |

| Name of Respondent<br>El Paso Electric Company | This Report is<br>(1) X An Original<br>(2) __ A Resubmission | Date of Report<br>(Mo, Da, Yr)<br>/ / | Year/Period of Report<br>2017/Q4 |
|---|---|---|---|

FOOTNOTE DATA

***Schedule Page: 410 Line No.: 2 Column: f***

Includes credits of $150,536 recovered through the Volunteer Renewable Energy ("VRE") Program.

***Schedule Page: 410 Line No.: 2 Column: g***

Excludes credits of $150,536 recovered through the VRE Program.

***Schedule Page: 410 Line No.: 3 Column: f***

Includes credits of $387,124 recovered through the VRE Program.

***Schedule Page: 410 Line No.: 3 Column: g***

Excludes credits of $387,124 recovered through the VRE Program.

| Name of Respondent | This Report Is | Date of Report (Mo, Da, Yr) | Year/Period of Report |
|---|---|---|---|
| El Paso Electric Company | (1) [X] An Original<br>(2) [ ] A Resubmission | / / | End of 2017/Q4 |

## TRANSMISSION LINE STATISTICS

1 Report information concerning transmission lines, cost of lines, and expenses for year List each transmission line having nominal voltage of 132 kilovolts or greater Report transmission lines below these voltages in group totals only for each voltage
2 Transmission lines include all lines covered by the definition of transmission system plant as given in the Uniform System of Accounts Do not report substation costs and expenses on this page
3 Report data by individual lines for all voltages if so required by a State commission
4 Exclude from this page any transmission lines for which plant costs are included in Account 121, Nonutility Property
5 Indicate whether the type of supporting structure reported in column (e) is (1) single pole wood or steel, (2) H-frame wood, or steel poles, (3) tower, or (4) underground construction If a transmission line has more than one type of supporting structure, indicate the mileage of each type of construction by the use of brackets and extra lines Minor portions of a transmission line of a different type of construction need not be distinguished from the remainder of the line
6 Report in columns (f) and (g) the total pole miles of each transmission line Show in column (f) the pole miles of line on structures the cost of which is reported for the line designated, conversely, show in column (g) the pole miles of line on structures the cost of which is reported for another line Report pole miles of line on leased or partly owned structures in column (g) In a footnote, explain the basis of such occupancy and state whether expenses with respect to such structures are included in the expenses reported for the line designated

| Line No | DESIGNATION | | VOLTAGE (KV) (Indicate where other than 60 cycle, 3 phase) | | Type of Supporting Structure | LENGTH (Pole miles) (In the case of underground lines report circuit miles) | | Number Of Circuits |
|---|---|---|---|---|---|---|---|---|
| | From (a) | To (b) | Operating (c) | Designed (d) | (e) | On Structure of Line Designated (f) | On Structures of Another Line (g) | (h) |
| 1 | Palo Verde | Kyrene | 500 00 | 500 00 | (1),(3) | | 75 00 | 1 |
| 2 | Palo Verde | Westwing | 500 00 | 500 00 | (3) | | 90 00 | 2 |
| 3 | | | | | | | | |
| 4 | Newman | West Mesa | 345 00 | 345 00 | (2) | 232 21 | | 1 |
| 5 | Newman | Afton | 345 00 | 345 00 | (2) | 29 88 | | 1 |
| 6 | Afton | Luna | 345 00 | 345 00 | (2) | 57 26 | | 1 |
| 7 | Luna | Greenlee | 345 00 | 345 00 | (2) | | 109 77 | 1 |
| 8 | Newman | Eddy County | 345 00 | 345 00 | (2) | 79 93 | 125 45 | 1 |
| 9 | Diablo | Luna | 345 00 | 345 00 | (2) | 85 66 | | 1 |
| 10 | Luna | Macho Springs | 345 00 | 345 00 | (2) | 24 86 | | 1 |
| 11 | Macho Springs | Springerville | 345 00 | 345 00 | (2),(3) | 201 38 | | 1 |
| 12 | | | | | | | | |
| 13 | | | | | | | | |
| 14 | Various 115kV Lines | | 115 00 | 115 00 | (1),(2) | 470 57 | 51 04 | 1 |
| 15 | Various 69kV Lines | | 69 00 | 69 00 | (1),(2) | 194 43 | 21 55 | 1 |
| 16 | | | | | | | | |
| 17 | | | | | | | | |
| 18 | | | | | | | | |
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| 32 | | | | | | | | |
| 33 | | | | | | | | |
| 34 | | | | | | | | |
| 35 | | | | | | | | |
| 36 | | | | | TOTAL | 1,376 18 | 472 81 | 13 |

| 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 2017/Q4 |

TRANSMISSION LINE STATISTICS (Continued)

7 Do not report the same transmission line structure twice Report Lower voltage Lines and higher voltage lines as one line Designate in a footnote if you do not include Lower voltage lines with higher voltage lines If two or more transmission line structures support lines of the same voltage, report the pole miles of the primary structure in column (f) and the pole miles of the other line(s) in column (g)
8 Designate any transmission line or portion thereof for which the respondent is not the sole owner If such property is leased from another company, give name of lessor, date and terms of Lease, and amount of rent for year For any transmission line other than a leased line, or portion thereof, for which the respondent is not the sole owner but which the respondent operates or shares in the operation of, furnish a succinct statement explaining the arrangement and giving particulars (details) of such matters as percent ownership by respondent in the line, name of co-owner, basis of sharing expenses of the Line, and how the expenses borne by the respondent are accounted for, and accounts affected Specify whether lessor, co-owner, or other party is an associated company
9 Designate any transmission line leased to another company and give name of Lessee, date and terms of lease, annual rent for year, and how determined Specify whether lessee is an associated company
10 Base the plant cost figures called for in columns (j) to (l) on the book cost at end of year

| Size of Conductor and Material | COST OF LINE (Include in Column (j) Land, Land rights, and clearing right-of-way) | | | EXPENSES, EXCEPT DEPRECIATION AND TAXES | | | | Line No |
|---|---|---|---|---|---|---|---|---|
| | Land | Construction and Other Costs | Total Cost | Operation Expenses | Maintenance Expenses | Rents | Total Expenses | |
| (i) | (j) | (k) | (l) | (m) | (n) | (o) | (p) | |
| 1780 ACSR | 1,563,967 | 7,027,603 | 8,591,570 | | | | | 1 |
| 1780 ACSR | 1,206,109 | 5,419,588 | 6,625,697 | | | | | 2 |
| | | | | | | | | 3 |
| 795 ACSR | 1,149,661 | 17,558,829 | 18,708,490 | | | | | 4 |
| 795 ACSR | 423,552 | 5,525,728 | 5,949,280 | | | | | 5 |
| 795 ACSR | 811,653 | 10,588,965 | 11,400,618 | | | | | 6 |
| 795 ACSR | 86,513 | 2,240,657 | 2,327,170 | | | | | 7 |
| 795 ACSR/T2 | 2,836,385 | 22,555,942 | 25,392,327 | | | | | 8 |
| 954 ACSR | 1,114,625 | 12,217,983 | 13,332,608 | | | | | 9 |
| 954 ACSR | 19,320 | 6,853,262 | 6,872,582 | | | | | 10 |
| 954 ACSR | 154,575 | 54,832,262 | 54,986,837 | | | | | 11 |
| | | | | | | | | 12 |
| | | | | | | | | 13 |
| Various | 5,010,155 | 93,121,899 | 98,132,054 | | | | | 14 |
| Various | 310,581 | 25,151,348 | 25,461,929 | | | | | 15 |
| | | | | | | | | 16 |
| | | | | | | | | 17 |
| | | | | | | | | 18 |
| | | | | | | | | 19 |
| | | | | | | | | 20 |
| | | | | | | | | 21 |
| | | | | | | | | 22 |
| | | | | | | | | 23 |
| | | | | | | | | 24 |
| | | | | | | | | 25 |
| | | | | | | | | 26 |
| | | | | | | | | 27 |
| | | | | | | | | 28 |
| | | | | | | | | 29 |
| | | | | | | | | 30 |
| | | | | | | | | 31 |
| | | | | | | | | 32 |
| | | | | | | | | 33 |
| | | | | | | | | 34 |
| | | | | | | | | 35 |
| | 14,687,096 | 263,094,066 | 277,781,162 | | | | | 36 |

| Name of Respondent | This Report Is | Date of Report (Mo, Da, Yr) | Year/Period of Report |
|---|---|---|---|
| El Paso Electric Company | (1) [X] An Original<br>(2) [ ] A Resubmission | / / | End of 2017/Q4 |

SUBSTATIONS

1 Report below the information called for concerning substations of the respondent as of the end of the year
2 Substations which serve only one industrial or street railway customer should not be listed below
3 Substations with capacities of Less than 10 MVa except those serving customers with energy for resale, may be grouped according to functional character, but the number of such substations must be shown
4 Indicate in column (b) the functional character of each substation, designating whether transmission or distribution and whether attended or unattended At the end of the page, summarize according to function the capacities reported for the individual stations in column (f)

| Line No | Name and Location of Substation<br>(a) | Character of Substation<br>(b) | VOLTAGE (In MVa) Primary<br>(c) | Secondary<br>(d) | Tertiary<br>(e) |
|---|---|---|---|---|---|
| 1 | 10,000 kVA and Over | | | | |
| 2 | | | | | |
| 3 | Afton La Mesa, NM | Trans UA | | | |
| 4 | Airport New Mexico | Dist UA | 115 00 | 23 90 | |
| 5 | Alamo Lower Valley | Dist UA | 69 00 | 23 90 | |
| 6 | Altura El Paso | Dist UA | 13 80 | 4 16 | |
| 7 | Americas El Paso | Dist UA | 69 00 | 13 80 | |
| 8 | Amrad Oro Grande, NM | Trans UA | 345 00 | 115 00 | 13 00 |
| 9 | Amrad Oro Grande, NM | Dist UA | 115 00 | 24 90 | |
| 10 | Anthony Anthony, NM | Dist UA | 115 00 | 24 90 | |
| 11 | Apollo New Mexico | Dist UA | 69 00 | 23 90 | |
| 12 | Arroyo Las Cruces, NM | Trans UA | 345 00 | 345 00 | |
| 13 | Arroyo Las Cruces, NM | Trans UA | 345 00 | 115 00 | 13 80 |
| 14 | Arroyo Las Cruces, NM | Dist UA | 115 00 | 23 90 | |
| 15 | Ascarate El Paso | Trans UA | 115 00 | 69 00 | 13 80 |
| 16 | Ascarate El Paso | Dist UA | 69 00 | 13 80 | |
| 17 | Ascarate El Paso | Dist UA | 69 00 | 4 16 | |
| 18 | Austin El Paso | Dist UA | 115 00 | 13 80 | |
| 19 | Austin El Paso | Dist UA | 69 00 | 4 16 | |
| 20 | Border Steel El Paso | Dist UA | 115 00 | 13 80 | |
| 21 | Butterfield El Paso | Dist UA | 115 00 | 13 80 | |
| 22 | Caliente El Paso | Trans UA | 345 00 | 115 00 | 13 80 |
| 23 | Caliente El Paso | Dist UA | 115 00 | 13 80 | |
| 24 | Chaparral Chaparral, NM | Dist UA | 115 00 | 13 80 | |
| 25 | Clint Lower Valley | Dist UA | 69 00 | 13 80 | |
| 26 | Copper El Paso | Dist UA | 115 00 | 13 80 | |
| 27 | Cox New Mexico | Trans UA | 115 00 | 69 00 | |
| 28 | Coyote Lower Valley | Dist UA | 115 00 | 13 80 | |
| 29 | Cromo El Paso | Dist UA | 115 00 | 13 80 | |
| 30 | Dallas El Paso | Dist UA | 67 00 | 14 40 | |
| 31 | Dallas El Paso | Dist UA | 66 00 | 13 80 | |
| 32 | Diablo Sunland Park, NM | Trans UA | 345 00 | 115 00 | 13 80 |
| 33 | Diamond Head El Paso | Dist UA | 115 00 | 13 80 | |
| 34 | Durazno El Paso | Dist UA | 115 00 | 13 80 | |
| 35 | Dyer El Paso | Dist UA | 67 00 | 14 40 | |
| 36 | Dyer El Paso | Dist UA | 115 00 | 69 00 | |
| 37 | EMRLD New Mexico | Dist UA | 115 00 | 13 80 | |
| 38 | Farah El Paso | Dist UA | 69 00 | 13 80 | |
| 39 | Felipe El Paso | Dist UA | 69 00 | 23 90 | |
| 40 | Fort Bliss El Paso | Dist UA | 115 00 | 13 20 | |

| Name of Respondent | This Report Is | Date of Report (Mo, Da, Yr) | Year/Period of Report |
|---|---|---|---|
| El Paso Electric Company | (1) [X] An Original<br>(2) [ ] A Resubmission | / / | End of 2017/Q4 |

SUBSTATIONS (Continued)

5 Show in columns (I), (j), and (k) special equipment such as rotary converters, rectifiers, condensers, etc and auxiliary equipment for increasing capacity
6 Designate substations or major items of equipment leased from others, jointly owned with others, or operated otherwise than by reason of sole ownership by the respondent For any substation or equipment operated under lease, give name of lessor, date and period of lease, and annual rent For any substation or equipment operated other than by reason of sole ownership or lease, give name of co-owner or other party, explain basis of sharing expenses or other accounting between the parties, and state amounts and accounts affected in respondent's books of account Specify in each case whether lessor, co-owner, or other party is an associated company

| Capacity of Substation (In Service) (In MVa) (f) | Number of Transformers In Service (g) | Number of Spare Transformers (h) | CONVERSION APPARATUS AND SPECIAL EQUIPMENT Type of Equipment (i) | Number of Units (j) | Total Capacity (In MVa) (k) | Line No |
|---|---|---|---|---|---|---|
| | | | | | | 1 |
| | | | | | | 2 |
| | | | | | | 3 |
| 30 | 1 | | | | | 4 |
| 30 | 1 | | | | | 5 |
| 13 | 2 | | | | | 6 |
| 30 | 1 | | | | | 7 |
| 260 | 1 | | | | | 8 |
| 8 | 1 | | | | | 9 |
| 60 | 2 | | | | | 10 |
| 30 | 1 | | | | | 11 |
| 308 | 1 | | Phase Shifting Trans | | | 12 |
| 600 | 3 | | | | | 13 |
| 60 | 2 | | | | | 14 |
| 200 | 2 | | | | | 15 |
| 60 | 2 | | | | | 16 |
| 10 | 1 | | | | | 17 |
| 100 | 2 | | | | | 18 |
| 10 | 1 | | | | | 19 |
| 70 | 2 | | | | | 20 |
| 60 | 2 | | | | | 21 |
| 400 | 2 | | | | | 22 |
| 30 | 1 | | | | | 23 |
| 60 | 2 | | | | | 24 |
| 30 | 1 | | | | | 25 |
| 30 | 1 | | | | | 26 |
| 50 | 1 | | | | | 27 |
| 30 | 1 | | | | | 28 |
| 60 | 2 | | | | | 29 |
| 20 | 1 | | | | | 30 |
| 20 | 1 | | | | | 31 |
| 600 | 3 | | | | | 32 |
| 30 | 1 | | | | | 33 |
| 30 | 1 | | | | | 34 |
| 50 | 2 | | | | | 35 |
| 100 | 1 | | | | | 36 |
| 13 | 1 | | | | | 37 |
| 30 | 1 | | | | | 38 |
| 30 | 1 | | | | | 39 |
| 50 | 2 | | | | | 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<br>(2) [ ] A Resubmission | / / | End of 2017/Q4 |

SUBSTATIONS

1 Report below the information called for concerning substations of the respondent as of the end of the year
2 Substations which serve only one industrial or street railway customer should not be listed below
3 Substations with capacities of Less than 10 MVa except those serving customers with energy for resale, may be grouped according to functional character, but the number of such substations must be shown
4 Indicate in column (b) the functional character of each substation, designating whether transmission or distribution and whether attended or unattended At the end of the page, summarize according to function the capacities reported for the individual stations in column (f)

| Line No | Name and Location of Substation<br>(a) | Character of Substation<br>(b) | VOLTAGE (In MVa) Primary<br>(c) | Secondary<br>(d) | Tertiary<br>(e) |
|---|---|---|---|---|---|
| 1 | Global Reach El Paso | Dist UA | 115 00 | 13 80 | |
| 2 | Hatch New Mexico | Dist UA | 115 00 | 24 90 | |
| 3 | Horizon Horizon | Dist UA | 115 00 | 13 80 | |
| 4 | Jornada Las Cruces, NM | Dist UA | 115 00 | 23 90 | |
| 5 | Lane Lower Valley | Dist UA | 115 00 | 69 00 | |
| 6 | Lane Lower Valley | Dist UA | 115 00 | 13 80 | |
| 7 | Las Cruces Las Cruces, NM | Dist UA | 115 00 | 23 90 | |
| 8 | LEA El Paso | Dist UA | 115 00 | 13 80 | |
| 9 | Mann Lower Valley | Dist UA | 69 00 | 13 80 | |
| 10 | Mann Lower Valley | Dist UA | 67 00 | 14 40 | |
| 11 | Mesa El Paso | Dist UA | 115 00 | 13 80 | |
| 12 | Milagro El Paso | Dist UA | 115 00 | 69 00 | |
| 13 | Milagro El Paso | Dist UA | 115 00 | 13 80 | |
| 14 | Montana Pwr St El Paso | Trans UA | 115 00 | 13 80 | |
| 15 | Montoya Upper Valley, NM | Dist UA | 115 00 | 23 90 | |
| 16 | Montoya Upper Valley, NM | Dist UA | 115 00 | 24 90 | |
| 17 | Montwood El Paso | Dist UA | 115 00 | 23 90 | |
| 18 | Montwood Substation | Dist UA | 115 00 | 23 90 | |
| 19 | Newman T-1 | Trans UA | 345 00 | 115 00 | 13 80 |
| 20 | Newman T-2 | Dist UA | 115 00 | 13 80 | |
| 21 | Newman T-6 | Dist UA | 115 00 | 13 80 | |
| 22 | Newman T-8 | Dist UA | 115 00 | 13 80 | |
| 23 | Newman T-9 | Dist UA | 115 00 | 13 80 | |
| 24 | Newman T-11 | Dist UA | 115 00 | 13 80 | |
| 25 | Newman T-13 | Dist UA | 115 00 | 13 80 | |
| 26 | Newman T-14 | Dist UA | 115 00 | 13 80 | |
| 27 | Newman T-15 | Dist UA | 115 00 | 13 80 | |
| 28 | Newman T-16 | Dist UA | 115 00 | 13 80 | |
| 29 | Patriot T-1 El Paso | Dist UA | 115 00 | 13 80 | |
| 30 | Pendale El Paso | Dist UA | 115 00 | 13 80 | |
| 31 | Pellicano El Paso | Dist UA | 115 00 | 23 90 | |
| 32 | Picacho New Mexico | Dist UA | 115 00 | 23 90 | |
| 33 | Picante T-1 | Trans UA | 345 00 | 115 00 | 13 80 |
| 34 | Redeye New Mexico | Dist UA | 115 00 | 13 80 | |
| 35 | Rio Bosque | Dist UA | 69 00 | 13 80 | |
| 36 | Rio Grande T1,T2 Sunland Park, New Mexico | Trans UA | 115 00 | 69 00 | |
| 37 | Rio Grande T4 Sunland Park, New Mexico | Dist UA | 66 00 | 13 80 | |
| 38 | Rio Grande T5 Sunland Park, New Mexico | Dist UA | 69 00 | 13 80 | |
| 39 | Rio Grande T6 Sunland Park, New Mexico | Dist UA | 66 00 | 13 80 | |
| 40 | Rio Grande T7 Sunland Park, New Mexico | Dist UA | 115 00 | 66 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<br>(2) [ ] A Resubmission | / / | End of 2017/Q4 |

SUBSTATIONS (Continued)

5 Show in columns (I), (j), and (k) special equipment such as rotary converters, rectifiers, condensers, etc and auxiliary equipment for increasing capacity
6 Designate substations or major items of equipment leased from others, jointly owned with others, or operated otherwise than by reason of sole ownership by the respondent For any substation or equipment operated under lease, give name of lessor, date and period of lease, and annual rent For any substation or equipment operated other than by reason of sole ownership or lease, give name of co-owner or other party, explain basis of sharing expenses or other accounting between the parties, and state amounts and accounts affected in respondent's books of account Specify in each case whether lessor, co-owner, or other party is an associated company

| Capacity of Substation (In Service) (In MVa) (f) | Number of Transformers In Service (g) | Number of Spare Transformers (h) | CONVERSION APPARATUS AND SPECIAL EQUIPMENT Type of Equipment (i) | Number of Units (j) | Total Capacity (In MVa) (k) | Line No |
|---|---|---|---|---|---|---|
| 30 | 1 | | | | | 1 |
| 30 | 1 | | | | | 2 |
| 30 | 1 | | | | | 3 |
| 30 | 1 | | | | | 4 |
| 100 | 1 | | | | | 5 |
| 30 | 1 | | | | | 6 |
| 120 | 2 | | | | | 7 |
| 60 | 2 | | | | | 8 |
| 30 | 1 | | | | | 9 |
| 30 | 1 | | | | | 10 |
| 60 | 2 | | | | | 11 |
| 100 | 1 | | | | | 12 |
| 90 | 3 | | | | | 13 |
| 500 | 4 | | | | | 14 |
| 100 | 2 | | | | | 15 |
| 30 | 1 | | | | | 16 |
| 30 | 1 | | | | | 17 |
| 50 | 1 | | | | | 18 |
| 230 | 1 | | | | | 19 |
| 112 | 1 | | | | | 20 |
| 112 | 1 | | | | | 21 |
| 112 | 1 | | | | | 22 |
| 112 | 1 | | | | | 23 |
| 112 | 1 | | | | | 24 |
| 112 | 1 | | | | | 25 |
| 175 | 1 | | | | | 26 |
| 117 | 1 | | | | | 27 |
| 117 | 1 | | | | | 28 |
| 30 | 1 | | | | | 29 |
| 30 | 1 | | | | | 30 |
| 30 | 1 | | | | | 31 |
| 50 | 1 | | | | | 32 |
| 200 | 1 | | | | | 33 |
| 14 | 1 | | | | | 34 |
| 30 | 1 | | | | | 35 |
| 200 | 2 | 1 | | | | 36 |
| 50 | 1 | | | | | 37 |
| 60 | 1 | | | | | 38 |
| 60 | 1 | | | | | 39 |
| 150 | 1 | | | | | 40 |

| Name of Respondent | This Report Is | Date of Report (Mo, Da, Yr) | Year/Period of Report |
|---|---|---|---|
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SUBSTATIONS

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4 Indicate in column (b) the functional character of each substation, designating whether transmission or distribution and whether attended or unattended At the end of the page, summarize according to function the capacities reported for the individual stations in column (f)

| Line No | Name and Location of Substation (a) | Character of Substation (b) | VOLTAGE (In MVa) Primary (c) | Secondary (d) | Tertiary (e) |
|---|---|---|---|---|---|
| 1 | Rio Grande T12 Sunland Park, New Mexico | Dist UA | 67 00 | 14 40 | |
| 2 | Rio Grande T17 Sunland Park, New Mexico | Dist UA | 115 00 | 13 80 | |
| 3 | Ripley El Paso | Dist UA | 115 00 | 13 80 | |
| 4 | Salopek Las Cruces, NM | Dist UA | 115 00 | 24 90 | |
| 5 | Santa Fe El Paso | Dist UA | 69 00 | 13 80 | |
| 6 | Santa Fe El Paso | Dist UA | 13 80 | 4 16 | |
| 7 | Santa Teresa Santa Teresa | Dist UA | 115 00 | 23 90 | |
| 8 | Santa Teresa Santa Teresa | Dist UA | 115 00 | 24 90 | |
| 9 | Scotsdale El Paso | Dist UA | 115 00 | 69 00 | |
| 10 | Scotsdale El Paso | Dist UA | 115 00 | 13 80 | |
| 11 | Shearman El Paso | Dist UA | 115 00 | 13 80 | |
| 12 | Sierra Blanca Sierra Blanca | Dist UA | 69 00 | 23 90 | |
| 13 | Socorro Lower Valley | Dist UA | 69 00 | 13 80 | |
| 14 | Sol El Paso | Dist UA | 115 00 | 13 80 | |
| 15 | Sparks El Paso | Dist UA | 115 00 | 13 80 | |
| 16 | Sparks El Paso | Dist UA | 115 00 | 69 00 | |
| 17 | Sunset El Paso | Dist UA | 69 00 | 13 80 | |
| 18 | Sunset El Paso | Dist UA | 69 00 | 4 16 | |
| 19 | Sunset North El Paso | Dist UA | 115 00 | 13 80 | |
| 20 | Sunset North El Paso | Trans UA | 115 00 | 69 00 | 14 40 |
| 21 | Talavera Temp T-1 Las Cruces, NM | Dist UA | 115 00 | 23 90 | |
| 22 | Thorn El Paso | Dist UA | 115 00 | 13 80 | |
| 23 | Transmountain Temp | Dist UA | 115 00 | 24 90 | |
| 24 | Viscount El Paso | Dist UA | 67 00 | 14 40 | |
| 25 | Vista El Paso | Dist UA | 115 00 | 13 80 | |
| 26 | White Sands New Mexico | Dist UA | 115 00 | 13 80 | |
| 27 | Wrangler El Paso | Dist UA | 115 00 | 13 80 | |
| 28 | | | | | |
| 29 | 5,000 to 10,000 kVA | | | | |
| 30 | | | | | |
| 31 | Darbyshire El Paso | Dist UA | 69 00 | 13 80 | |
| 32 | Farmer Van Horn | Dist UA | 69 00 | 23 90 | |
| 33 | Five Points El Paso | Dist UA | 13 80 | 4 16 | |
| 34 | Hanes New Mexico | Dist UA | 22 90 | 4 16 | |
| 35 | Midway El Paso | Dist UA | 13 80 | 4 16 | |
| 36 | Range New Mexico | Dist UA | 24 90 | 13 20 | |
| 37 | S P Pipeline El Paso | Dist UA | 13 80 | 2 40 | |
| 38 | Valley Lower Valley | Dist UA | 67 00 | 14 40 | |
| 39 | Amrad Oro Grande, NM | Dist UA | 115 00 | 24 90 | |
| 40 | 1,000 to 5,000 kVA | | | | |

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SUBSTATIONS (Continued)

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| Capacity of Substation (In Service) (In MVa) (f) | Number of Transformers In Service (g) | Number of Spare Transformers (h) | CONVERSION APPARATUS AND SPECIAL EQUIPMENT Type of Equipment (i) | Number of Units (j) | Total Capacity (In MVa) (k) | Line No |
|---|---|---|---|---|---|---|
| 25 | 1 | | | | | 1 |
| 132 | 1 | | | | | 2 |
| 30 | 1 | | | | | 3 |
| 75 | 3 | | | | | 4 |
| 25 | 1 | | | | | 5 |
| 11 | 3 | | | | | 6 |
| 30 | 1 | | | | | 7 |
| 30 | 1 | | | | | 8 |
| 100 | 1 | | | | | 9 |
| 55 | 2 | | | | | 10 |
| 30 | 1 | | | | | 11 |
| 18 | 1 | | | | | 12 |
| 30 | 1 | | | | | 13 |
| 60 | 2 | | | | | 14 |
| 30 | 1 | | | | | 15 |
| 89 | 1 | | | | | 16 |
| 60 | 2 | | | | | 17 |
| 10 | 3 | | | | | 18 |
| 60 | 2 | | | | | 19 |
| 70 | 1 | | | | | 20 |
| 13 | 1 | | | | | 21 |
| 60 | 2 | | | | | 22 |
| 20 | 1 | | | | | 23 |
| 30 | 1 | | | | | 24 |
| 60 | 2 | | | | | 25 |
| 30 | 1 | | | | | 26 |
| 50 | 1 | | | | | 27 |
| | | | | | | 28 |
| | | | | | | 29 |
| | | | | | | 30 |
| 8 | 1 | | | | | 31 |
| 10 | 1 | | | | | 32 |
| 6 | 3 | | | | | 33 |
| 6 | 1 | | | | | 34 |
| 6 | 1 | | | | | 35 |
| 8 | 3 | | | | | 36 |
| 6 | 1 | | | | | 37 |
| 8 | 1 | | | | | 38 |
| 8 | 1 | | | | | 39 |
| | | | | | | 40 |

| Name of Respondent | This Report Is | Date of Report (Mo, Da, Yr) | Year/Period of Report |
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SUBSTATIONS

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| Line No | Name and Location of Substation (a) | Character of Substation (b) | VOLTAGE (In MVa) Primary (c) | Secondary (d) | Tertiary (e) |
|---|---|---|---|---|---|
| 1 | | | | | |
| 2 | Alameda Las Cruces, NM | Dist UA | 23 90 | 4 16 | |
| 3 | Beaumont El Paso | Dist UA | 13 80 | 4 16 | |
| 4 | Coronado El Paso | Dist UA | 13 80 | 4 16 | |
| 5 | Fabens Lower Valley | Dist UA | 67 00 | 4 16 | |
| 6 | Fresno El Paso | Dist UA | 13 80 | 4 16 | |
| 7 | Frontera Upper Valley | Dist UA | 13 80 | 4 16 | |
| 8 | Grace El Paso | Dist UA | 14 40 | 4 16 | |
| 9 | Hacienda El Paso | Dist UA | 13 80 | 4 16 | |
| 10 | Hatch New Mexico | Dist UA | 23 90 | 4 16 | |
| 11 | Kemp El Paso | Dist UA | 13 80 | 4 16 | |
| 12 | Latta El Paso | Dist UA | 13 80 | 4 16 | |
| 13 | McClure Las Cruces, NM | Dist UA | 22 90 | 4 16 | |
| 14 | Melendres Las Cruces, NM | Dist UA | 23 90 | 4 16 | |
| 15 | Mission El Paso | Dist UA | 13 80 | 4 16 | |
| 16 | Missouri Las Cruces, NM | Dist UA | 23 90 | 4 16 | |
| 17 | Morningside El Paso | Dist UA | 13 80 | 4 16 | |
| 18 | Newell Newell | Dist UA | 13 80 | 4 16 | |
| 19 | Octavia El Paso | Dist UA | 13 80 | 4 16 | |
| 20 | Parkdale El Paso | Dist UA | 13 80 | 4 16 | |
| 21 | Ranchland El Paso | Dist UA | 13 80 | 4 16 | |
| 22 | Summit El Paso | Dist UA | 13 80 | 4 16 | |
| 23 | UTEP El Paso | Dist UA | 13 80 | 4 16 | |
| 24 | Westside Las Cruces, NM | Dist UA | 24 90 | 4 16 | |
| 25 | White Upper Valley | Dist UA | 13 80 | 4 16 | |
| 26 | Diana El Paso | Dist UA | 13 80 | 4 16 | |
| 27 | Mar New Mexico | Dist UA | 24 90 | 4 16 | |
| 28 | Sierra Blanca Sierra Blanca | Dist UA | 23 50 | 4 16 | |
| 29 | 300 to 999 kVA | | | | |
| 30 | Fort Hancock Hudspeth County | Dist UA | 24 90 | 4 16 | |
| 31 | La Mesa New Mexico | Dist UA | 23 90 | 4 16 | |
| 32 | Dallas El Paso | Dist UA | 13 80 | 4 16 | |
| 33 | PORTABLE SUBSTATIONS | | | | |
| 34 | (All sizes) | | | | |
| 35 | Mobile Substation #354 | Dist UA | 14 40 | 4 16 | |
| 36 | Mobile Substation #355 | Dist UA | 23 90 | 4 16 | |
| 37 | Mobile Substation #356 | Dist UA | 13 80 | 4 16 | |
| 38 | Mobile Substation #357 | Dist UA | 115 00 | 24 90 | |
| 39 | Mobile Substation #359 | Dist UA | 13 80 | 4 16 | |
| 40 | Mobile Substation #429 | Dist UA | 115 00 | 13 80 | |

| Name of Respondent | This Report Is | Date of Report (Mo, Da, Yr) | Year/Period of Report |
|---|---|---|---|
| El Paso Electric Company | (1) [X] An Original<br>(2) [ ] A Resubmission | / / | End of 2017/Q4 |

SUBSTATIONS (Continued)

5 Show in columns (I), (j), and (k) special equipment such as rotary converters, rectifiers, condensers, etc and auxiliary equipment for increasing capacity

6 Designate substations or major items of equipment leased from others, jointly owned with others, or operated otherwise than by reason of sole ownership by the respondent For any substation or equipment operated under lease, give name of lessor, date and period of lease, and annual rent For any substation or equipment operated other than by reason of sole ownership or lease, give name of co-owner or other party, explain basis of sharing expenses or other accounting between the parties, and state amounts and accounts affected in respondent's books of account Specify in each case whether lessor, co-owner, or other party is an associated company

| Capacity of Substation (In Service) (In MVa) (f) | Number of Transformers In Service (g) | Number of Spare Transformers (h) | CONVERSION APPARATUS AND SPECIAL EQUIPMENT Type of Equipment (i) | Number of Units (j) | Total Capacity (In MVa) (k) | Line No |
|---|---|---|---|---|---|---|
| | | | | | | 1 |
| 3 | 1 | | | | | 2 |
| 3 | 1 | | | | | 3 |
| 3 | 1 | | | | | 4 |
| 3 | 3 | | | | | 5 |
| 2 | 1 | | | | | 6 |
| 2 | 1 | | | | | 7 |
| 2 | 1 | | | | | 8 |
| 5 | 1 | | | | | 9 |
| 1 | 1 | | | | | 10 |
| 2 | 1 | | | | | 11 |
| 2 | 1 | | | | | 12 |
| 2 | 1 | | | | | 13 |
| 3 | 3 | | | | | 14 |
| 5 | 1 | | | | | 15 |
| 3 | 1 | | | | | 16 |
| 3 | 2 | | | | | 17 |
| 3 | 1 | | | | | 18 |
| 2 | 1 | | | | | 19 |
| 2 | 1 | | | | | 20 |
| 4 | 2 | | | | | 21 |
| 3 | 2 | | | | | 22 |
| 4 | 1 | | | | | 23 |
| 3 | 1 | | | | | 24 |
| 2 | 1 | | | | | 25 |
| 3 | 1 | | | | | 26 |
| 4 | 1 | | | | | 27 |
| 1 | 1 | | | | | 28 |
| | | | | | | 29 |
| 1 | 1 | | | | | 30 |
| 1 | 1 | | | | | 31 |
| 4 | 2 | | | | | 32 |
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| | | | | | | 34 |
| 5 | 1 | | | | | 35 |
| 2 | 1 | | | | | 36 |
| 4 | 1 | | | | | 37 |
| 24 | 1 | | | | | 38 |
| 10 | 1 | | | | | 39 |
| 24 | 1 | | | | | 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<br>(2) [ ] A Resubmission | / / | End of 2017/Q4 |

SUBSTATIONS

1 Report below the information called for concerning substations of the respondent as of the end of the year
2 Substations which serve only one industrial or street railway customer should not be listed below
3 Substations with capacities of Less than 10 MVa except those serving customers with energy for resale, may be grouped according to functional character, but the number of such substations must be shown
4 Indicate in column (b) the functional character of each substation, designating whether transmission or distribution and whether attended or unattended At the end of the page, summarize according to function the capacities reported for the individual stations in column (f)

| Line No | Name and Location of Substation (a) | Character of Substation (b) | VOLTAGE (In MVa) Primary (c) | Secondary (d) | Tertiary (e) |
|---|---|---|---|---|---|
| 1 | | | | | |
| 2 | SPARE TRANSFORMERS | N/A | | | |
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| Name of Respondent | This Report Is | Date of Report (Mo, Da, Yr) | Year/Period of Report |
|---|---|---|---|
| El Paso Electric Company | (1) [X] An Original<br>(2) [ ] A Resubmission | / / | End of 2017/Q4 |

SUBSTATIONS (Continued)

5 Show in columns (I), (j), and (k) special equipment such as rotary converters, rectifiers, condensers, etc and auxiliary equipment for increasing capacity
6 Designate substations or major items of equipment leased from others, jointly owned with others, or operated otherwise than by reason of sole ownership by the respondent For any substation or equipment operated under lease, give name of lessor, date and period of lease, and annual rent For any substation or equipment operated other than by reason of sole ownership or lease, give name of co-owner or other party, explain basis of sharing expenses or other accounting between the parties, and state amounts and accounts affected in respondent's books of account Specify in each case whether lessor, co-owner, or other party is an associated company

| Capacity of Substation (In Service) (In MVa) (f) | Number of Transformers In Service (g) | Number of Spare Transformers (h) | CONVERSION APPARATUS AND SPECIAL EQUIPMENT Type of Equipment (i) | Number of Units (j) | Total Capacity (In MVa) (k) | Line No |
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| Name of Respondent | This Report is | Date of Report (Mo, Da, Yr) | Year/Period of Report |
|---|---|---|---|
| El Paso Electric Company | (1) X An Original<br>(2) __ A Resubmission | / / | 2017/Q4 |

FOOTNOTE DATA

**_Schedule Page: 426 Line No.: 3 Column: a_**

Afton substation is a switching transmission substation. The Company does not own the transformers on site.

# INDEX

INDEX (continued)

INDEX (continued)

INDEX (continued)

INDEX (continued)

| THIS FILING IS | | |
|---|---|---|
| Item 1 [X] An Initial (Original) Submission | OR [ ] Resubmission No ____ | |

Form 1 Approved
OMB No 1902-0021
(Expires 12/31/2019)

Form 1-F Approved
OMB No 1902-0029
(Expires 12/31/2019)

Form 3-Q Approved
OMB No 1902-0205
(Expires 12/31/2019)

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

These reports are mandatory under the Federal Power Act, Sections 3, 4(a), 304 and 309, and 18 CFR 141 1 and 141 400 Failure to report may result in criminal fines, civil penalties and other sanctions as provided by law The Federal Energy Regulatory Commission does not consider these reports to be of confidential nature

| Exact Legal Name of Respondent (Company) | Year/Period of Report |
|---|---|
| El Paso Electric Company | End of 2016/Q4 |

FERC FORM No.1/3-Q (REV. 02-04)

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

## GENERAL INFORMATION

### I. Purpose

FERC Form No 1 (FERC Form 1) ıs an annual regulatory requırement for Major electrıc utılıtıes, lıcensees and others (18 C F R § 141 1) FERC Form No 3-Q ( FERC Form 3-Q)ıs a quarterly regulatory requırement whıch supplements the annual fınancıal reportıng requırement (18 C F R § 141 400) These reports are desıgned to collect fınancıal and operatıonal ınformatıon from electrıc utılıtıes, lıcensees and others subject to the jurısdıctıon of the Federal Energy Regulatory Commıssıon These reports are also consıdered to be non-confıdentıal publıc use forms

### II. Who Must Submit

Each Major electrıc utılıty, lıcensee, or other, as classıfıed ın the Commıssıon's Unıform System of Accounts Prescrıbed for Publıc Utılıtıes and Lıcensees Subject To the Provısıons of The Federal Power Act (18 C F R Part 101), must submıt FERC Form 1 (18 C F R § 141 1), and FERC Form 3-Q (18 C F R § 141 400)

Note Major means havıng, ın each of the three prevıous calendar years, sales or transmıssıon servıce that exceeds one of the followıng

(1) one mıllıon megawatt hours of total annual sales,
(2) 100 megawatt hours of annual sales for resale,
(3) 500 megawatt hours of annual power exchanges delıvered, or
(4) 500 megawatt hours of annual wheelıng for others (delıverıes plus losses)

### III. What and Where to Submit

(a) Submıt FERC Forms 1 and 3-Q electronıcally through the forms submıssıon software Retaın one copy of each report for your fıles Any electronıc submıssıon must be created by usıng the forms submıssıon software provıded free by the Commıssıon at ıts web sıte http://www.ferc.gov/docs-filing/forms/form-1/elec-subm-soft.asp The software ıs used to submıt the electronıc fılıng to the Commıssıon vıa the Internet

(b) The Corporate Offıcer Certıfıcatıon must be submıtted electronıcally as part of the FERC Forms 1 and 3-Q fılıngs

(c) Submıt ımmedıately upon publıcatıon, by eıther eFılıng or maıl, two (2) copıes to the Secretary of the Commıssıon, the latest Annual Report to Stockholders Unless eFılıng the Annual Report to Stockholders, maıl the stockholders report to the Secretary of the Commıssıon at

Secretary
Federal Energy Regulatory Commıssıon
888 Fırst Street, NE
Washıngton, DC 20426

(d) For the CPA Certıfıcatıon Statement, submıt wıthın 30 days after fılıng the FERC Form 1, a letter or report (not applıcable to fılers classıfıed as Class C or Class D prıor to January 1, 1984) The CPA Certıfıcatıon Statement can be eıther eFıled or maıled to the Secretary of the Commıssıon at the address above

The CPA Certification Statement should

a) Attest to the conformity, in all material aspects, of the below listed (schedules and pages) with the Commission's applicable Uniform System of Accounts (including applicable notes relating thereto and the Chief Accountant's published accounting releases), and

b) Be signed by independent certified public accountants or an independent licensed public accountant certified or licensed by a regulatory authority of a State or other political subdivision of the U S (See 18 C F R §§ 41 10-41 12 for specific qualifications )

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

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

"In connection with our regular examination of the financial statements of _____ for the year ended on which we have reported separately under date of ___________ , we have also reviewed schedules ___________________of FERC Form No 1 for the year filed with the Federal Energy Regulatory Commission, for conformity in all material respects with the requirements of the Federal Energy Regulatory Commission as set forth in its applicable Uniform System of Accounts and published accounting releases Our review for this purpose included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances

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

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

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

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

**IV. When to Submit:**

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

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

b) FERC Form 3-Q for each calendar quarter must be fıled 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 1,144 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 150 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 Offıcer), and to the Offıce of Informatıon and Regulatory Affaırs, Offıce of Management and Budget, Washıngton, DC 20503 (Attentıon Desk Offıcer 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<br>El Paso Electric Company | 02 Year/Period of Report<br>End of 2016/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)*<br>P.O. Box 982, El Paso, TX 79960-0982; 100 North Stanton, El Paso, TX 79901 | |
| 05 Name of Contact Person<br>Russell G. Gibson | 06 Title of Contact Person<br>Vice President & Controller |
| 07 Address of Contact Person *(Street, City, State, Zip Code)*<br>P.O. Box 982, El Paso, TX 79960-0982; 100 North Stanton, El Paso, TX 79901 | |

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

**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<br>/s/ Russell G. Gibson<br>02 Title<br>Vice President & Controller | 03 Signature<br>Russell G. Gibson<br>/s/ Russell G. Gibson | 04 Date Signed<br>*(Mo, Da, Yr)*<br>04/10/2017 |

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<br>(2) [ ] A Resubmission | / / | End of 2016/Q4 |

LIST OF SCHEDULES (Electric Utility)

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

| Line No | Title of Schedule (a) | Reference Page No (b) | Remarks (c) |
|---|---|---|---|
| 1 | General Information | 101 | |
| 2 | Control Over Respondent | 102 | Not Applicable |
| 3 | Corporations Controlled by Respondent | 103 | Not Applicable |
| 4 | Officers | 104 | |
| 5 | Directors | 105 | |
| 6 | Information on Formula Rates | 106(a)(b) | |
| 7 | Important Changes During the Year | 108-109 | |
| 8 | Comparative Balance Sheet | 110-113 | |
| 9 | Statement of Income for the Year | 114-117 | |
| 10 | Statement of Retained Earnings for the Year | 118-119 | |
| 11 | Statement of Cash Flows | 120-121 | |
| 12 | Notes to Financial Statements | 122-123 | |
| 13 | Statement of Accum Comp Income, Comp Income, and Hedging Activities | 122(a)(b) | |
| 14 | Summary of Utility Plant & Accumulated Provisions for Dep, Amort & Dep | 200-201 | |
| 15 | Nuclear Fuel Materials | 202-203 | |
| 16 | Electric Plant in Service | 204-207 | |
| 17 | Electric Plant Leased to Others | 213 | None |
| 18 | Electric Plant Held for Future Use | 214 | None |
| 19 | Construction Work in Progress-Electric | 216 | |
| 20 | Accumulated Provision for Depreciation of Electric Utility Plant | 219 | |
| 21 | Investment of Subsidiary Companies | 224-225 | None |
| 22 | Materials and Supplies | 227 | |
| 23 | Allowances | 228(ab)-229(ab) | |
| 24 | Extraordinary Property Losses | 230 | None |
| 25 | Unrecovered Plant and Regulatory Study Costs | 230 | None |
| 26 | Transmission Service and Generation Interconnection Study Costs | 231 | |
| 27 | Other Regulatory Assets | 232 | |
| 28 | Miscellaneous Deferred Debits | 233 | |
| 29 | Accumulated Deferred Income Taxes | 234 | |
| 30 | Capital Stock | 250-251 | |
| 31 | Other Paid-in Capital | 253 | |
| 32 | Capital Stock Expense | 254 | |
| 33 | Long-Term Debt | 256-257 | |
| 34 | Reconciliation of Reported Net Income with Taxable Inc for Fed Inc Tax | 261 | |
| 35 | Taxes Accrued, Prepaid and Charged During the Year | 262-263 | |
| 36 | Accumulated Deferred Investment Tax Credits | 266-267 | |
| | | | |

| Name of Respondent | This Report Is | Date of Report (Mo, Da, Yr) | Year/Period of Report |
|---|---|---|---|
| El Paso Electric Company | (1) [X] An Original<br>(2) [ ] A Resubmission | / / | End of 2016/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 | None |
| 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<br>(2) [ ] A Resubmission | / / | End of 2016/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 | |
| 69 | Substations | 426-427 | |
| 70 | Transactions with Associated (Affiliated) Companies | 429 | None |
| 71 | Footnote Data | 450 | |
| | Stockholders' Reports Check appropriate box<br>[X] Two copies will be submitted<br>[ ] No annual report to stockholders is prepared | | |

| Name of Respondent<br>El Paso Electric Company | This Report Is<br>(1) [X] An Original<br>(2) [ ] A Resubmission | Date of Report (Mo, Da, Yr)<br>/ / | Year/Period of Report<br>End of 2016/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
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<br>(2) [ ] A Resubmission | / / | End of 2016/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 | Chief Executive Officer | Mary E Kipp | 625,000 |
| 2 | Senior Vice President and Chief Financial Officer | Nathan T Hirschi | 348,077 |
| 3 | Senior Vice President - Operations | Steven T Buraczyk | 323,462 |
| 4 | Senior Vice President - Corporate Services and | | |
| 5 | Chief Compliance Officer | Rocky R Miracle | 314,231 |
| 6 | Senior Vice President - Public and Customer Affairs | | |
| 7 | and Chief Human Resources Officer | William A Stiller | 301,077 |
| 8 | Senior Vice President and General Counsel | John R Boomer | 300,000 |
| 9 | Vice President - Regulatory Affairs | James A Schichtl | 187,018 |
| 10 | Vice President - Transmission and Distribution | | |
| 11 | and System Planning | Robert C Doyle | 246,462 |
| 12 | Vice President - Controller | Russell G Gibson | 235,538 |
| 13 | Vice President - Public, Government and | | |
| 14 | Customer Affairs | Eduardo Gutierrez | 204,231 |
| 15 | Vice President - System Operations, Resource | | |
| 16 | Planning and Management | David C Hawkins | 228,308 |
| 17 | Vice President - Customer Care | Kerry B Lore | 214,615 |
| 18 | Vice President - Power Generation | Andres R Ramirez | 264,423 |
| 19 | Vice President - Community Outreach | Guillermo Silva, Jr | 164,615 |
| 20 | Vice President - Compliance and Chief Risk Officer | Henry W Soza | 225,539 |
| 21 | Vice President - Renewables Development | Richard E Turner | 200,538 |
| 22 | Corporate Secretary | Jessica M Goldman | 131,522 |
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| Name of Respondent | This Report is | Date of Report (Mo, Da, Yr) | Year/Period of Report |
|---|---|---|---|
| El Paso Electric Company | (1) X An Original<br>(2) __ A Resubmission | / / | 2016/Q4 |

FOOTNOTE DATA

**Schedule Page: 104 Line No.: 9 Column: b**

On May 27, 2016, James A. Schichtl, formerly Director of Regulatory Affairs, was appointed Vice President of Regulatory Affairs.

| Name of Respondent | This Report Is | Date of Report (Mo, Da, Yr) | Year/Period of Report |
|---|---|---|---|
| El Paso Electric Company | (1) [X] An Original<br>(2) [ ] A Resubmission | / / | End of 2016/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 | John Robert Brown - Director | Brownco Capital, LLC |
| 6 | | 6080 Surety Drive, Suite 205 |
| 7 | | El Paso, Texas 79905 |
| 8 | | |
| 9 | James W Cicconi - Director*** | El Paso Electric Company |
| 10 | | 100 North Stanton |
| 11 | | El Paso, Texas 79901 |
| 12 | | |
| 13 | Edward Escudero - Director and Vice Chairman of the Board*** | High Desert Capital, LLC |
| 14 | | 6080 Surety Drive |
| 15 | | El Paso, Texas 79905 |
| 16 | | |
| 17 | James W Harris - Director | OP Food Products, LLC |
| 18 | | Post Office Box 38 |
| 19 | | Manns Harbor, North Carolina 27953 |
| 20 | | |
| 21 | Patricia Z Holland-Branch - Former Director | The Facilities Connection, Inc |
| 22 | | 240 East Sunset |
| 23 | | El Paso, Texas 79922 |
| 24 | | |
| 25 | Woodley L Hunt - Director | Hunt Companies, Inc |
| 26 | | 4401 N Mesa Street |
| 27 | | El Paso, Texas 79902 |
| 28 | | |
| 29 | Mary E Kipp - Director and CEO | El Paso Electric Company |
| 30 | | 100 N Stanton |
| 31 | | El Paso, Texas 79901 |
| 32 | | |
| 33 | Thomas V Shockley III - Director | El Paso Electric Company |
| 34 | | 100 N Stanton |
| 35 | | El Paso, Texas 79901 |
| 36 | | |
| 37 | Eric B Siegel - Director** | 11100 Santa Monica Boulevard, Suite 2000 |
| 38 | | Los Angeles, California 90025 |
| 39 | | |
| 40 | Stephen N Wertheimer - Director*** | W Capital Partners |
| 41 | | 400 Park Avenue, Suite 910 |
| 42 | | New York, New York 10022 |
| 43 | | |
| 44 | Charles A Yamarone - Director and Chairman of the Board*** | Houlihan Lokey |
| 45 | | 10250 Constellation Boulevard, 5th Floor |
| 46 | | Los Angeles, California 90067 |
| 47 | | |
| 48 | | |

| Name of Respondent | This Report is | Date of Report | Year/Period of Report |
|---|---|---|---|
| El Paso Electric Company | (1) X An Original<br>(2) __ A Resubmission | (Mo, Da, Yr)<br>/ / | 2016/Q4 |

FOOTNOTE DATA

**Schedule Page: 105 Line No.: 1 Column: a**

On September 29, 2016, Catherine A. Allen was appointed as a member of the Executive Committee.

**Schedule Page: 105 Line No.: 17 Column: a**

On September 29, 2016, the Executive Committee became comprised of the chair of each of the Committees of the Board; as a result, James W. Harris was no longer an Executive Committee member.

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

On May 26, 2016, Patricia Z. Holland-Branch retired from the Board of Directors pursuant to the director retirement age policy, in the Company's Corporate Governance Guidelines.

| Name of Respondent | This Report Is | Date of Report (Mo, Da, Yr) | Year/Period of Report |
|---|---|---|---|
| El Paso Electric Company | (1) [X] An Original<br>(2) [ ] A Resubmission | / / | End of 2016/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 |
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| Name of Respondent | This Report Is | Date of Report (Mo, Da, Yr) | Year/Period of Report |
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| El Paso Electric Company | (1) [X] An Original<br>(2) [ ] A Resubmission | / / | End of 2016/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 | 20160908-5196 | 09/08/2016 | | 2016 Annual Update | 18 |
| 2 | | 09/08/2016 | | | |
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| Name of Respondent | This Report Is | Date of Report (Mo, Da, Yr) | Year/Period of Report |
|---|---|---|---|
| El Paso Electric Company | (1) [X] An Original<br>(2) [ ] A Resubmission | / / | End of 2016/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 |
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| 1 | N/A | | | |
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| Name of Respondent | This Report is | Date of Report (Mo, Da, Yr) | Year/Period of Report |
|---|---|---|---|
| El Paso Electric Company | (1) X An Original<br>(2) __ A Resubmission | / / | 2016/Q4 |

FOOTNOTE DATA

**_Schedule Page: 1061 Line No.: 1 Column: d_**

The 2016 annual update is to the cost-based formula rate included in the Power Sales Agreement under ER08-742.

| Name of Respondent<br>El Paso Electric Company | This Report Is<br>(1) [X] An Original<br>(2) [ ] A Resubmission | Date of Report<br>/ / | Year/Period of Report<br>End of 2016/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<br>El Paso Electric Company | This Report is<br>(1) X An Original<br>(2) __ A Resubmission | Date of Report<br>(Mo, Da, Yr)<br>/ / | Year/Period of Report<br>2016/Q4 |
|---|---|---|---|

IMPORTANT CHANGES DURING THE QUARTER/YEAR (Continued)

1 Changes in and Important Additions to Franchise Rights

None

2 Acquisition of Ownership in Other Companies

None

3 Purchase or Sale of an Operating Unit or System

On February 17, 2015, El Paso Electric Company ("the Company") and Arizona Public Service Company ("APS") entered into an asset purchase agreement (the "Purchase and Sale Agreement") providing for the sale of the Company's interest in Four Corners Generating Station ("Four Corners") to an affiliate of APS Four Corners continued to provide energy to serve the Company's native load up to the closing date

On June 26, 2015, APS filed an application requesting authorization from FERC to purchase 100% of the Company's ownership interest in Units 4 and 5 of Four Corners, the associated transmission interconnection facilities and rights, and related common facilities On December 22, 2015, FERC issued an order approving the proposed transaction

On June 15, 2016, in NMPRC Case No 15-00109-UT, the NMPRC issued its final order approving the Company's sale and abandonment of its ownership interest in Four Corners to APS pursuant to the Purchase and Sale Agreement

The Four Corners transaction closed on July 6, 2016 On July 6, 2016, prior to the closing of the transaction, the Company and APS entered into an amendment to the Purchase and Sale Agreement pursuant to which APS assigned its right, title and interest in the Purchase and Sale Agreement to its affiliate 4C Acquisition, LLC ("APS's affiliate"), and Pinnacle West Capital Corporation, the parent company of APS and APS's affiliate ("Pinnacle West"), guaranteed APS's affiliate's obligations under the Purchase and Sale Agreement The sales price was $32 0 million, which was based on the net book value as defined in the Purchase and Sale Agreement The sales price was adjusted downward by $7 0 million and $19 5 million, respectively, to reflect the assumption by APS's affiliate of the Company's obligation to pay for future plant decommissioning and mine reclamation expenses The sales price was also adjusted downward by approximately $1 3 million for estimated closing adjustments and other assets and liabilities assumed by APS's affiliate At the closing, the Company received approximately $4 2 million in cash, subject to post-closing adjustments No significant gain or loss was recorded after the closing date APS's affiliate assumed responsibility for all Four Corners capital expenditures made after July 6, 2016, which assumption is guaranteed by Pinnacle West In addition, APS's affiliate will indemnify the Company against certain liabilities and costs related to the future operation of Four Corners, which indemnification is guaranteed by Pinnacle West

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 has been 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 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, and commission Staff filed its recommendation that the Company’s disposition of the Four Corners Power Plant was reasonable and consistent with the public interest A final order approving the Stipulation and Agreement was adopted by the PUCT on March 30, 2017

| Name of Respondent | This Report is | Date of Report (Mo, Da, Yr) | Year/Period of Report |
|---|---|---|---|
| El Paso Electric Company | (1) X An Original<br>(2) __ A Resubmission | / / | 2016/Q4 |

IMPORTANT CHANGES DURING THE QUARTER/YEAR (Continued)

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

As part of the Four Corners Purchase and Sale Agreement discussed in item 3 above, the sales price was reduced for a facilities lease which was assigned to APS This facilities lease was pursuant to an Indenture of Lease dated December 1, 1960 between the Navajo Tribe of Indians and Purchaser, as amended, supplemented and revised by the Supplemental and Additional Indenture of Lease executed as of July 6, 1966 between the Navajo Tribe of Indians and the Facilities Owners

5 Important Extension or Reduction of Transmission or Distribution System

On November 4, 2016, the Company placed into commercial operation a 115kV transmission line of approximately 6 3 miles from Montana Power Station to the Montwood substation The Public Utility Commission of Texas ("PUCT") issued final orders approving the Company's Certificate of Convenience and Necessity ("CCN") application for the transmission line in PUCT Docket No 41809 The New Mexico Public Regulation Commission ("NMPRC") issued final orders approving the Company's CCN application in NMPRC Case No 13-00297-UT

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

*Issuance of $150 million of Senior Notes.* On March 24, 2016, the Company issued $150 0 million in aggregate principal amount of 5 00% Senior Notes due December 1, 2044 Authorization for this transaction was received in FERC Docket No ES15-66-000 and from the NMPRC in Case No 15-00280-UT The net proceeds from the issuance of the senior notes, after deducting the underwriters' commission, were $158 1 million These proceeds include accrued interest of $2 4 million and a $7 1 million premium before expenses The effective interest rate is approximately 4 77% The net proceeds from the sale of these senior notes were used to repay outstanding short-term borrowings under the revolving credit facility ("RCF") used for working capital and general corporate purposes, which may include funding capital expenditures These senior notes constitute an additional issuance of the Company's 5 00% Senior Notes due 2044, of which $150 million was previously issued on December 1, 2014, for a total principal amount outstanding of $300 million of the Company's 5 00% Senior Notes due 2044 Additionally under this authorization, on January 9, 2017, the Company exercised its option to extend the maturity of the RCF by one year to January 14, 2020 and to increase the size of the facility by $50 0 million to $350 0 million The Company still has the option to extend the facility by one additional year to January 2021 and to increase the RCF by up to $50 0 million (up to a total of $400 0 million) upon the satisfaction of certain conditions, more fully set forth in the agreement, including obtaining commitments from lenders or third party financial institutions Additionally, the Company agreed to reduce the letters of credit commitment to $50 0 million from a total commitment, under the RCF, of $350 0 million

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 2 89% effective in January 2016 compared to 2015 through the merit award process The annual effect of this increase was approximately $1 6 million

Base salaries for union employees under contract were increased by 3 00 % effective August 2016 compared to the previous level The annual effect of this increase was approximately $0 9 million

| Name of Respondent<br>El Paso Electric Company | This Report is<br>(1) X An Original<br>(2) __ A Resubmission | Date of Report<br>(Mo, Da, Yr)<br>/ / | Year/Period of Report<br>2016/Q4 |
|---|---|---|---|
| IMPORTANT CHANGES DURING THE QUARTER/YEAR (Continued) | | | |

9 Materially Important Legal Proceedings (see also Notes B, F and G of "Notes to Financial Statements")

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

10 Materially Important Transactions

None

11 Reserved

12 Important changes during the year

*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 Public Utility Commission of Texas ("PUCT") in Docket No 44941, a request for an annual increase in non-fuel base revenues (the "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 (the "Unopposed Settlement") On August 25, 2016, the PUCT approved the Unopposed Settlement and issued its final order in Docket No 44941 (the "PUCT Final Order"), as proposed The PUCT Final Order provided for (i) an annual non-fuel base rate increase, lower annual depreciation expense, a revised return on equity for AFUDC purposes, and the inclusion of substantially all new plant in service in rate base, (ii) an additional annual non-fuel base rate increase of $3 7 million related to Four Corners costs, which will be collected through a surcharge terminating on July 12, 2017, (iii) removing the separate rate treatment for residential customers with solar systems that the Company had proposed in its August 10, 2015 filing, (iv) allowing the Company to recover $3 1 million in rate case expenses through a separate surcharge and (v) allowing the Company to recover revenues associated with the relate back of rates to consumption on and after January 12, 2016 through March 31, 2016 through a separate surcharge

Interim rates associated with the annual non-fuel rate increase, became effective on April 1, 2016 The additional surcharges associated with the incremental 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 PUCT Final Order on August 25, 2016 Accordingly, it reported in the third quarter of 2016 the cumulative effect of the PUCT Final Order which related back to January 12, 2016 The effects of the PUCT Final Order on operating results for the year ended December 31, 2016 increased operating revenues by $42 4 million, decreased depreciation expense by $10 3 million and decreased other expenses, net by approximately $2 7 million for an aggregate increase in income before income taxes of $50 0 million and an increase in net income of $27 3 million

*2017 Texas Retail Rate Case Filing.* On February 13, 2017, the Company filed with the City of El Paso, other municipalities incorporated in the Company's Texas service territory and the PUCT in Docket No 46831, a request for an increase in non-fuel base revenues of approximately $42 5 million The Company invoked its statutory right to have its new rates relate back for consumption on and after July 18, 2017, which is the 155th day after the filing The difference in rates that would have been billed will be surcharged or refunded to customers after the PUCT's final order in Docket No 46831 The PUCT has the authority to require the Company to surcharge or refund such difference over a period not to exceed 18 months The Company cannot predict the outcome or the timing of this rate case at this time

| Name of Respondent | This Report is | Date of Report (Mo, Da, Yr) | Year/Period of Report |
|---|---|---|---|
| El Paso Electric Company | (1) X An Original<br>(2) __ A Resubmission | / / | 2016/Q4 |

IMPORTANT CHANGES DURING THE QUARTER/YEAR (Continued)

*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 (the "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 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

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 May 26, 2016, Patricia Z Holland-Branch retired from the Board of Directors

On May 27, 2016, James A Schichtl, formerly Director of Regulatory Affairs, was appointed Vice President of Regulatory Affairs

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<br>(2) ☐ A Resubmission | / / | End of 2016/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 | 4,720,359,747 | 4,484,604,114 |
| 3 | Construction Work in Progress (107) | 200-201 | 154,738,506 | 293,796,089 |
| 4 | TOTAL Utility Plant (Enter Total of lines 2 and 3) | | 4,875,098,253 | 4,778,400,203 |
| 5 | (Less) Accum Prov for Depr Amort Depl (108, 110, 111, 115) | 200-201 | 2,161,720,490 | 2,188,391,141 |
| 6 | Net Utility Plant (Enter Total of line 4 less 5) | | 2,713,377,763 | 2,590,009,062 |
| 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) | | 196,173,010 | 191,560,563 |
| 12 | (Less) Accum Prov for Amort of Nucl Fuel Assemblies (120 5) | 202-203 | 76,343,039 | 75,495,520 |
| 13 | Net Nuclear Fuel (Enter Total of lines 7-11 less 12) | | 119,829,971 | 116,065,043 |
| 14 | Net Utility Plant (Enter Total of lines 6 and 13) | | 2,833,207,734 | 2,706,074,105 |
| 15 | Utility Plant Adjustments (116) | | -947,680 | 158,346 |
| 16 | Gas Stored Underground - Noncurrent (117) | | 0 | 0 |
| 17 | **OTHER PROPERTY AND INVESTMENTS** | | | |
| 18 | Nonutility Property (121) | | 709,446 | 652,094 |
| 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) | | 1,455,555 | 1,577,339 |
| 25 | Sinking Funds (125) | | 0 | 0 |
| 26 | Depreciation Fund (126) | | 0 | 0 |
| 27 | Amortization Fund - Federal (127) | | 0 | 0 |
| 28 | Other Special Funds (128) | | 262,154,162 | 245,772,654 |
| 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) | | 264,319,163 | 248,002,087 |
| 33 | **CURRENT AND ACCRUED ASSETS** | | | |
| 34 | Cash and Working Funds (Non-major Only) (130) | | 0 | 0 |
| 35 | Cash (131) | | 8,068,258 | 7,930,601 |
| 36 | Special Deposits (132-134) | | 0 | 0 |
| 37 | Working Fund (135) | | 172,070 | 72,140 |
| 38 | Temporary Cash Investments (136) | | 179,627 | 146,267 |
| 39 | Notes Receivable (141) | | 0 | 0 |
| 40 | Customer Accounts Receivable (142) | | 55,437,716 | 43,939,283 |
| 41 | Other Accounts Receivable (143) | | 14,240,188 | 2,798,211 |
| 42 | (Less) Accum Prov for Uncollectible Acct -Credit (144) | | 2,184,779 | 2,077,888 |
| 43 | Notes Receivable from Associated Companies (145) | | 0 | 0 |
| 44 | Accounts Receivable from Assoc Companies (146) | | 0 | 0 |
| 45 | Fuel Stock (151) | 227 | 1,831,509 | 1,471,698 |
| 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 | 45,355,549 | 47,227,673 |
| 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 | 27,823 | 130 |

| Name of Respondent | This Report Is | Date of Report (Mo, Da, Yr) | Year/Period of Report |
|---|---|---|---|
| El Paso Electric Company | (1) [X] An Original<br>(2) [ ] A Resubmission | / / | End of 2016/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 | 1,106 | -2,006 |
| 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) | | 9,699,364 | 10,610,637 |
| 58 | Advances for Gas (166-167) | | 0 | 0 |
| 59 | Interest and Dividends Receivable (171) | | 6,388 | 5,892 |
| 60 | Rents Receivable (172) | | 0 | 0 |
| 61 | Accrued Utility Revenues (173) | | 20,952,000 | 21,661,000 |
| 62 | Miscellaneous Current and Accrued Assets (174) | | -25,406 | 21,558 |
| 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) | | 153,761,413 | 133,805,196 |
| 68 | **DEFERRED DEBITS** | | | |
| 69 | Unamortized Debt Expenses (181) | | 13,300,775 | 12,551,913 |
| 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 | 145,850,294 | 146,133,174 |
| 73 | Prelim Survey and Investigation Charges (Electric) (183) | | 865,320 | 1,087,630 |
| 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) | | -345,325 | -78,158 |
| 77 | Temporary Facilities (185) | | 0 | 0 |
| 78 | Miscellaneous Deferred Debits (186) | 233 | 5,632,375 | 5,900,411 |
| 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) | | 16,573,162 | 17,459,086 |
| 82 | Accumulated Deferred Income Taxes (190) | 234 | 251,438,660 | 243,635,616 |
| 83 | Unrecovered Purchased Gas Costs (191) | | 0 | 0 |
| 84 | Total Deferred Debits (lines 69 through 83) | | 433,315,261 | 426,689,672 |
| 85 | TOTAL ASSETS (lines 14-16, 32, 67, and 84) | | 3,683,655,891 | 3,514,729,406 |

| Name of Respondent | This Report is | Date of Report (mo, da, yr) | Year/Period of Report |
|---|---|---|---|
| El Paso Electric Company | (1) [X] An Original<br>(2) [ ] A Resubmission | / / | end of 2016/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 | 65,824,151 | 65,817,279 |
| 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) | | 310,164,281 | 308,083,747 |
| 7 | Other Paid-In Capital (208-211) | 253 | 2,448,606 | 1,972,274 |
| 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 | 1,142,889,432 | 1,094,535,966 |
| 12 | Unappropriated Undistributed Subsidiary Earnings (216 1) | 118-119 | 0 | 0 |
| 13 | (Less) Reaquired Capital Stock (217) | 250-251 | 421,514,793 | 422,846,261 |
| 14 | Noncorporate Proprietorship (Non-major only) (218) | | 0 | 0 |
| 15 | Accumulated Other Comprehensive Income (219) | 122(a)(b) | -7,116,015 | -13,913,805 |
| 16 | Total Proprietary Capital (lines 2 through 15) | | 1,092,354,723 | 1,033,308,261 |
| 17 | LONG-TERM DEBT | | | |
| 18 | Bonds (221) | 256-257 | 193,135,000 | 193,135,000 |
| 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 | 1,000,000,000 | 850,000,000 |
| 22 | Unamortized Premium on Long-Term Debt (225) | | 6,935,167 | 0 |
| 23 | (Less) Unamortized Discount on Long-Term Debt-Debit (226) | | 3,740,286 | 3,850,917 |
| 24 | Total Long-Term Debt (lines 18 through 23) | | 1,196,329,881 | 1,039,284,083 |
| 25 | OTHER NONCURRENT LIABILITIES | | | |
| 26 | Obligations Under Capital Leases - Noncurrent (227) | | 45,000,000 | 95,000,000 |
| 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) | | 127,168,099 | 145,079,894 |
| 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) | | 81,799,925 | 81,620,628 |
| 35 | Total Other Noncurrent Liabilities (lines 26 through 34) | | 253,968,024 | 321,700,522 |
| 36 | CURRENT AND ACCRUED LIABILITIES | | | |
| 37 | Notes Payable (231) | | 44,000,000 | 108,000,000 |
| 38 | Accounts Payable (232) | | 62,953,407 | 59,978,382 |
| 39 | Notes Payable to Associated Companies (233) | | 0 | 0 |
| 40 | Accounts Payable to Associated Companies (234) | | 0 | 0 |
| 41 | Customer Deposits (235) | | 6,753,534 | 6,600,485 |
| 42 | Taxes Accrued (236) | 262-263 | 28,776,698 | 26,457,792 |
| 43 | Interest Accrued (237) | | 11,585,596 | 10,947,501 |
| 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<br>(2) [ ] A Resubmission | / / | end of 2016/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) | | 1,746,875 | 1,549,579 |
| 48 | Miscellaneous Current and Accrued Liabilities (242) | | 21,207,903 | 20,175,475 |
| 49 | Obligations Under Capital Leases-Current (243) | | 89,274,728 | 35,439,067 |
| 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) | | 266,298,741 | 269,148,281 |
| 55 | DEFERRED CREDITS | | | |
| 56 | Customer Advances for Construction (252) | | 18,868,550 | 15,520,732 |
| 57 | Accumulated Deferred Investment Tax Credits (255) | 266-267 | 19,772,475 | 21,325,447 |
| 58 | Deferred Gains from Disposition of Utility Plant (256) | | 0 | 0 |
| 59 | Other Deferred Credits (253) | 269 | 1,622,814 | 22,583,727 |
| 60 | Other Regulatory Liabilities (254) | 278 | 39,901,322 | 54,884,685 |
| 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) | | 772,657,141 | 657,029,391 |
| 64 | Accum Deferred Income Taxes-Other (283) | | 21,882,220 | 79,944,277 |
| 65 | Total Deferred Credits (lines 56 through 64) | | 874,704,522 | 851,288,259 |
| 66 | TOTAL LIABILITIES AND STOCKHOLDER EQUITY (lines 16, 24, 35, 54 and 65) | | 3,683,655,891 | 3,514,729,406 |

| Name of Respondent | This Report Is | Date of Report (Mo, Da, Yr) | Year/Period of Report |
|---|---|---|---|
| El Paso Electric Company | (1) [X] An Original<br>(2) [ ] A Resubmission | / / | End of 2016/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 | 886,936,330 | 849,868,796 | | |
| 3 | Operating Expenses | | | | | |
| 4 | Operation Expenses (401) | 320-323 | 468,065,677 | 478,259,578 | | |
| 5 | Maintenance Expenses (402) | 320-323 | 66,746,006 | 65,222,359 | | |
| 6 | Depreciation Expense (403) | 336-337 | 79,038,903 | 83,735,171 | | |
| 7 | Depreciation Expense for Asset Retirement Costs (403 1) | 336-337 | -1,159,369 | -1,121,643 | | |
| 8 | Amort & Depl of Utility Plant (404-405) | 336-337 | 5,302,468 | 6,481,950 | | |
| 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) | | 678,723 | 152,184 | | |
| 13 | (Less) Regulatory Credits (407 4) | | 130,620 | | | |
| 14 | Taxes Other Than Income Taxes (408 1) | 262-263 | 65,532,681 | 63,736,069 | | |
| 15 | Income Taxes - Federal (409 1) | 262-263 | -7,933,389 | -2,897,651 | | |
| 16 | - Other (409 1) | 262-263 | 775,079 | 782,919 | | |
| 17 | Provision for Deferred Income Taxes (410 1) | 234, 272-277 | 236,095,452 | 138,896,675 | | |
| 18 | (Less) Provision for Deferred Income Taxes-Cr (411 1) | 234, 272-277 | 185,306,185 | 108,962,834 | | |
| 19 | Investment Tax Credit Adj - Net (411 4) | 266 | -1,552,972 | -1,192,314 | | |
| 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) | | | 3 | | |
| 23 | Losses from Disposition of Allowances (411 9) | | | | | |
| 24 | Accretion Expense (411 10) | | 7,171,920 | 6,854,642 | | |
| 25 | TOTAL Utility Operating Expenses (Enter Total of lines 4 thru 24) | | 733,324,374 | 729,947,102 | | |
| 26 | Net Util Oper Inc (Enter Tot line 2 less 25) Carry to Pg117,line 27 | | 153,611,956 | 119,921,694 | | |

| Name of Respondent | This Report Is | Date of Report (Mo, Da, Yr) | Year/Period of Report |
|---|---|---|---|
| El Paso Electric Company | (1) [X] An Original<br>(2) [ ] A Resubmission | / / | End of 2016/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 |
| 886,936,330 | 849,868,796 | | | | | 2 |
| | | | | | | 3 |
| 468,065,677 | 478,259,578 | | | | | 4 |
| 66,746,006 | 65,222,359 | | | | | 5 |
| 79,038,903 | 83,735,171 | | | | | 6 |
| -1,159,369 | -1,121,643 | | | | | 7 |
| 5,302,468 | 6,481,950 | | | | | 8 |
| | | | | | | 9 |
| | | | | | | 10 |
| | | | | | | 11 |
| 678,723 | 152,184 | | | | | 12 |
| 130,620 | | | | | | 13 |
| 65,532,681 | 63,736,069 | | | | | 14 |
| -7,933,389 | -2,897,651 | | | | | 15 |
| 775,079 | 782,919 | | | | | 16 |
| 236,095,452 | 138,896,675 | | | | | 17 |
| 185,306,185 | 108,962,834 | | | | | 18 |
| -1,552,972 | -1,192,314 | | | | | 19 |
| | | | | | | 20 |
| | | | | | | 21 |
| | 3 | | | | | 22 |
| | | | | | | 23 |
| 7,171,920 | 6,854,642 | | | | | 24 |
| 733,324,374 | 729,947,102 | | | | | 25 |
| 153,611,956 | 119,921,694 | | | | | 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 2016/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) | | 153,611,956 | 119,921,694 | | |
| 28 | Other Income and Deductions | | | | | |
| 29 | Other Income | | | | | |
| 30 | Nonutilty Operating Income | | | | | |
| 31 | Revenues From Merchandising, Jobbing and Contract Work (415) | | 642,611 | 933,079 | | |
| 32 | (Less) Costs and Exp of Merchandising, Job & Contract Work (416) | | 889,146 | 1,001,079 | | |
| 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) | | 6,564,865 | 6,504,049 | | |
| 38 | Allowance for Other Funds Used During Construction (419 1) | | 7,022,504 | 10,639,563 | | |
| 39 | Miscellaneous Nonoperating Income (421) | | 14,485,711 | 18,056,887 | | |
| 40 | Gain on Disposition of Property (421 1) | | 997,434 | 657,682 | | |
| 41 | TOTAL Other Income (Enter Total of lines 31 thru 40) | | 28,823,979 | 35,790,181 | | |
| 42 | Other Income Deductions | | | | | |
| 43 | Loss on Disposition of Property (421 2) | | 947,683 | 424,892 | | |
| 44 | Miscellaneous Amortization (425) | | 158,343 | 302,248 | | |
| 45 | Donations (426 1) | | 1,293,118 | 1,654,864 | | |
| 46 | Life Insurance (426 2) | | 358,874 | 373,354 | | |
| 47 | Penalties (426 3) | | 1,000 | 9,003 | | |
| 48 | Exp for Certain Civic, Political & Related Activities (426 4) | | 722,434 | 684,668 | | |
| 49 | Other Deductions (426 5) | | 2,120,685 | 1,545,689 | | |
| 50 | TOTAL Other Income Deductions (Total of lines 43 thru 49) | | 5,602,137 | 4,994,718 | | |
| 51 | Taxes Applic to Other Income and Deductions | | | | | |
| 52 | Taxes Other Than Income Taxes (408 2) | 262-263 | 7,923 | 9,448 | | |
| 53 | Income Taxes-Federal (409 2) | 262-263 | 10,168,454 | 5,467,862 | | |
| 54 | Income Taxes-Other (409 2) | 262-263 | 449,563 | 152,607 | | |
| 55 | Provision for Deferred Inc Taxes (410 2) | 234, 272-277 | 788,521 | 554,606 | | |
| 56 | (Less) Provision for Deferred Income Taxes-Cr (411 2) | 234, 272-277 | 531,298 | 32,082 | | |
| 57 | Investment Tax Credit Adj -Net (411 5) | | | | | |
| 58 | (Less) Investment Tax Credits (420) | | | -34,000 | | |
| 59 | TOTAL Taxes on Other Income and Deductions (Total of lines 52-58) | | 10,883,163 | 6,186,441 | | |
| 60 | Net Other Income and Deductions (Total of lines 41, 50, 59) | | 12,338,679 | 24,609,022 | | |
| 61 | Interest Charges | | | | | |
| 62 | Interest on Long-Term Debt (427) | | 69,667,572 | 63,903,068 | | |
| 63 | Amort of Debt Disc and Expense (428) | | 1,106,865 | 1,062,067 | | |
| 64 | Amortization of Loss on Reaquired Debt (428 1) | | 885,924 | 885,924 | | |
| 65 | (Less) Amort of Premium on Debt-Credit (429) | | 116,333 | | | |
| 66 | (Less) Amortization of Gain on Reaquired Debt-Credit (429 1) | | | | | |
| 67 | Interest on Debt to Assoc Companies (430) | | | | | |
| 68 | Other Interest Expense (431) | | 1,433,391 | 1,522,695 | | |
| 69 | (Less) Allowance for Borrowed Funds Used During Construction-Cr (432) | | 4,982,916 | 6,936,605 | | |
| 70 | Net Interest Charges (Total of lines 62 thru 69) | | 67,994,503 | 60,437,149 | | |
| 71 | Income Before Extraordinary Items (Total of lines 27, 60 and 70) | | 97,956,132 | 84,093,567 | | |
| 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) | | 97,956,132 | 84,093,567 | | |

| Name of Respondent | This Report Is | Date of Report (Mo, Da, Yr) | Year/Period of Report |
|---|---|---|---|
| El Paso Electric Company | (1) [X] An Original<br>(2) [ ] A Resubmission | / / | End of 2016/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 | | 1,094,535,966 | 1,057,500,972 |
| 2 | Changes | | | |
| 3 | Adjustments to Retained Earnings (Account 439) | | | |
| 4 | | | | |
| 5 | | | | |
| 6 | | | | |
| 7 | | | | |
| 8 | | | | |
| 9 | TOTAL Credits to Retained Earnings (Acct 439) | | | |
| 10 | | | | |
| 11 | | | | |
| 12 | | | | |
| 13 | | | | |
| 14 | | | | |
| 15 | TOTAL Debits to Retained Earnings (Acct 439) | | | |
| 16 | Balance Transferred from Income (Account 433 less Account 418 1) | | 97,956,132 | 84,093,567 |
| 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 | | -49,602,666 | ( 47,058,573) |
| 32 | | | | |
| 33 | | | | |
| 34 | | | | |
| 35 | | | | |
| 36 | TOTAL Dividends Declared-Common Stock (Acct 438) | | -49,602,666 | ( 47,058,573) |
| 37 | Transfers from Acct 216 1, Unapprop Undistrib Subsidiary Earnings | | | |
| 38 | Balance - End of Period (Total 1,9,15,16,22,29,36,37) | | 1,142,889,432 | 1,094,535,966 |
| | 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 2016/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) | | 1,142,889,432 | 1,094,535,966 |
| | 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<br>(2) [ ] A Resubmission | / / | End of 2016/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) | 97,956,132 | 84,093,567 |
| 3 | Noncash Charges (Credits) to Income | | |
| 4 | Depreciation and Depletion | 79,038,903 | 83,735,171 |
| 5 | Amortization of Other | 17,812,027 | 19,698,901 |
| 6 | Amortization of Nuclear Fuel | 44,001,663 | 43,317,692 |
| 7 | | | |
| 8 | Deferred Income Taxes (Net) | 51,046,490 | 30,456,364 |
| 9 | Investment Tax Credit Adjustment (Net) | -1,552,972 | -1,158,314 |
| 10 | Net (Increase) Decrease in Receivables | -17,510,667 | 4,838,535 |
| 11 | Net (Increase) Decrease in Inventory | 293,057 | -2,836,127 |
| 12 | Net (Increase) Decrease in Allowances Inventory | -27,693 | -22,410 |
| 13 | Net Increase (Decrease) in Payables and Accrued Expenses | 1,414,303 | -3,555,339 |
| 14 | Net (Increase) Decrease in Other Regulatory Assets | -19,352,175 | 6,949,320 |
| 15 | Net Increase (Decrease) in Other Regulatory Liabilities | -3,767,976 | 3,090,848 |
| 16 | (Less) Allowance for Other Funds Used During Construction | 7,022,504 | 10,639,563 |
| 17 | (Less) Undistributed Earnings from Subsidiary Companies | | |
| 18 | Other (provide details in footnote) | -2,430,856 | -7,584,730 |
| 19 | | | |
| 20 | Deferred Charges and Credits | -6,438,358 | 510,326 |
| 21 | Net (Increase) Decrease in Prepayments and Other | -1,183,644 | -3,984,042 |
| 22 | Net Cash Provided by (Used in) Operating Activities (Total 2 thru 21) | 232,275,730 | 246,910,199 |
| 23 | | | |
| 24 | Cash Flows from Investment Activities | | |
| 25 | Construction and Acquisition of Plant (including land) | | |
| 26 | Gross Additions to Utility Plant (less nuclear fuel) | -237,366,911 | -299,034,502 |
| 27 | Gross Additions to Nuclear Fuel | -47,551,046 | -47,173,053 |
| 28 | Gross Additions to Common Utility Plant | | |
| 29 | Gross Additions to Nonutility Plant | | |
| 30 | (Less) Allowance for Other Funds Used During Construction | -7,022,504 | -10,639,563 |
| 31 | Other (provide details in footnote) | | |
| 32 | | | |
| 33 | | | |
| 34 | Cash Outflows for Plant (Total of lines 26 thru 33) | -277,895,453 | -335,567,992 |
| 35 | | | |
| 36 | Acquisition of Other Noncurrent Assets (d) | | |
| 37 | Proceeds from Disposal of Noncurrent Assets (d) | 4,840,917 | 720,883 |
| 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 2016/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 | | | |
| 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) | -99,497,276 | -110,222,765 |
| 54 | Investment in Decommissioning Trust Fund (Sales and Maturities) | 91,268,313 | 102,567,160 |
| 55 | Other (provided details in footnote) | 4,425,581 | -470,233 |
| 56 | Net Cash Provided by (Used in) Investing Activities | | |
| 57 | Total of lines 34 thru 55) | -276,857,918 | -342,972,947 |
| 58 | | | |
| 59 | Cash Flows from Financing Activities | | |
| 60 | Proceeds from Issuance of | | |
| 61 | Long-Term Debt (b) | 157,051,500 | |
| 62 | Preferred Stock | | |
| 63 | Common Stock | | |
| 64 | Other Financing and Other Capital Lease Obligations- Proceeds | 355,606,788 | 344,397,806 |
| 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) | 512,658,288 | 344,397,806 |
| 71 | | | |
| 72 | Payments for Retirement of | | |
| 73 | Long-term Debt (b) | | |
| 74 | Preferred Stock | | |
| 75 | Common Stock | | |
| 76 | Other Financing Activities | -2,067,397 | -963,991 |
| 77 | Financing and Capital Lease Obligations | -415,771,127 | -232,191,847 |
| 78 | Net Decrease in Short-Term Debt (c) | | |
| 79 | Tax Obligations from Long-Term Incentive Plans | -363,963 | -475,475 |
| 80 | Dividends on Preferred Stock | | |
| 81 | Dividends on Common Stock | -49,602,666 | -47,058,573 |
| 82 | Net Cash Provided by (Used in) Financing Activities | | |
| 83 | (Total of lines 70 thru 81) | 44,853,135 | 63,707,920 |
| 84 | | | |
| 85 | Net Increase (Decrease) in Cash and Cash Equivalents | | |
| 86 | (Total of lines 22,57 and 83) | 270,947 | -32,354,828 |
| 87 | | | |
| 88 | Cash and Cash Equivalents at Beginning of Period | 8,149,008 | 40,503,836 |
| 89 | | | |
| 90 | Cash and Cash Equivalents at End of period | 8,419,955 | 8,149,008 |

| Name of Respondent | This Report is | Date of Report (Mo, Da, Yr) | Year/Period of Report |
|---|---|---|---|
| El Paso Electric Company | (1) X An Original<br>(2) __ A Resubmission | / / | 2016/Q4 |

FOOTNOTE DATA

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

| | 2016 | 2015 |
|---|---|---|
| Other: | | |
| Net Loss (gain) on Sale of Property, Plant and Equipment | $ 402,654 | $ (657,682) |
| Net Gains on Equity Investments | (7,640,235) | (11,114,439) |
| Amortization of Unearned Compensation | 4,252,534 | 3,822,653 |
| Unrealized Losses on Investments in Debt Securities | 121,784 | 110,186 |
| Other Operating Activities | 432,407 | 254,552 |
| Total | $ (2,430,856) | $ (7,584,730) |

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

| | 2016 | 2015 |
|---|---|---|
| Other: | | |
| Net Customer Advances for Construction | $ 3,347,819 | $ 515,060 |
| Net Salvage Value and Cost of Removal | 1,077,762 | (985,293) |
| Total | $ 4,425,581 | $ (470,233) |

| Name of Respondent | This Report Is | Date of Report | Year/Period of Report |
|---|---|---|---|
| El Paso Electric Company | (1) [X] An Original<br>(2) [ ] A Resubmission | / / | End of 2016/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 | This Report Is | Date of Report | Year/Period of Report |
|---|---|---|---|
| El Paso Electric Company | (1) X An Original<br>(2) __ A Resubmission | (Mo, Da, Yr)<br>/ / | 2016/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 (the "FERC") as set forth in its applicable Uniform System of Accounts and published accounting releases which is a comprehensive basis of accounting other than U S Generally Accepted Accounting Principles ("GAAP") used in the 2016 Form 10-K filed by El Paso Electric Company with the Securities and Exchange Commission Notes A through O of the regulatory-basis financial statements are from the 2016 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 O 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 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

GAAP requires earnings per share information on the income statement and the classification of tax assets related to an uncertainty in income taxes as a reduction to the related tax asset rather than as an increase to current liabilities GAAP also requires the classification of interest and penalties related to uncertain tax positions as tax expense rather than as interest and penalty expense

| Name of Respondent | This Report is: | Date of Report | Year/Period of Report |
|---|---|---|---|
| El Paso Electric Company | (1) X An Original<br>(2) __ A Resubmission | (Mo, Da, Yr)<br>/ / | 2016/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. | | 2016 | 2015 |
|---|---|---|---|
| | **Assets and Other Debits (Pages 110-111)** | | |
| 2 | Utility plant | $ (928,794) | $ (868,303) |
| 5 | Accumulated provision for depreciation, amortization and depletion | (917,389) | (858,548) |
| 11 | Nuclear fuel under capital lease | (1,331) | (1,279) |
| 12 | Accumulated provision for amortization of nuclear fuel | (741) | (465) |
| 15 | Utility plant adjustments | 948 | (158) |
| 18 | Non utility property | (709) | (652) |
| 24 | Other investments | (1,456) | (1,577) |
| 28 | Other special funds | (262,154) | (245,773) |
| 67 | Total current and accrued assets | 10,437 | (761) |
| 84 | Total deferred debits | (42,449) | (54,633) |
| | **Liabilities and Other Credits (Pages 112-113)** | | |
| 2 | Common stock issued | (2) | 11 |
| 6 | Premium on capital stock | 12,479 | 11,990 |
| 7 | Other paid-in capital | (2,449) | (1,972) |
| 10 | Capital stock expense | (341) | (341) |
| 11 | Retained earnings | (28,328) | (27,140) |
| 24 | Total long-term debt | (817) | 83,376 |
| 35 | Total other noncurrent liabilities | (253,968) | (321,701) |
| 54 | Total current and accrued liabilities | 37,110 | 7,915 |
| 65 | Total deferred credits | (71,744) | (66,943) |
| | **Statements of Income for the Year (Pages 114-117)** | | |
| 25 | Total utility operating expenses | (41,249) | (26,269) |
| 26 | Net utility operating income | 41,249 | 26,269 |
| 60 | Net other income and deductions | 6,361 | 1,272 |
| 70 | Net interest charges | (5,120) | (5,178) |
| 78 | Net income | (1,188) | (2,176) |
| | **Statement of Retained Earnings (Pages 118-119)** | | |
| 1 | Balance – beginning of period | $ ( 27,140) | $ (24,964) |
| 48 | Total retained earnings | ( 28,328) | (27,140) |
| | **Statement of Cash Flows (Pages 120-121)** | | |
| 22 | Net cash provided by (used in) operating activities | $ (1,126) | $ (239) |
| 57 | Net cash provided by (used in) investing activities | 1,126 | 239 |

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**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, 2016 and 2015 consist of the following (in thousands):

| | 2016 | 2015 |
|---|---|---|
| **Cash and Cash Equivalents:** | | |
| Cash (131) | $ 8,068 | $ 7,931 |
| Working funds (135) | 172 | 72 |
| Temporary cash investments (136) | 180 | 146 |
| Cash and cash equivalents at end of period | $ 8,420 | $ 8,149 |
| **Amortization of Other:** | | |
| ARO depreciation (403.1) | $ (1,159) | $ (1,122) |
| Other utility plant (404) | 5,302 | 6,482 |
| Regulatory assets (407.3) | 679 | 152 |
| Regulatory liabilities (407.4) | (131) | - |
| ARO accretion expense (411.10) | 7,172 | 6,855 |
| Miscellaneous amortization (425) | 158 | 302 |
| Debt expense (428) | 1,107 | 1,062 |
| Loss on reacquired debt (428.1) | 886 | 886 |
| Debt premium (429) | (116) | - |
| Interest rate lock losses | 499 | 467 |
| Nuclear fuel financing issuance costs | 161 | 178 |
| Dry cask storage amortization | 1,660 | 3,254 |
| Coal reclamation amortization | 1,009 | 1,183 |
| Texas rate case amortization | 381 | - |
| New Mexico rate case amortization | 204 | - |
| | $ 17,812 | $ 19,699 |

**Utility Plant Adjustments**

The following table summarizes amounts reflected as Utility Plant Adjustments for the New Mexico jurisdiction as of December 31, 2016 and 2015 (in thousands):

| | December 31, 2015 | 2016 Activity: Additions (Debits) | 2016 Activity: Amortization (Credits) | December 31, 2016 |
|---|---|---|---|---|
| Utility Plant Adjustment (a) | $ 17,848 | $ — | $ — | $ 17,848 |
| Accumulated Amortization (a) | (17,690) | — | (158) | (17,848) |
| Four Corners reserve for unrecovered cost (b) | — | — | (948) | (948) |
| | $ 158 | $ — | $ (1,106) | $ (948) |

(a) Represents the New Mexico jurisdictional difference between FERC regulatory-basis values and GAAP values related to Steam and Other Production assets. Established in 1998 by the Stipulation and Settlement Agreement in New Mexico Public Regulation Commission Case No. 2722. FERC account 116 was utilized to maintain the original cost concept for utility plant and is consistent with FERC's policy on plant write ups. The Company is amortizing this asset over the remaining lives of each respective production unit.

(b) Represents the estimated reserve for unrecovered plant cost in connection with the sale of Four Corners.

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**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* El Paso Electric 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 as set forth in its applicable Uniform System of Accounts and published accounting releases, and applies such principles in its regulatory books of account to the rate treatment as ordered by each of the Company's three regulators (the Public Utility Commission of Texas (the "PUCT"), the New Mexico Public Regulation Commission (the "NMPRC") and the FERC), which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America *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, 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 original 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 2016 and 2015 was 2 49% and 2 96%, 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 During 2016, depreciation and amortization decreased due to changes in depreciation rates approved in the most recent final orders from the PUCT and the NMPRC and changes in the estimated life of certain intangible software assets See Note C and Note E

Previously, the Company recorded gains and losses on the disposition of vehicles in earnings when realized However, beginning in 2016, the Company began crediting the proceeds (salvage) on the disposition of vehicles to accumulated depreciation

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 Nuclear Generating Station ("Palo Verde") over the burn period of the fuel that will necessitate the use of the storage casks See Note E

*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

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*AFUDC 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 AFUDC average rates used in 2016 and 2015 were 6 43% and 7 18%, 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 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 F Under order, 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* All temporary cash investments with an original maturity of three months or less are considered cash equivalents

*Investments* The Company's marketable securities, included in decommissioning trust funds which are reflected in Other Special Funds in the regulatory-basis balance sheet, are reported at fair value and consist of cash, equity securities and municipal, federal and corporate bonds in trust funds established for decommissioning of its interest in Palo Verde Such marketable 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 marketable 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 N

*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 N

*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 Net of Energy Expenses* The Company accrues revenues for services rendered, including unbilled electric service revenues Energy expenses are stated at actual cost incurred 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 which 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 which is adjusted monthly The Company's recovery of energy expenses is subject to periodic reconciliations of actual energy expenses incurred to actual fuel revenues collected The difference between energy 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 C and Note D

*Revenues* Revenues related to the sale of electricity are recorded when service is provided or electricity is delivered to customers The billing of electricity sales to retail customers is based on the reading of their meters, which occurs on a systematic basis throughout the month Unbilled revenues (or "Accrued Utility Revenues") are recorded for estimated amounts of energy delivered in the period following the customers billing cycle to the end of the month Unbilled revenues are estimated based on monthly generation volumes and by applying an average revenue/kWh to the number of estimated kWhs delivered but not billed The Company recorded $21 0 million and $21 7 million of Accrued Utility Revenues as of December 31, 2016 and 2015, respectively The Company presents revenues net of sales taxes in its regulatory-basis statement of income

*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 2016 and 2015 are as follows (in thousands)

| | 2016 | 2015 |
|---|---|---|
| Balance at beginning of year | $ 2,078 | $ 2,333 |
| Additions | | |
| Charged to costs and expense | 2,424 | 2,009 |
| Recovery of previous write-offs | 1,395 | 1,613 |
| Uncollectible receivables written off | 3,712 | 3,877 |
| Balance at end of year | $ 2,185 | $ 2,078 |

*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 Historically, 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 During the third quarter of 2016, the Company changed its accounting for state income taxes from the flow-through method to the normalization method in accordance with the final orders from the PUCT and the NMPRC in its 2015 rate cases, effective January 1, 2016 See Note C for further discussion 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 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 I

*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 (the "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 G

*Pension and Post-retirement Benefit Accounting* See Note L for a discussion of the Company's accounting policies for its employee benefits

**B. New Accounting Standards**

The new accounting standards discussed below are issued by the Financial Accounting Standards Board and are to be applied to financial statements prepared in accordance with GAAP The FERC has not officially stated its position with respect to these standards Accordingly, 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

In May 2014, the FASB issued Accounting Standards Update ("ASU") 2014-09, Revenue from Contracts with Customers (Topic 606) to provide a framework that replaces the existing revenue recognition guidance, and 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 More specifically, the standard requires entities to recognize revenue through the application of a five-step model, which includes the (i) identification of the contract, (ii) identification of the performance obligations, (iii) determination of the transaction price, (iv) allocation of the transaction price to the performance obligations, and (v) the recognition of revenue as the entity satisfies the performance obligations Early adoption of ASU 2014-09 is permitted after December 15, 2016, however, the Company plans to adopt the new standard for reporting periods beginning after December 15, 2017

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Under the new standard, companies may use either of the following transition methods (i) a full retrospective approach reflecting the application of the standard in each prior reporting period with the option to elect certain practical expedients, or (ii) a modified retrospective approach with the cumulative effect of initially adopting ASU 2014-09 recognized at the date of adoption (which includes additional footnote disclosures) The Company has not concluded which transition method it will elect but it currently anticipates using the modified retrospective approach

The Company is currently in the process of evaluating the impact of the new standard on its various revenue and cash flow streams, including the evaluation of the impact, if any, on changes to business processes, systems and controls to support recognition and disclosure under the new guidance Tariff sales to customers are determined to be in the scope of the new standard and represent a significant portion of the Company’s total operating revenues The Company has not completed its final evaluation of tariff sales under the new guidance but currently does not anticipate that ASU 2014-09 will have a material impact on the Company's revenue recognition for such sales The Company is still considering the impacts of the guidance on several industry-related accounting issues, including the accounting for contributions in aid of construction ("CIAC"), assessing the collectability criterion and the presentation of revenues associated with alternative revenue programs The Company's initial assessment may change as we execute our implementation plan and new guidance is provided by the American Institute of Certified Public Accountants Power and Utilities Industry Task Force

In January 2016, the FASB issued ASU 2016-01, Financial Instruments-Overall (Subtopic 825-10) Recognition and Measurement of Financial Assets and Liabilities to enhance the reporting model for financial instruments by addressing certain aspects of recognition, measurement, presentation, and disclosure ASU 2016-01 generally requires entities to measure equity investments that do not result in consolidation and are not accounted for under the equity method at fair value and recognize any changes in fair value in net income The guidance for classifying and measuring investments in debt securities and loans is not changed by this ASU, but requires entities to record changes in other comprehensive income Financial assets and financial liabilities must be separately presented by measurement category on the regulatory-basis balance sheet or in the accompanying notes to the regulatory-basis financial statements ASU 2016-01 clarifies the need for a valuation allowance on a deferred tax asset related to available-for-sale securities in combination with the entity's other deferred tax assets The provisions of this ASU become effective for public companies for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years Upon adoption of the new standard, the Company expects to record the cumulative effects as of January 1, 2018 which will result in an adjustment to accumulated other comprehensive income (losses) and retained earnings for unrealized gains (losses) related to equity securities owned by the Company Had the Company been required to adopt the new standard at January 1, 2016, accumulated other comprehensive income would decrease by $28 8 million and retained earnings would increase by a corresponding amount Furthermore, the Company would report for the year ended December 31, 2016 an increase in investment income of $1 2 million, an increase in income tax expense of $0 2 million and a decrease in other comprehensive income of $1 0 million The Company is continuing to assess the future impact of this ASU

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 regulatory-basis 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 leases guidance for capital leases and operating leases The impact of leases reported in the Company's operating results and statement of cash flows are 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 leases are recorded in regard to financial position 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 Implementation of the standard for public companies will be required for annual reporting periods beginning after December 15, 2018 and interim periods within that reporting period Early adoption of ASU 2016-02 is permitted for all entities, however, the Company plans to adopt the new standard for reporting periods beginning after December 15, 2018 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 The Company is currently in the process of evaluating the impact of the new standard, including the evaluation of the impact, if any, on changes to business processes, systems and controls to support recognition and disclosure under the new guidance, however, at this time is unable to determine the impact this standard will have on the financial statements and related disclosures

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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 regulatory-basis statement of cash flows The Company will adopt the new standard effective January 1, 2017 and does not expect the effect of the adoption to be material to the Company's financial condition, results of operations or cash flows The cumulative effect of the adoption of the new standard will be to increase net operating loss carryforward deferred tax assets and retained earnings by approximately $0 2 million on January 1, 2017 The Company also expects to continue to account for its outstanding stock awards based on the equity method and therefore does not anticipate any changes in reporting related compensation expense

In June 2016, the FASB issued ASU 2016-13, Financial Instruments - Credit Losses (Topic 326) ("ASU 2016-13") ASU 2016-13 changes how companies measure and recognize credit impairment for many financial assets The new current 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 For public business entities, the provisions of ASU 2016-13 are effective for fiscal years and interim periods within that reporting period beginning after December 15, 2019 Early implementation is permitted as of the fiscal years beginning after December 15, 2018, including interim periods within those fiscal years 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 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 regulatory-basis statement of cash flows The new guidance addresses the following classification issues debt prepayment or debt extinguishment costs, settlement of zero-coupon bonds, contingent consideration payments made after a business combination, proceeds from the settlement of insurance claims, proceeds from the settlement of corporate-owned life insurance policies, including bank-owned life insurance policies, distributions received from equity method investees, beneficial interests in securitization transactions, and separately identifiable cash flows and application of the predominance principle For public business entities, the provisions of ASU 2016-15 are effective for fiscal years and interim periods within that reporting period beginning after December 15, 2017 Early adoption is permitted, including adoption in an interim period If an entity elects early adoption of ASU 2016-15 in an interim period, adjustments should be reflected as of the beginning of the fiscal year that includes that interim period An entity that elects early adoption must adopt all of the amendments in the same period ASU 2016-15 will be applied using a retrospective transition method to each period presented If it is impracticable to apply ASU 2016-15 retrospectively for some of the issues, the amendments for those issues may be applied prospectively as of the earliest date practicable The Company is currently assessing the future impact of this ASU

In December 2016, the FASB issued ASU 2016-19, Technical Corrections and Improvements, which amends a number of Topics in the FASB ASC This ASU is part of an ongoing FASB project to facilitate Codification updates for non-substantive technical corrections, clarifications, and improvements that are not expected to have a significant effect on accounting practice or create a significant administrative cost to most entities Most of the amendments are effective upon issuance of ASU 2016-19 while certain amendments that require transition guidance are effective for the Company beginning January 1, 2017 The Company believes it is in compliance with those amendments that are effective immediately and that are applicable to the Company The Company has not completed its evaluation of the new standard for amendments that require transition guidance

**C. 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) 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

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**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 Docket No 44941, a request for an annual increase in non-fuel base revenues (the "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 (the "Unopposed Settlement") On August 25, 2016, the PUCT approved the Unopposed Settlement and issued its final order in Docket No 44941 (the "PUCT Final Order"), as proposed The PUCT Final Order provided for (i) an annual non-fuel base rate increase, lower annual depreciation expense, a revised return on equity for AFUDC purposes, and the inclusion of substantially all new plant in service in rate base, (ii) an additional annual non-fuel base rate increase of $3 7 million related to Four Corners Generating Station ("Four Corners") costs, which will be collected through a surcharge terminating on July 12, 2017, (iii) removing the separate rate treatment for residential customers with solar systems that the Company had proposed in its August 10, 2015 filing, (iv) allowing the Company to recover $3 1 million in rate case expenses through a separate surcharge and (v) allowing the Company to recover revenues associated with the relate back of rates to consumption on and after January 12, 2016 through March 31, 2016 through a separate surcharge

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 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 PUCT Final Order on August 25, 2016 Accordingly, it reported in the third quarter of 2016 the cumulative effect of the 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 Docket No 46831, a request for an increase in non-fuel base revenues of approximately $42 5 million The Company invoked its statutory right to have its new rates relate back for consumption on and after July 18, 2017, which is the 155th day after the filing The difference in rates that would have been billed will be surcharged or refunded to customers after the PUCT's final order in Docket No 46831 The PUCT has the authority to require the Company to surcharge or refund such difference over a period not to exceed 18 months The Company cannot predict the outcome or the timing of this rate case at this time

*Energy Efficiency Cost Recovery Factor* On May 1, 2015, the Company filed its annual application to establish its energy efficiency cost recovery factor for 2016 In addition to projected energy efficiency costs for 2016 and a true-up to prior year actual costs, the Company requested approval of a $1 0 million bonus for the 2014 energy efficiency program results in accordance with PUCT rules This case was assigned PUCT Docket No 44677 A stipulation and settlement agreement was filed September 24, 2015 and the PUCT approved the settlement on November 5, 2015 The settlement approved by the PUCT included a performance bonus of $1 0 million The Company recorded the performance bonus in operating revenues in the fourth quarter of 2015

On April 29, 2016, the Company filed its annual application to establish its energy efficiency cost recovery factor for 2017 In addition to projected energy efficiency costs for 2017 and true-up to prior year actual costs, the Company requested approval of a $0 7 million bonus for the 2015 energy efficiency program results in accordance with PUCT rules This case was assigned PUCT Docket No 45885 Parties in the proceeding, including PUCT staff and the City of El Paso, filed a settlement in the case that approved the Company's proposal with a reduction to the 2015 program bonus of $0 2 million The PUCT approved the settlement on October 28, 2016 The settlement approved by the PUCT included a performance bonus of $0 5 million which was recorded in operating revenues in the third quarter of 2016

*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 (the "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

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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 fuel reconciliation proceedings

On April 15, 2015, the Company filed a request, which was assigned PUCT Docket No 44633, to reduce its fixed fuel factor by approximately 24% to reflect reduced fuel expenses primarily related to a reduction in the price of natural gas used to generate power The over-recovered balance was below the PUCT's materiality threshold The reduction in the fixed fuel factor was effective on an interim basis May 1, 2015 and approved by the PUCT on May 20, 2015

On November 30, 2016, the Company filed a request, 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 As of December 31, 2016, the Company had under-recovered fuel costs in the amount of $11 1 million for the Texas jurisdiction

*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 A procedural schedule has been adopted with hearings in April 2017 The Company is currently engaged in settlement discussions with all parties The previously scheduled pre-hearing conferences and hearings on the merits have been cancelled The Company cannot predict the outcome or the timing of this matter

As of December 31, 2016, Texas jurisdictional fuel and purchased power costs subject to a future Texas fuel reconciliation are approximately $114 4 million

*Montana Power Station Approvals* The Company received Certificate of Convenience and Necessity ("CCN") approval from the PUCT to construct four natural gas fired generating units at Montana Power Station ("MPS") in El Paso County, Texas The Company also obtained air permits from the Texas Commission on Environmental Quality (the "TCEQ") and the U S Environmental Protection Agency (the "EPA") MPS Units 1 and 2 and associated transmission lines and common facilities were completed and placed into service in March 2015 MPS Units 3 and 4 were completed and placed into service on May 3, 2016 and September 15, 2016, respectively

*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 3 MW solar photovoltaic system located at MPS Participation will be on a voluntary basis, and customers will 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 The Company expects completion of the solar facility and commencement of the program in the second quarter of 2017

*Four Corners* On February 17, 2015, the Company and Arizona Public Service Company ("APS") entered into an asset purchase agreement (the "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 See Note E for further details on the sale of Four Corners

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 has been 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 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, and commission Staff filed its recommendation that the Company's disposition of the Four Corners Power Plant was reasonable and consistent with the public interest A final order approving the Stipulation and Agreement was adopted by the PUCT on March 30, 2017

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At December 31, 2016, the regulatory asset associated with the Four Corners mine reclamation costs for the Company's Texas jurisdiction was approximately $7 3 million Until otherwise determined, the Company will continue to recover its mine reclamation costs in Texas under previous orders and decisions of the PUCT The Stipulation and Agreement also acknowledged an agreement among the parties related to the rate and accounting treatment of certain costs of Four Corners, including coal reclamation costs Pursuant to the commission's order in PUCT Docket No 44805, recovery of these costs will be addressed in appropriate base rate and fuel-related proceedings If the PUCT makes a determination that results in changes to how existing regulatory assets or previously incurred costs for Four Corners are recovered in rates, any such changes will be recognized for financial reporting purposes only when it becomes probable future cash flows will change as a result of such regulatory actions

*Other Required Approvals* The Company has obtained other required approvals for tariffs and approvals required by the Public Utility Regulatory Act (the "PURA") 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 (the "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 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

*2017 New Mexico Rate Case Filing* NMPRC Case No 15-00109-UT requires the Company to make a rate filing in New Mexico in the second quarter of 2017 using a historical test year ended December 31, 2016 On March 24, 2017, the Company, NMPRC Utility Division Staff and the New Mexico Attorney General filed a Joint Motion to Modify Filing Date Stated in Final Order requesting that the rate filing date be changed to no later than July 31, 2019, using the appropriate historical test year period The joint request is expected to be decided by the NMPRC in the second quarter of 2017

*Fuel and Purchased Power Costs* On January 8, 2014, the NMPRC approved the continuation of the Fuel and Purchased Power Cost Adjustment Clause (the "FPPCAC") without modification in NMPRC Case No 13-00380-UT Historically, fuel and purchased power costs were recovered through base rates and a 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 final order in Case No 15-00127-UT, fuel and purchased power costs are no longer recovered through base rates but are recovered through the FPPCAC Fuel and purchased power costs are reconciled to actual costs on a monthly basis and recovered or refunded to customers the second succeeding month The Company recovers costs related to Palo Verde Unit 3 capacity and energy in New Mexico through the FPPCAC as purchased power using a proxy market price approved in Case No 13-00380-UT The Company's request to reconcile its fuel and purchased power costs for the period January 1, 2013 through December 31, 2014 was approved in Case No 15-00127-UT New Mexico jurisdictional costs subject to prudence review are costs from January 1, 2015 through December 31, 2016 that total approximately $114 6 million At December 31, 2016, the Company had a net fuel over-recovery balance of $0 2 million in New Mexico

*Montana Power Station Approvals* The Company received CCNs from the NMPRC to construct four units at MPS and the associated transmission lines The Company also obtained all necessary air permits from the TCEQ and the EPA A final order in NMPRC Case No 13-00297-UT approving the CCN for MPS Units 3 and 4 was issued on June 11, 2014 MPS Units 1 and 2 and associated transmission lines and common facilities were completed and placed into service in March 2015 MPS Units 3 and 4 were completed and placed into service on May 3, 2016 and September 15, 2016, respectively

*Four Corners* On June 15, 2016, in NMPRC Case No 15-00109-UT, the NMPRC issued its final order approving the Company's sale and abandonment of its ownership interest in Four Corners to APS pursuant to a February 17, 2015 Purchase and Sale Agreement between the Company and APS See Note E for further details on the sale of Four Corners

*5 MW Holloman Air Force Base ("HAFB") Facility CCN* On October 7, 2015, in NMPRC Case No 15-00185-UT, the NMPRC issued a final order approving a CCN for a 5 MW solar power generation facility located on HAFB in the Company's service territory in New Mexico The Company and HAFB negotiated a special retail contract, which includes power sales agreement for the facility, to replace the existing load retention agreement which was approved by final order issued October 5, 2016 in NMPRC Case No 16-00224-UT Construction of the solar generation facility is expected to be completed in the third quarter of 2017

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*New Mexico Efficient Use of Energy Recovery Factor* On July 1, 2016, the Company filed its annual application requesting approval of its 2017 Energy Efficiency and Load Management Plan and to establish energy efficiency cost recovery factors 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 case 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 and authorizing recovery in 2017 of a base incentive of $0 4 million, with the opportunity to earn up to $0 4 million based on verified program energy savings in 2017 The Company's energy efficiency cost recovery factors were approved effective in customer bills beginning March 1, 2017 In addition, on July 1, 2016, the Company filed its 2015 Annual Report for Energy Efficiency Programs which included an incentive for verified 2015 program performance of $0 3 million, which was approved in Case No 13-00187-UT The Company recorded the $0 3 million approved incentive in operating revenues in the first quarter of 2017

*Issuance of Long-Term Debt and Guarantee of Debt* On October 7, 2015 the Company received approval in NMPRC Case No 15-00280-UT to issue up to $310 0 million of new long-term debt and to guarantee the issuance of up to $65 0 million of new debt by Rio Grande Resources Trust ("RGRT") to finance future purchases of nuclear fuel and to refinance existing nuclear fuel debt obligations This approval supersedes prior approvals Under this authorization, on March 24, 2016, the Company issued $150 0 million aggregate principal amount of 5 00% Senior Notes due December 1, 2044 The net proceeds from the issuance of these senior notes, after deducting the underwriters' commission, were $158 1 million These proceeds include accrued interest of $2 4 million and a $7 1 million premium before expenses These senior notes constitute an additional issuance of the Company's 5 00% Senior Notes due 2044, of which $150 0 million was previously issued on December 1, 2014, for a total principal amount outstanding of $300 0 million

*Other Required Approvals* The Company has obtained other required approvals for other tariffs, securities transactions, recovery of energy efficiency costs through a base rate rider and other approvals as required by the NMPRC

**Federal Regulatory Matters**

*Four Corners* On June 26, 2015, APS filed an application requesting authorization from FERC to purchase 100% of the Company's ownership interest in Units 4 and 5 of Four Corners and the associated transmission interconnection facilities and rights On December 22, 2015, FERC issued an order approving the proposed transaction The sale of the Company's interest in Four Corners closed on July 6, 2016 See Note E for further details on the sale of Four Corners

*Revolving Credit Facility, Issuance of Long-Term Debt and Guarantee of Debt* On October 19, 2015, the FERC issued an order in Docket No ES15-66-000 approving the Company's filing to issue short-term debt under the revolving credit facility ("RCF") up to $400 0 million outstanding at any time, to issue up to $310 0 million in long-term debt, and to guarantee the issuance of up to $65 0 million of new long-term debt by RGRT to finance future nuclear fuel purchases The authorization is effective from November 15, 2015 through November 15, 2017 This approval supersedes prior approvals

Under this authorization, on March 24, 2016, the Company issued $150 0 million aggregate principal amount of 5 00% Senior Notes due December 1, 2044 Additionally under this authorization, on January 9, 2017, the Company exercised its option to extend the maturity of the RCF by one year to January 14, 2020 and to increase the size of the facility by $50 0 million to $350 0 million The Company still has the option to extend the facility by one additional year to January 2021 and to increase the RCF by up to $50 0 million (up to a total of $400 0 million) upon the satisfaction of certain conditions, more fully set forth in the agreement, including obtaining commitments from lenders or third party financial institutions Additionally, the Company agreed to reduce the letters of credit commitment to $50 0 million from a total commitment, under the RCF, of $350 0 million

*Other Required Approvals* The Company has obtained required approvals for rates and tariffs, securities transactions and other approvals as required by the FERC

*United States Department of Energy ("DOE")* The DOE regulates the Company's exports of power to the Comisión Federal de Electricidad in Mexico pursuant to a license and two presidential permits issued by the DOE

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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 E for discussion of spent fuel storage and disposal costs.

**Sales for Resale**

The Company provides firm capacity and associated energy to the Rio Grande Electric Cooperative ("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 Open Access Transmission Tariff ("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.

**D. 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, 2016 | December 31, 2015 |
|---|---|---|---|
| **Regulatory assets** | | | |
| Regulatory tax assets (a) | (b) | $ 98,841 | $ 117,480 |
| Final coal reclamation (c) | (c) | 8,181 | 9,520 |
| New Mexico Four Corners decommissioning (d) | (d) | 1,400 | — |
| Nuclear fuel postload daily financing charge | (d) | 4,100 | 4,539 |
| Texas energy efficiency | (e) | — | 25 |
| Texas 2015 rate case costs | September 2018 | 2,670 | 1,882 |
| Texas 2017 rate case costs | (f) | 246 | — |
| Texas relate back surcharge | (g) | 6,455 | — |
| New Mexico renewable energy credits and related costs (h) | June 2022 | 6,937 | 6,397 |
| New Mexico 2010 FPPCAC audit | June 2019 | 398 | 434 |
| New Mexico Palo Verde deferred depreciation | (b) | 4,415 | 4,568 |
| New Mexico 2015 rate case costs | June 2019 | 1,074 | 1,288 |
| New Mexico 2017 rate case costs | (f) | 10 | — |
| Undercollection of fuel revenues | (d) | 11,123 | — |
| **Total regulatory assets** | | $ 145,850 | $ 146,133 |
| **Regulatory liabilities** | | | |
| Regulatory tax liabilities (a) | (b) | $ 35,187 | $ 47,836 |
| Texas energy efficiency | (e) | 1,288 | — |
| New Mexico energy efficiency | (e) | 2,159 | 2,238 |
| Texas military base discount and recovery factor | (i) | 184 | 788 |
| New Mexico gain on sale of assets (j) | June 2019 | 828 | — |
| Overcollection of fuel revenues | (k) | 255 | 4,023 |
| **Total regulatory liabilities** | | $ 39,901 | $ 54,885 |

(a) We do not earn a return on these items since the related accumulated deferred income tax assets and liabilities offset.
(b) The amortization periods for these assets and liabilities are based upon the life of the associated assets or liabilities.
(c) This item relates to Four Corners costs. The amount is to be recorded through fuel recovery mechanisms established by tariffs over a seven-year period. See Note C.
(d) This item relates to Four Corners costs. The amount is to be recovered in base rates established by tariffs over a seven-year period.

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(e) This item is recovered or credited through a recovery factor that is set annually.
(f) Amortization period is anticipated to be established in next general rate case.
(g) This item relates to the recovery of revenues through a separate surcharge beginning October 1, 2016 and ending September 30, 2017. See Note C.
(h) This item relates to renewable energy credits and procurement plan costs, components approved for recovery in the New Mexico 2015 rate case.
(i) This item represents the net asset/net liability related to the military discount which is recovered from non-military customers through a recovery factor that is set annually.
(j) This item relates to the gains on the sales of assets the Company shares with its New Mexico customers over a three year period.
(k) This item is refunded through fuel adjustment mechanisms in each jurisdiction.

**E. 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, 2016 (in thousands):

| | Gross Plant | Accumulated Depreciation | Net Plant |
|---|---|---|---|
| Nuclear production | $ 1,867,543 | $ (1,222,958) | $ 644,585 |
| Steam and other | 990,545 | (253,476) | 737,069 |
| Total production | 2,858,088 | (1,476,434) | 1,381,654 |
| Transmission | 454,294 | (218,601) | 235,693 |
| Distribution | 1,111,589 | (348,309) | 763,280 |
| General | 212,047 | (62,913) | 149,134 |
| Intangible | 84,342 | (55,463) | 28,879 |
| Total | $ 4,720,360 | $ (2,161,720) | $ 2,558,640 |

During 2016, depreciation decreased due to changes in rates approved in the PUCT Final Order and the NMPRC Final Order. The change, effective in January 2016 for Texas and July 2016 for New Mexico, reduced depreciation expense in 2016 by $10.9 million.

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). Effective July 2015, the Company changed the estimated useful life of certain large intangible software systems which decreased depreciation during 2015 by $1.8 million. The table below presents the actual and estimated amortization expense for intangible plant for 2015 and 2016 and for the next five years (in thousands):

| | |
|---|---|
| 2015 | $ 6,482 |
| 2016 | 5,302 |
| 2017 (estimated) | 5,148 |
| 2018 (estimated) | 4,631 |
| 2019 (estimated) | 4,242 |
| 2020 (estimated) | 3,808 |
| 2021 (estimated) | 3,227 |

The Company owns a 15.8% interest in each of the three nuclear generating units and common facilities at Palo Verde, in Wintersburg, Arizona. The Palo Verde Participants include the Company and six other utilities: APS, Southern California Edison Company ("SCE"), PNM, Southern California Public Power Authority, Salt River Project Agricultural Improvement and Power District ("SRP") and the Los Angeles Department of Water and Power.

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A summary of the Company's investment in jointly-owned utility plant, excluding fuel inventories, at December 31, 2016 and 2015 is as follows (in thousands)

| | December 31, 2016 | | December 31, 2015 | |
|---|---|---|---|---|
| | Palo Verde | Other (a) | Palo Verde | Other (a) |
| Electric plant in service | $ 1,867,543 | $ 87,457 | $ 1,841,422 | $ 187,234 |
| Accumulated depreciation | (1,222,958) | (64,686) | (1,211,286) | (139,796) |
| Construction work in progress | 50,598 | 1,895 | 48,938 | 9,529 |
| Total | $ 695,183 | $ 24,666 | $ 679,074 | $ 56,967 |

(a) 2015 other jointly-owned utility plant includes a 7% interest in Units 4 and 5 at Four Corners and certain other transmission facilities which the Company sold on July 6, 2016

**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 (the "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, other operations, maintenance and capital costs The Company's share of direct expenses in Palo Verde and other jointly-owned utility plants is reflected in fuel expense, other operations expense, maintenance 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 ("NRC")* The NRC regulates the operation of all commercial nuclear power reactors in the United States, 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 external trusts 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, 2016, the Company's decommissioning trust fund had a balance of $255 7 million, which is above its minimum funding level The Company monitors the status of its decommissioning funds and adjusts its deposits, if necessary

Decommissioning costs are estimated every three years based upon engineering cost studies performed by outside engineers retained by APS In December 2013, the Palo Verde Participants approved the 2013 Palo Verde decommissioning study (the "2013 Study") The 2013 Study estimated that the Company must fund approximately $380 7 million (stated in 2013 dollars) to cover its share of decommissioning costs which was an increase in decommissioning costs of $23 3 million (stated in 2013 dollars) from the 2010 Palo Verde decommissioning study However, because the cash flows from the 2013 Study were less than the inflated amounts from the 2010 Study, the effect of this change lowered the ARO by $1 9 million which lowered annual expenses starting in January 2014 Although the 2013 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

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to uncertainty As provided in the ANPP Participation Agreement, the participants are required to conduct a new decommissioning study every three years The 2016 Palo Verde decommissioning study was finalized April 7, 2017 and the effects of such study are not significant to the financial statements Based on the study the ARO and the corresponding ARO asset will increase approximately $3 1 million which will be recognized in the first quarter of 2017 While the Company attempts to seek amounts in rates to meet its decommissioning obligations, it is not able to conclude given the evidence available to it now that it is probable these costs will continue to be collected over the period until decommissioning begins in 2044 The Company is ultimately responsible for these costs and its future actions combined with future decisions from regulators will determine how successful the Company is in this effort

*Spent Nuclear Fuel and Waste Disposal* Pursuant to the Nuclear Waste Policy Act of 1982, as amended in 1987 (the "NWPA"), 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 (the "Standard Contract") 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 On August 18, 2014, APS and the DOE entered into a settlement agreement stipulating to a dismissal of the lawsuit and payment of $57 4 million by the DOE to the Palo Verde Participants for certain specified costs incurred by Palo Verde during the period January 1, 2007 through June 30, 2011 On October 8, 2014, the Company received approximately $9 1 million, representing its share of the award, of which $7 9 million was refunded to customers through the applicable fuel adjustment clauses On October 31, 2014, APS, acting on behalf of itself and the Palo Verde Participants, submitted to the government an additional request for reimbursement of spent nuclear fuel storage costs for the period July 1, 2011 through June 30, 2014 The accepted claim amount was $42 0 million On June 1, 2015, the Company received approximately $6 6 million, representing its share of the award, of which $5 8 million was credited to customers through the applicable fuel adjustment clauses in March 2015 After June 2015, APS will file annual claims for the period July 1 of the then-previous year to June 30 of the then-current year On November 2, 2015, APS filed a $12 0 million claim for the period July 1, 2014 through June 30, 2015 In February 2016, the DOE notified APS of the approval of the claim The Company's share of this claim is approximately $1 9 million, of which $1 6 million was credited to customers through the applicable fuel adjustment clauses in March 2016 On October 31, 2016 APS filed an $11 3 million claim for the period July 1, 2015 through June 30, 2016 On February 1, 2017, the DOE notified APS of the approval of the claim On March 10, 2017, the Company received approximately $1 8 million, representing its share of the award, of which $1 4 million was credited to customers through the applicable fuel adjustment clauses in March 2017

*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, and the proceeding has not been conclusively decided by the NRC or the courts 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 United States government’s obligation to accept and store spent fuel are not favorably resolved, APS will evaluate alternative storage solutions that may obviate the need to expand the ISFSI to accommodate all of the fuel that will be irradiated during the period of extended operation

*Liability and Insurance Matters* The Palo Verde Participants have insurance for public liability resulting from nuclear energy hazards to the full limit of liability under federal law, which is currently at $13 4 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 $127 3 million, subject to an annual limit of $19 0 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 $60 4 million, with an annual payment limitation of approximately $9 0 million

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The Palo Verde Participants maintain $2 75 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 25 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 $12 9 million for the current policy period

**Four Corners**

On February 17, 2015, the Company and APS entered into the Purchase and Sale Agreement providing for the sale of the Company's interests in Four Corners to APS Four Corners continued to provide energy to serve the Company's native load up to the closing date of the sale on July 6, 2016 Also on July 6, 2016, prior to the closing of the transaction, the Company and APS entered into an amendment to the Purchase and Sale Agreement pursuant to which APS assigned its right, title and interest in the Purchase and Sale Agreement to its affiliate 4C Acquisition, LLC ("APS's affiliate"), and Pinnacle West Capital Corporation, the parent company of APS and APS's affiliate ("Pinnacle West"), guaranteed APS's affiliate's obligations under the Purchase and Sale Agreement The sales price was $32 0 million, which was based on the net book value as defined in the Purchase and Sale Agreement The sales price was adjusted downward by $7 0 million and $19 5 million, respectively, to reflect the assumption by APS's affiliate of the Company's obligation to pay for future plant decommissioning and mine reclamation expenses The sales price was also adjusted downward by approximately $1 3 million for estimated closing adjustments and other assets and liabilities assumed by APS's affiliate At the closing, the Company received approximately $4 2 million in cash, subject to post-closing adjustments No significant gain or loss was recorded after the closing date APS's affiliate assumed responsibility for all Four Corners capital expenditures made after July 6, 2016, which assumption is guaranteed by Pinnacle West In addition, APS's affiliate will indemnify the Company against certain liabilities and costs related to the future operation of Four Corners, which indemnification is guaranteed by Pinnacle West See Note C for a discussion of regulatory filings associated with Four Corners

**F. 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 2013 Palo Verde decommissioning study See Note E 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, spent fuel 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, 2016 is $255 7 million

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FERC Order No 631 guidance requires the Company to revise its previously recorded ARO for any changes in estimated cash flows including changes in estimated probabilities related to timing of settlements Any changes that result in an upward revision to estimated cash flows shall be treated as a new liability Any downward revisions to the estimated cash flows result in a reduction to the previously recorded ARO In December 2013, the Company implemented the 2013 Palo Verde decommissioning study, and as a result, revised its ARO related to Palo Verde to decrease its estimated cash flows from the 2010 Study to the 2013 Study (see Note E) The assumptions used to calculate 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 | 3 60% | 6 20% |

An analysis of the activity of the Company's total ARO liability from January 1, 2015 through December 31, 2016, including the effects of each year's estimate revisions, is presented below In 2016, the settled liabilities reflect the sale of the Company's interest in Four Corners including the related ARO

| | 2016 | 2015 |
|---|---|---|
| ARO liability at beginning of year | $ 81,621 | $ 74,577 |
| Liabilities incurred | — | 189 |
| Liabilities settled | (6,993) | — |
| Revisions to estimate | — | — |
| Accretion expense | 7,172 | 6,855 |
| ARO liability at end of year | $ 81,800 | $ 81,621 |

The Company has transmission and distribution lines which are operated under various property easement agreements If the easements were to be released, 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 easements include renewal options which the Company routinely exercises The amount of cost of removal collected in rates for non-legal liabilities has not been material

## G. 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 (the "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, the Company accounts for its stock-based long-term incentive plan under the FASB guidance for stock-based compensation

*Restricted Stock with Service Condition and Other Stock-Based Awards* The Company has awarded restricted stock and other stock-based awards under its long-term incentive plan Restrictions from resale on restricted stock awards generally lapse and awards vest over periods of one to three years 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

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Other stock-based awards are fully vested and are expensed at fair value on the date of grant. Previously directors could elect to receive retainers and meeting fees in cash, restricted stock, or a combination of cash and stock. On May 29, 2014, the Board of Directors voted to revise the terms of the restricted stock awards granted to directors in lieu of cash for retainers and meeting fees. Stock elections by directors in lieu of cash for retainer and meeting fees are now fully vested and are expensed at fair value on the date of grant. The modification to 13,863 outstanding restricted stock awards granted to directors resulted in forfeiture of those awards and the granting of new awards which were fully vested and expensed at $37.81 per share, the fair value on the date of grant. Effective fiscal year ended December 31, 2015, other stock-based awards are not included in the tables below.

The expense, deferred tax benefit, and current tax expense recognized related to restricted stock and other stock-based awards in 2016 and 2015 is presented below (in thousands):

| | 2016 | 2015 |
|---|---|---|
| Expense (a) | $ 2,594 | $ 2,755 |
| Deferred tax benefit | 908 | 964 |
| Current tax benefit recognized | 183 | 43 |

(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 2016 and 2015 is presented below (in thousands):

| | 2016 | 2015 |
|---|---|---|
| Aggregated intrinsic value | $ 2,515 | $ 3,451 |
| Fair value at grant date | 1,993 | 3,327 |

The unvested restricted stock transactions for 2016 are presented below:

| | Total Shares | Weighted Average Grant Date Fair Value | Unrecognized Compensation Expense (a) | Aggregate Intrinsic Value |
|---|---|---|---|---|
| | | | (In thousands) | (In thousands) |
| Restricted shares outstanding at December 31, 2015 | 91,210 | $ 36.61 | | |
| Stock awards | 74,181 | 40.95 | | |
| Vested | (55,503) | 35.91 | | |
| Forfeitures | (495) | 36.88 | | |
| Restricted shares outstanding at December 31, 2016 | 109,393 | 39.90 | $ 1,767 | $ 5,087 |

(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.

The weighted average fair value per share at grant date for restricted stock and other stock-base awards granted during 2016 and 2015 were:

| | 2016 | 2015 |
|---|---|---|
| Weighted average fair value per share | $ 40.95 | $ 37.17 |

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.

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

Detail of performance shares vested follows:

| Date Vested | Payout Ratio | Performance Shares Awarded | Compensation Costs Expensed | Period Compensation Costs Expensed | Aggregated Intrinsic Value |
|---|---|---|---|---|---|
| | | | (In thousands) | | (In thousands) |
| January 25, 2017 | 32% | 11,314 | $ 932 | 2014-2016 | $ 512 |
| January 27, 2016 | 0% | 0 | 851 | 2013-2015 | — |
| February 20, 2015 | 0% | 0 | 1,502 | 2012-2014 | — |

In 2017, 2018 and 2019, subject to meeting certain performance criteria, additional performance shares could be awarded. 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. The maximum number of shares that can be issued under the plan are 206,898 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 plan's 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 (a) | Aggregate Intrinsic Value |
|---|---|---|---|---|
| | | | (In thousands) | (In thousands) |
| Performance shares outstanding at December 31, 2015 (a) | 130,136 | $ 32.72 | | |
| Performance share awards | 60,835 | 38.11 | | |
| Performance shares expired | (24,527) | 34.69 | | |
| Performance shares outstanding at December 31, 2016 (a) | 166,444 | 34.40 | $ 2,189 | $ 7,740 |

(a) On December 15, 2015, the Company issued a stock based retention grant to the Chief Executive Officer (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 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 CEO retention grant.

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A summary of information related to performance shares for 2016 and 2015 is presented below:

| | 2016 | 2015 |
|---|---|---|
| Weighted average per share grant date fair value per share of performance shares awarded | $ 38.11 | $ 35.72 |
| Compensation expense (in thousands) (a) (b) | 1,655 | 1,042 |
| Deferred tax benefit related to compensation expense (in thousands) (b) | 579 | 365 |

(a) Includes adjustments for estimated forfeitures.
(b) Includes CEO retention grant.

**Repurchase Program**

No shares of the Company's common stock were repurchased during the twelve months ended December 31, 2016. Detail regarding the Company's stock repurchase program are presented below:

| | Since 1999 (a) | Authorized Shares |
|---|---|---|
| Shares repurchased (b) | 25,406,184 | |
| Cost, including commission (in thousands) | $ 423,647 | |
| Total remaining shares available for repurchase at December 31, 2016 | | 393,816 |

(a) Represents repurchased shares and cost since inception of the stock repurchase program in 1999.
(b) Shares repurchased does not include 86,735 treasury shares related to employee compensation arrangements outside of the Company's repurchase programs. Beginning in 2015, shares of the Company's common stock issued for employee benefit and stock incentive plans have been issued from the shares repurchased and held in treasury stock. The Company awarded 188,005 shares out of treasury stock during 2016.

The Company may in the future make purchases of shares of its common stock pursuant to its authorized program in open market transactions at prevailing prices and may engage in private transactions where appropriate. The repurchased shares will be available for issuance under employee benefit and stock incentive plans, or may be retired.

**Dividend Policy**

On December 30, 2016, the Company paid $12.6 million in quarterly cash dividends to shareholders. The Company paid a total of $49.6 million and $47.1 million in cash dividends during the twelve months ended December 31, 2016 and 2015, respectively. On January 26, 2017, the Board of Directors declared a quarterly cash dividend of $0.31 per share payable on March 31, 2017 to shareholders of record as of the close of business on March 17, 2017.

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## H. Long-Term Debt, Financing Obligations and Capital Lease Obligations

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

| | December 31, 2016 | December 31, 2015 |
|---|---|---|
| | (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 |
| 4.50% 2012 Series A refunding bonds, due 2042 (4.63% effective interest rate) | 59,235 | 59,235 |
| 7.25% 2009 Series B refunding bonds, due 2040 (7.49% effective interest rate) | 37,100 | 37,100 |
| 1.875% 2012 Series A refunding bonds, due 2032 (2.35% effective interest rate) | 33,300 | 33,300 |
| Total Account 221 | 193,135 | 193,135 |
| **Other Long –Term Debt (Accounts 224, 225 and 226):** | | |
| Senior Notes (2): | | |
| 6.00% Senior Notes, net of discount, due 2035 (7.12% 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 |
| 3.30% Senior Notes, net of discount, due 2022 (3.43% effective interest rate) | 150,000 | 150,000 |
| 5.00% Senior Notes, net of discount, due 2044 (4.93% effective interest rate) | 300,000 | 150,000 |
| Total Account 224 | 1,000,000 | 850,000 |
| Unamortized premium on long-term debt Account 225 | 6,935 | — |
| Unamortized discount on long-term debt Account 226 | (3,740) | (3,851) |
| Total long-term debt | $ 1,196,330 | $ 1,039,284 |
| **Obligations Under Capital Lease – Noncurrent (Account 227):** | | |
| RGRT Senior Notes (3): | | |
| 4.47% Senior Notes, Series B, due 2017 (4.62% effective interest rate) | $ — | $ 50,000 |
| 5.04% Senior Notes, Series C, due 2020 (5.16% effective interest rate) | 45,000 | 45,000 |
| Total Capital Lease Obligations Noncurrent | $ 45,000 | $ 95,000 |
| **Obligations Under Capital Lease – Current (Account 243):** | | |
| RGRT Senior Notes (3): | | |
| 4.47% Senior Notes, Series B, due 2017 (4.62% effective interest rate) | $ 50,000 | $ — |
| Revolving Credit Facility (4) | 39,275 | 35,439 |
| Total Capital Lease Obligations Current | $ 89,275 | $ 35,439 |

1. Pollution Control Bonds ("PCBs")

The Company has four series of tax exempt unsecured PCBs in aggregate principal amount of $193.1 million. The 1.875% 2012 Series A (El Paso Electric Company Four Corners Project) Pollution Control Refunding Revenue Bonds with an aggregate principal amount of $33.3 million are subject to mandatory tender for purchase in September 2017 at which time the Company will either repay or remarket these bonds.

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 N. This amortization is included in the effective interest rate of the 6.00% Senior Notes.

The 7 50% Senıor Notes have an aggregate prıncıpal amount of $150 0 mıllıon and were ıssued ın June 2008 The proceeds, net of a $1 3 mıllıon dıscount, were used to repay short-term borrowıngs of $44 0 mıllıon, fund capıtal expendıtures and for other general corporate purposes

The 3 30% Senıor Notes have an aggregate prıncıpal amount of $150 0 mıllıon and were ıssued ın December 2012 The proceeds, net of a $0 3 mıllıon dıscount, were used to fund constructıon expendıtures and for workıng capıtal and general corporate purposes

In December 2014, the Company ıssued 5 00% Senıor Notes wıth an aggregate prıncıpal amount of $150 0 mıllıon The proceeds, net of a $0 5 mıllıon dıscount, were used to fund constructıon expendıtures and for workıng capıtal and general corporate purposes In March 2016, the Company ıssued addıtıonal 5 00% Senıor Notes wıth an aggregate prıncıpal amount of $150 0 mıllıon The proceeds from thıs ıssuance, after deductıng the underwrıters' commıssıon, were $158 1 mıllıon These proceeds ıncluded accrued ınterest of $2 4 mıllıon and a $7 1 mıllıon premıum before expenses The net proceeds, from the sale of these senıor notes were used to repay outstandıng short-term borrowıngs under the RCF After the March 2016 ıssuance, the Company's 5 00% Senıor Notes due 2044 had a total prıncıpal amount outstandıng of $300 0 mıllıon

3 RGRT Senıor Notes

In 2010, the Company and RGRT, a Texas grantor trust through whıch the Company fınances ıts portıon of fuel for Palo Verde, entered ınto a note purchase agreement wıth varıous ınstıtutıonal purchasers Under the terms of the agreement, RGRT sold to the purchasers $110 mıllıon aggregate prıncıpal amount of Senıor Notes (the "Notes") In August 2015, $15 0 mıllıon of these Notes matured and were paıd wıth borrowıngs from the RCF In August 2017, $50 0 mıllıon of these Senıor Notes wıll mature The Company wıll eıther repay or refınance thıs $50 0 mıllıon of Notes upon maturıty The Company guarantees the payment of prıncıpal and ınterest on the Notes In the Company’s regulatory-basıs fınancıal statements, the oblıgatıons to the RGRT are reported as oblıgatıons under capıtal leases of nuclear fuel

RGRT pays ınterest on the Notes on February 15, and August 15 of each year untıl maturıty RGRT may redeem the Notes, ın whole or ın part, at any tıme at a redemptıon prıce equal to 100% of the prıncıpal amount to be redeemed together wıth the ınterest on such prıncıpal amount accrued to the date of redemptıon, plus a make-whole amount based on the prevaılıng market ınterest rates The agreement requıres complıance wıth certaın covenants, ıncludıng a total debt to capıtalızatıon ratıo The Company was ın complıance wıth these requırements throughout 2016

The sale of the Notes was made by RGRT ın relıance on a prıvate placement exemptıon from regıstratıon under the Securıtıes Act of 1933, as amended The proceeds of $109 4 mıllıon, net of ıssuance costs, from the sale of the Notes was used by RGRT to repay amounts borrowed under the RCF and wıll enable future nuclear fuel fınancıng requırements of RGRT to be met wıth a combınatıon of the Notes and amounts borrowed from the RCF

4 Revolvıng Credıt Facılıty

On January 14, 2014, the Company and RGRT entered ınto a second amended and restated credıt agreement related to the RCF wıth JP Morgan Chase Bank, N A , as admınıstratıve agent and ıssuıng bank, and Unıon Bank, N A , as syndıcatıon agent, and varıous lendıng banks party thereto As of December 31, 2016, the Company had avaılable $300 mıllıon and the abılıty to ıncrease the RCF by up to $100 mıllıon wıth a term endıng January 2019 On January 9, 2017, the Company exercısed ıts optıon to extend the maturıty of the RCF by one year to January 14, 2020 and to ıncrease the sıze of the facılıty by $50 mıllıon to $350 mıllıon The Company stıll has the optıon to extend the facılıty by one addıtıonal year to January 2021 and to ıncrease the RCF by up to $50 mıllıon (up to a total of $400 mıllıon) upon the satısfactıon of certaın condıtıons, more fully set forth ın the agreement, ıncludıng obtaınıng commıtments from lenders or thırd party fınancıal ınstıtutıons

The RCF provıdes that amounts borrowed by the Company may be used for, among other thıngs, workıng capıtal and general corporate purposes Any amounts borrowed by RGRT may be used, among other thıngs, to fınance the acquısıtıon and processıng of nuclear fuel Amounts borrowed by RGRT are guaranteed by the Company and the balance borrowed under the RCF ıs recorded as a capıtal lease of nuclear fuel on the regulatory-basıs balance sheet Quarterly lease payments are made

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based upon units of heat production used by the plant. The RCF is unsecured. The RCF requires compliance with certain covenants, including a total debt to capitalization ratio. The Company was in compliance with these requirements throughout 2016. In August 2015, $15.0 million aggregate principal amount of Series A 3.67% Senior Notes of RGRT matured and were paid utilizing borrowings under the RCF. As of December 31, 2016, the total amount borrowed by RGRT was $39.3 million for nuclear fuel under the RCF. As of December 31, 2016, $44.0 million of borrowings were outstanding under this facility for working capital and general corporate purposes. The weighted average interest rate on the RCF was 2.0% as of December 31, 2016.

As of December 31, 2016, the principal amount of scheduled maturities for the next five years of long-term debt are as follows (in thousands):

| | |
|---|---|
| 2017 | $ 83,300 |
| 2018 | — |
| 2019 | — |
| 2020 | 45,000 |
| 2021 | — |

The $39.3 million of borrowings outstanding on the RCF for nuclear fuel financing purposes is anticipated to be paid in 2017.

## I. Income Taxes

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and liabilities at December 31, 2016 and 2015 are presented below (in thousands):

| | December 31, 2016 | December 31, 2015 |
|---|---|---|
| **Deferred tax assets:** | | |
| Plant, principally due to capitalized costs | $ 58,613 | $ 76,294 |
| Benefits of federal tax loss carryforwards | 61,293 | 35,494 |
| Pensions and benefits | 57,698 | 57,946 |
| Alternative minimum tax credit carryforward | 16,620 | 16,620 |
| Regulatory liabilities related to income taxes | 6,120 | 6,347 |
| Asset retirement obligation | 30,462 | 29,001 |
| Deferred fuel | (247) | 1,380 |
| Debt related items | 6,649 | 6,741 |
| Other | 14,231 | 13,813 |
| Total gross deferred tax assets | 251,439 | 243,636 |
| **Deferred tax liabilities:** | | |
| Plant, principally due to depreciation and basis differences | (664,228) | (580,764) |
| Regulatory assets related to income taxes | (81,066) | (115,810) |
| Decommissioning | (36,934) | (32,569) |
| Other | (12,310) | (7,831) |
| Total gross deferred tax liabilities | (794,540) | (736,974) |
| Net accumulated deferred income taxes | $ (543,101) | $ (493,338) |

Based on the average annual book income before taxes for the prior three years, excluding the effects of extraordinary and unusual or infrequent items, the Company believes that the deferred tax assets will be fully realized at current levels of book and taxable income.

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The Company recognized income tax expense for 2016 and 2015 as follows (in thousands):

| | Years Ended December 31, 2016 | 2015 |
|---|---|---|
| **Income tax expense:** | | |
| **Federal:** | | |
| Current | $ 2,235 | $ 2,570 |
| Deferred | 47,412 | 32,106 |
| Investment tax credit | (1,553) | (1,158) |
| Total federal income tax | $ 48,094 | $ 33,518 |
| **State:** | | |
| Current | $ 1,225 | $ 936 |
| Deferred | 3,634 | (1,650) |
| Total state income tax | $ 4,859 | $ (714) |

As of December 31, 2016, the Company had $16.6 million of alternative minimum tax ("AMT") credit carryforwards that have an unlimited life. As of December 31, 2016, the Company had $59.9 million of federal and $2.2 million of state tax loss carryforwards. If unused, both the federal and state tax loss carryforwards have lives of 20 years and 5 years, respectively. As of December 31, 2016, the Company had $0.2 million of unrecognized tax benefits related to stock compensation which cannot be recognized until federal tax loss carryforwards are fully utilized.

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

| | Years Ended December 31, 2016 | 2015 |
|---|---|---|
| Federal income tax expense computed on income at statutory rate | $ 52,818 | $ 40,914 |
| Difference due to: | | |
| State income taxes (federal effect) | (1,701) | 250 |
| Investment Tax Credit amortization (net of deferred taxes) | (1,009) | (753) |
| Allowance for equity funds used during construction | (314) | (2,272) |
| Amortization of excess deferred taxes | 849 | (717) |
| Amortization of regulatory assets and liabilities | (544) | (405) |
| Permanent tax differences | (2,292) | (2,825) |
| Other | 287 | (674) |
| Total federal income tax expense | $ 48,094 | $ 33,518 |

The Company files income tax returns in the United States 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 and New Mexico jurisdictions for years prior to 2012. The Company is currently under audit in Texas for tax years 2007 through 2011. In June 2016, the Arizona Department of Revenue discontinued their audits for tax years 2009 through 2012. The discontinuance of the audits did not have a material impact on the Company's results of operations or financial position.