Postretirement Benefit Programs for Employees of El Paso Electric Company

Carrier	Pre-65 Retiree Express Scripts - Pharmacy	
	In-Network	Non-Network
Prescription Benefit – up to 30-day supply (1)	$25 / $55 / $75	N/A
Mail Order Prescriptions – up to 90-day supply (1)	$50 / $125 / $175	N/A
Specialty Medications – up to 30-day supply (1)	$65 / $90 / $140	N/A

ACTUARIAL VALUATION REPORTS

2024

El Paso Electric Company

Excess Benefit Plan

Actuarial Valuation Report Benefit Cost for Fiscal Year Beginning January 1, 2024 under US GAAP

July 2024

wtwco.com

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Purposes of valuation

El Paso Electric Company (the Company) engaged Willis Towers Watson US LLC ("WTW") to value the Company's pension plan.

As requested by the Company, this report documents the results of an actuarial valuation of the El Paso Electric Company Excess Benefit Plan (the Plan) as of January 1, 2024.

The primary purpose of this valuation is to determine the Net Periodic Benefit Cost/(Income) (Benefit Cost), in accordance with FASB Accounting Standards Codification Topic 715 (ASC 715) for the fiscal year ending December 31, 2024. It is anticipated that a separate report will be prepared for year-end financial reporting purposes.

Limitations

This valuation has been conducted for the purposes described above and may not be suitable for any other purpose. In particular, please note the following:

1. There may be certain events that have occurred since the valuation date that are not reflected in the current valuation. See Subsequent Events in the Basis for Valuation section below for more information.

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Section 1 : Summary of key results

1.1 Benefit cost, plan assets & obligations

All monetary amounts shown in US Dollars

Fiscal Year Beginning		01/01/2024	01/01/2023
Benefit Cost/ (Income)	Net Periodic Benefit Cost/(Income)	658,854	662,080
	Benefit Cost/(Income) due to Special Events	0	0
	Total Benefit Cost/(Income)	658,854	662,080
Measurement Date		**01/01/2024**	**01/01/2023**
Plan Assets	Fair Value of Plan Assets (FVA)	0	0
	Actual Return on Fair Value of Plan Assets during Prior Year	N/A	N/A
Benefit Obligations	Accumulated Benefit Obligation (ABO)	(9,422,545)	(9,042,997)
	Projected Benefit Obligation (PBO)	(9,837,532)	(9,107,550)
Funded Ratios	Fair Value of Plan Assets to ABO	0.0%	0.0%
	Fair Value of Plan Assets to PBO	0.0%	0.0%
Accumulated Other Comprehensive (Income)/Loss (Pre-tax)	Net Prior Service Cost/(Credit)	0	0
	Net Loss/(Gain)	506,292	(230,831)
	Total Accumulated Other Comprehensive (Income)/Loss (pre-tax)	506,292	(230,831)
Assumptions	Equivalent Single Discount Rate for Benefit Obligations	5.15%	5.49%
	Equivalent Single Discount Rate for Service Cost	5.15%	5.44%
	Equivalent Single Discount Rate for Interest Cost	5.08%	5.38%
	Expected Long-Term Rate of Return on Plan Assets	N/A	N/A
	Rate of Compensation Increase	Graded Scale	4.50%
Participant Data	Census Date	01/01/2024	01/01/2023

1.2 Comments on results

The actuarial gains/(losses) due to demographic experience, including any assumption changes, were $(737,123).

Change in net periodic cost and funded position

The net periodic cost declined from $662,080 in fiscal 2023 to $658,854 in fiscal 2024 and the funded position declined from $(9,107,550) to $(9,837,532).

Significant reasons for these changes include the following:

- The single equivalent discount rate used to measure PBO, service cost, and interest cost declined compared to the prior year, which increased the net periodic cost and caused the funded position to deteriorate.
- Updated January 1, 2024, census data caused the funded position to deteriorate.

1.3 Basis for valuation

Appendix A summarizes the assumptions, methods and models used in the valuation. Appendix B summarizes our understanding of the principal provisions of the plan being valued. Both of these appendices include a summary of any changes since the prior valuation. Unless otherwise described below under Subsequent Events, assumptions were selected based on information known as of the measurement date.

Subsequent events

None.

Additional information

None.

Actuarial certification

This valuation has been conducted in accordance with generally accepted actuarial principles and practices. However, please note the information described below regarding this valuation.

Reliances

In preparing the results presented in this report, we have relied on information regarding plan provisions, participants, assets, and sponsor accounting policies and methods provided by the Company and other persons or organizations designated by the Company. See the Sources of Data and Other Information section of Appendix A for further details. We have relied on all the data and information provided as complete and accurate. We have reviewed this information for overall reasonableness and consistency, but have neither audited nor independently verified this information. Based on discussions with and concurrence by the plan sponsor, assumptions or estimates may have been made if data were not available. We are not aware of any errors or omissions in the data that would have a significant effect on the results of our calculations. The results presented in this report are directly dependent upon the accuracy and completeness of the underlying data and information. Any material inaccuracy in the data, assets, plan provisions or other information provided to us may have produced results that are not suitable for the purposes of this report and such inaccuracies, as corrected by the Company, may produce materially different results that could require that a revised report be issued.

Measurement of benefit obligations, plan assets and balance sheet adjustments

Census date/measurement date

The measurement date is January 1, 2024. The benefit obligations were measured as of January 1, 2024 and are based on participant data as of the census date, January 1, 2024.

Balance sheet adjustments

Accumulated other comprehensive (income)/loss amounts shown in the report are shown prior to adjustment for tax effects. Any tax effects in AOCI should be determined by the Company in consultation with its tax advisors and independent accountants.

Assumptions and methods under U.S. GAAP

As required by U.S. GAAP, the actuarial assumptions and methods employed in the development of the benefit cost and other financial reporting have been selected by the Company. WTW has evaluated the assumptions used and believes that they do not significantly conflict with what would be reasonable. In addition, we believe that the combined effect of assumptions is expected to have no significant bias. See Appendix A for a description of each significant assumption used and our rationale for concluding that it does not significantly conflict with what would be reasonable.

U.S. GAAP requires that each significant assumption "individually represent the best estimate of the plan's future experience solely with respect to that assumption."

The results shown in this report have been developed based on actuarial assumptions that, to the extent evaluated by WTW, we believe do not significantly conflict with what would be reasonable. Other actuarial assumptions could also be considered to not significantly conflict with what would be reasonable. Thus, reasonable results differing from those presented in this report could have been developed by selecting different reasonable assumptions.

A summary of the assumptions, methods and sources of data and other information used is provided in Appendix A. Note that any subsequent changes in methods or assumptions for the January 1, 2024 measurement date will change the results shown in this report.

Certain models (as described in ASOP No. 56) were used in preparing the information presented herein. Further information on these models can be found in Appendix A.

Nature of actuarial calculations

The results shown in this report are estimates based on data that may be imperfect and on assumptions about future events that cannot be predicted with any certainty. The effects of certain plan provisions may be approximated, or determined to be insignificant and therefore not valued. Reasonable efforts were made in preparing this valuation to confirm that items that are significant in the context of the actuarial liabilities or costs are treated appropriately, and are not excluded or included inappropriately. Any rounding (or lack thereof) used for displaying numbers in this report is not intended to imply a degree of precision, which is not a characteristic of actuarial calculations.

If overall future plan experience produces higher benefit payments or lower investment returns than assumed, the relative level of plan costs reported in this valuation will likely increase in future valuations (and vice versa). Future actuarial measurements may differ significantly from the current measurements presented in this report due to many factors, including: plan experience differing from that anticipated by the economic or demographic assumptions, changes in economic or demographic assumptions, increases or decreases expected as part of the natural operation of the methodology used for the measurements (such as the end of an amortization period), and changes in plan provisions or applicable law. Due to the limited scope of our assignment, we did not perform an analysis of the potential range of such future measurements.

See Basis for Valuation in Section 1 above for a discussion of any material events that have occurred after the valuation date that are not reflected in this valuation.

Limitations on use

This report is provided subject to the terms set out herein and in our engagement letter dated January 24, 2023 and any accompanying or referenced terms and conditions.

The information contained in this report was prepared for the internal use of the Company and its independent accountants in connection with our actuarial valuation of the pension plan as described in Purposes of Valuation above. It is not intended for and may not be used for other purposes, and we accept no responsibility or liability in this regard. The Company may distribute this actuarial valuation report to the appropriate authorities who have the legal right to require the Company to provide them this report, in which case the Company will use best efforts to notify WTW in advance of this distribution. Further distribution to, or use by, other parties of all or part of this report is expressly prohibited without WTW's prior written consent. WTW accepts no responsibility for any consequences arising from any party other than El Paso Electric Company relying on this report or any advice relating to its contents.

Professional qualifications

The undersigned are members of the Society of Actuaries and meet the "Qualification Standards for Actuaries Issuing Statements of Actuarial Opinion in the United States" relating to pension plans. Our objectivity is not impaired by any relationship between the plan sponsor and our employer, Willis Towers Watson US LLC.

Katherine Pitzinger

Katherine Pitzinger, ASA, EA
Associate Director, Retirement
23-08096
July 17, 2024

D Anderson

David Anderson, ASA, EA
Senior Director, Retirement
23-07493
July 17, 2024

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Section 2 : Accounting exhibits

2.1 Balance sheet asset/(liability)

All monetary amounts shown in US Dollars

Measurement Date	01/01/2024	01/01/2023
A Development of Balance Sheet Asset/(Liability)[1]		
1 Projected benefit obligation (PBO)	(9,837,532)	(9,107,550)
2 Fair value of plan assets (FVA)[2]	0	0
3 Net balance sheet asset/(liability)	(9,837,532)	(9,107,550)
B Current and Noncurrent Classification[3]		
1 Noncurrent asset	0	0
2 Current liability	(713,949)	(665,365)
3 Noncurrent liability	(9,123,583)	(8,442,185)
4 Net balance sheet asset/(liability)	(9,837,532)	(9,107,550)
C Accumulated Benefit Obligation (ABO)	(9,422,545)	(9,042,997)
D Accumulated Other Comprehensive (Income)/Loss		
1 Net prior service cost/(credit)	0	0
2 Net loss/(gain)	506,292	(230,831)
3 Accumulated other comprehensive (income)/loss[4]	506,292	(230,831)
E Assumptions and Dates		
1 Equivalent single discount rate for benefit obligations	5.15%	5.49%
2 Rate of compensation increase	Graded Scale	4.50%
3 Census date	01/01/2024	01/01/2023

1 Whether any amounts in this table that differ from those disclosed at year-end must be disclosed in subsequent interim financial statements should be determined.
2 Excludes receivable contributions.
3 The current liability (for each underfunded plan) was measured as the discounted value of benefits expected to be paid over the next 12 months in excess of the fair value of the plan's assets at the measurement date.
4 Amount shown is pre-tax and should be adjusted by plan sponsor for tax effects.

2.2 Changes in plan obligations and assets

All monetary amounts shown in US Dollars

Period Beginning		01/01/2024	01/01/2023
A	**Change in Projected Benefit Obligation (PBO)**		
1	PBO at beginning of prior fiscal year	9,107,550	12,814,807
2	Employer service cost	191,983	199,329
3	Interest cost	470,097	313,622
4	Actuarial loss/(gain)	737,123	(3,606,066)
5	Plan participants' contributions	0	0
6	Benefits paid from plan assets	(669,221)	(614,142)
7	Benefits paid from Company assets	0	0
8	Administrative expenses paid [1]	0	0
9	Plan amendments	0	0
10	Acquisitions/(divestitures)	0	0
11	Curtailments	0	0
12	Settlements	0	0
13	Special/contractual termination benefits	0	0
14	PBO at beginning of current fiscal year	9,837,532	9,107,550
B	**Change in Plan Assets**		
1	Fair value of plan assets at beginning of prior fiscal year	0	0
2	Actual return on plan assets	0	0
3	Employer contributions	669,221	614,142
4	Plan participants' contributions	0	0
5	Benefits paid	(669,221)	(614,142)
6	Administrative expenses paid	0	0
7	Transfer payments	0	0
8	Acquisitions/(divestitures)	0	0
9	Settlements	0	0
10	Fair value of plan assets at beginning of current fiscal year	0	0

[1] Only if future expenses are accrued in PBO through a load on service cost.

2.3 Summary of net balances

All monetary amounts shown in US Dollars

A Summary of Prior Service Cost/(Credit) Bases

Measurement Date Established	Original Amount	Net Amount at 01/01/2024	Remaining Amortization Period	Amortization Amount in 2024	Effect of Curtailments	Other Events
Total		0		0	0	0

All monetary amounts shown in US Dollars

B Summary of Net Loss/(Gain) (see Appendix A for a description of amortization method)

	Net Amount at 01/01/2024 [1]	Amortization Amount in 2024	Effect of Curtailments	Effect of Settlements	Other Events (Identify)
	506,292	0	0	0	0

[1] Before any immediate recognition on the same date.

2.4 Summary and comparison of benefit cost and cash flows

All monetary amounts shown in US Dollars

Fiscal Year Ending		12/31/2024	12/31/2023
A	**Total Benefit Cost**		
1	Employer service cost	179,286	191,983
2	Interest cost	479,568	470,097
3	Expected return on plan assets	0	0
4	Subtotal	658,854	662,080
5	Net prior service cost/(credit) amortization	0	0
6	Net loss/(gain) amortization	0	0
7	Subtotal	0	0
8	Net periodic benefit cost/(income)	658,854	662,080
9	Curtailment (gain)/loss	0	0
10	Settlement (gain)/loss	0	0
11	Special/contractual termination benefits	0	0
12	Total benefit cost	658,854	662,080
B	**Assumptions** (See Appendix A for interim measurements, if any)		
1	Equivalent single discount rate for benefit obligations	5.15%	5.49%
2	Equivalent single discount rate for service cost	5.15%	5.44%
3	Equivalent single discount rate for interest cost	5.08%	5.38%
4	Expected long-term rate of return on plan assets	N/A	N/A
5	Rate of compensation increase	Graded Scale	4.50%
6	Census date	01/01/2024	01/01/2023
C	**Fair Value of Assets at Beginning of Year**	0	0
D	**Cash Flows**	**Expected**	**Actual**
1	Employer contributions	0	0
2	Plan participants' contributions	0	0
3	Benefits paid from Company assets	733,496	669,221
4	Benefits paid from plan assets	0	0
E	**Amortization Period**	6.68994	7.05066

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Section 3 : Participant data

3.1 Summary of participant data

All monetary amounts shown in US Dollars

Census Date			01/01/2024	01/01/2023
A		**Participating Employees**		
	1	Number	10	11
	2	Average expected plan compensation	590,040	466,926
	3	Average age	57.20	56.27
	4	Average credited service	7.50	3.77
B		**Participants with Deferred Benefits**		
	1	Number	1	1
	2	Total annual pension	35,563	12,618
	3	Average annual pension	35,563	12,618
	4	Average age	58.00	55.00
C		**Participants Receiving Benefits**		
	1	Number	23	22
	2	Total annual pension	671,540	665,974
	3	Average annual pension	29,197	30,272
	4	Average age	67.83	67.36
	5	Distribution at January 1, 2024		

Age	Number	Annual Pension
Under 55	0	0
55-59	3	121,284
60-64	5	97,251
65-69	6	186,636
70-74	6	219,851
75-79	2	30,150
80-84	1	16,368
85 and over	0	0

3.2 Participant reconciliation

		Active	Deferred Inactive	Currently Receiving Benefits	Total
1	At 01/01/2023 valuation	11	1	22	34
2	Change due to:				
a	New hire and rehire	0	0	0	0
b	Non-vested termination	0	0	0	0
c	Vested termination	(1)	1	0	0
d	Retirement	0	(1)	1	0
e	Disability	0	0	0	0
f	Death	0	0	0	0
g	New beneficiary	0	0	0	0
h	Cashout	0	0	0	0
i	Miscellaneous	0	0	0	0
j	Net change	(1)	0	1	0
3	At 01/01/2024 valuation	10	1	23	34

Appendix A : Statement of actuarial assumptions, methods and data sources

Sponsor

El Paso Electric Company

Statement of Assumptions

The assumptions disclosed in this Appendix are for the fiscal year 2024 benefit cost.

Assumptions and methods for pension cost purposes

Actuarial Assumptions and Methods — Pension Cost	
Economic Assumptions	
Equivalent single discount rate for benefit obligations	5.15%
Equivalent single discount rate for service cost	5.15%
Equivalent single discount rate for interest cost	5.08%
Annual rates of increase:	
• Consumer Price Index (CPI)	2.50%
• Compensation:	see table below
• Cash balance interest credit rate	4.03%
Annuity conversion	Cash balances are converted to annuities using "annuity substitution" with valuation interest rates and the "applicable mortality table" under Code Section 417(e)(B).

Age	Rate of Base Pay Increase
25	8.00%
30	7.00%
35	6.00%
40	5.00%
45	4.00%
50	3.50%
55	3.00%
60	2.50%
65+	2.00%

As required by the U.S. GAAP accounting standard, the yield curve reflecting returns on high quality corporate bonds (AA and AAA) is used to determine the obligations and service cost, and thus the net periodic benefit cost for the plan. Because these assumptions are required by the U.S. GAAP accounting standard, and reflect current market conditions (specifically, the market conditions as of the measurement date) they may from time to time be inconsistent with other economic assumptions used in the valuation, which may reflect both current economic conditions and assumed future conditions.

Demographic and Other Assumptions	
Inclusion date	The valuation date coincident with or next following the date on which the employee becomes a participant.
New or rehired employees	It was assumed there will be no new or rehired employees.
Benefit commencement dates:	
• Preretirement death benefit	The later of the death of the active participant or the date the participant would have attained age 55
• Deferred vested benefit	For participants under 65, assumed commencement age 65; otherwise, age 70
• Disability benefit	Upon disablement
• Retirement benefit	Upon termination of employment
Form of payment:	
• Individuals who became Participants before April 1, 2014	50% are assumed to elect a Single Life Annuity and 50% are assumed to elect a 100% Joint and Survivor Annuity
• Individuals who became Participants on or after April 1, 2014	100% Lump Sum
Percent married	75% of participants eligible for pre-retirement death benefits are assumed to have an eligible spouse.
Spouse age	Wife three years younger than husband.
Covered pay	Assumed plan compensation for the year beginning on the valuation date was determined as basic compensation and bonus paid to the Company's "short term bonus plan" earned during the prior year provided by the employer.

Demographic Assumptions

Mortality:

- Healthy mortality rates

Base Mortality Table (Male Table used for males; Female Table used for Females)

1. Base table: Pri-2012
2. Base mortality table year: 2012
3. Table type: White Collar
4. Healthy or Disabled: Healthy
5. Table weighting: Benefit
6. Blending of annuitants and non-annuitants: Separate rates for annuitants and non-annuitants (based on Employees table)
7. Blending of retirees and contingent annuitants: Retiree mortality used for both retirees and contingent annuitants

Mortality Improvement Scale (Male Table used for males; Female Table used for Females)

1. Base scale: MP-2021
2. Projection Type: Generational

- Disabled life mortality rates

1. Base table: Pri-2012 Disabled Retiree
2. Base mortality table year: 2012
3. Table type: No Collar
4. Healthy or Disabled: Disabled
5. Blending of annuitants and non-annuitants: Single blended table of rates for annuitants and non-annuitants

Mortality Improvement Scale

1. Base scale: MP-2021
2. Projection Type: Generational

Disability rates

The rates at which participants are assumed to become disabled by age are shown below:

Percentage assumed to become disabled during the year	
Attained Age	Males and Females
20	0.14%
25	0.15%
30	0.16%
35	0.19%
40	0.30%
45	0.45%
50	0.69%

Termination (not due to disability or retirement) rates

The rates at which participants are assumed to terminate employment by age and gender are shown below:

Representative Termination Rates

Percentage assumed to leave during the year	
Attained Age	Males and Females
20	7.00%
25	6.40%
30	5.65%
35	4.90%
40	4.15%
45	3.40%
50	2.65%

Retirement

Rates at which participants are assumed to retire by age are shown below.

Percentage assumed to retire during the year				
	Active Participants			
	Final Average Pay			
Age	Reduced Early Retirement	Unreduced Retirement	Cash Balance	Terminated Vested Participants
55-59	4%	6%	8%	0%
60-61	4%	10%	8%	0%
62	12%	20%	8%	0%
63-64	12%	12%	12%	0%
65	20%	20%	20%	90%
66-69	20%	20%	20%	0%
70+	100%	100%	100%	100%

Additional Assumptions

Administrative expenses

$0; the plan sponsor pays administrative expenses directly.

Cash flow:

- Decrement timing

The assumptions used are collectively called rounded middle of year (rounded MOY) decrement timing. Most events are assumed to occur at the middle of year during which the eligibility condition will be met or the start/end date will occur. For death and disability decrements, the rate applied is based on the participant's rounded age (nearest integer age) at the beginning of the year, to align with the methodology generally used to create those rate tables. For retirement and withdrawal decrements: the age is generally the participant's rounded age at the middle of the year.

• Timing of benefit payments	Benefit payments are assumed to be made uniformly throughout the year and, on average, at mid-year.
• Amount and timing of contributions	Contributions are assumed to be made throughout the year and, on average, at mid-year.
Funding policy	This is an unfunded plan so the funding policy is to pay benefits directly from employer assets as they come due.

Methods – Pension Cost and Funded Position	
Census date	January 1, 2024.
Measurement date	January 1, 2024.
Service cost and projected benefit obligation	The Unit Credit Cost Method is used to determine the Projected Benefit Obligation (PBO) related current service cost. Under this method, the accrued benefit is calculated based upon service as of the measurement date. The PBO is the present value of this benefit and the service cost is the present value of the increase in the benefit due to service in the upcoming year. In normal circumstances the "accrued benefit" is based upon the Plan's accrual formula. However, if service in later years leads to a materially higher level of benefit than in earlier years, the "accrued benefit" is calculated by attributing benefits on a straight-line basis over the relevant period. The benefits described above are used to determine both ABO and PBO except that final average pay is assumed to remain constant in the future when calculating ABO. PBO and service cost are measured by separately discounting the projected benefit payments underlying these measures, determined using the methodology described above, using the spot rates on the December 31, 2023 WTW RATE:Link 40:90 yield curve. Interest cost was measured by summing the individual interest costs associated with each future benefit payment underlying the PBO and service cost. These individual interest costs are developed by multiplying the present value of each benefit payment, discounted using the applicable spot rate on the yield curve relating to the future benefit payment, by that spot rate. Equivalent single discount rates that would reproducing the resulting benefit obligation, service cost and interest cost have been determined and disclosed.
Market-related value of assets	Since this is an unfunded plan, the asset method is not applicable.

Amortization of unamortized amounts:

- Recognition of past service cost/(credit)

Amortization of net prior service cost/(credit) resulting from a plan change is included as a component of Net Periodic Benefit Cost/(Income) in the year first recognized and every year thereafter until it is fully amortized. The annual amortization payment is determined in the first year as the increase in PBO due to the plan change divided by the average remaining service period of active participants expected to receive benefits under the plan.

However, when a plan change reduces the PBO, existing positive prior service costs are reduced or eliminated starting with the earliest established before a new prior service credit base is established.

- Recognition of gains or losses

Amortization of the net gain or loss resulting from experience different from that assumed and from changes in assumptions (excluding asset gains and losses not yet reflected in market-related value) is included as a component of Net Periodic Benefit Cost/(Income) for a year.

If, as of the beginning of the year, that net gain or loss exceeds 10% of the greater of the PBO and the market-related value of plan assets, the amortization is that excess divided by the average remaining service period of active plan participants.

Under this methodology, the gain/loss amounts recognized in AOCI are not expected to be fully recognized in benefit cost until the plan is terminated (or an earlier event, like a settlement, triggers recognition) because the average expected remaining service of active participants expected to benefit under the plan over which the amounts are amortized is redetermined each year and amounts that fall within the corridor described above are not amortized.

Benefits not valued

All benefits described in the Plan Provisions section of this report were valued. WTW has reviewed the plan provisions with the plan sponsor and, based on that review, is not aware of any significant benefits required to be valued that were not.

Sources of Data and Other Information

The plan sponsor furnished participant data as of January 1, 2024. Information on benefit payments and plan provisions was supplied by the plan sponsor. Data and other information were reviewed for reasonableness and consistency, but no audit was performed. Based on discussions with the plan sponsor, assumptions or estimates were made when data were not available. A summary of these assumptions can be found in our email dated June 6, 2024.

Accumulated other comprehensive (income)/loss amounts shown in the report are shown prior to adjustment for deferred taxes. Any deferred tax effects in AOCI should be determined in consultation with the Company's tax advisors and auditors.

We are not aware of any errors or omissions in the data that would have a significant effect on the results of our calculations.

Assumptions Rationale - Significant Economic Assumptions

Discount rate(s)	As required by U.S. GAAP the discount rate methodology was chosen by the plan sponsor based on market information on the measurement date. Based on WTW's interest rate model, RATE:Link, that uses a yield curve derived from current, high quality (rated AA and above) corporate bonds to discount expected pension cash flows, and thus determine discount rates, we believe the discount rate chosen does not significantly conflict with what would be reasonable.
Cash balance interest crediting rate	The interest crediting rate is equal to the daily 30-year Treasury rate at the December 31 measurement date, but with a minimum interest credit rate of 3.8%. We believe this assumption does not significantly conflict with what would be reasonable.
Annuity conversion rate	Cash balances are converted to annuities using "annuity substitution". We believe this assumption does not significantly conflict with what would be reasonable.
Rates of increase in compensation	Assumed increases were chosen by the plan sponsor based on an experience study conducted in 2023 and, as required by U.S. GAAP they represent an estimate of future experience. We believe this assumption does not significantly conflict with what would be reasonable.

Assumptions Rationale - Significant Demographic Assumptions

Healthy Mortality	Assumptions were selected by the plan sponsor and, as required by U.S. GAAP represent a best estimate of future experience. We believe this assumption does not significantly conflict with what would be reasonable.

Disabled Mortality	Assumptions used for accounting purposes were selected by the plan sponsor and, as required by U.S. GAAP represent a best estimate of future experience. We believe this assumption does not significantly conflict with what would be reasonable.
Termination	Termination rates were based on an experience study conducted in 2023, with annual consideration of whether any conditions have changed that would be expected to produce different results in the future. We believe this assumption does not significantly conflict with what would be reasonable.
Disability	Disability rates selected by the plan sponsor with annual consideration of whether any conditions have changed that would be expected to produce different results in the future. We believe this assumption does not significantly conflict with what would be reasonable.
Retirement	Retirement rates were based on an experience study conducted in 2023, with annual consideration of whether any conditions have changed that would be expected to produce different results in the future. We believe this assumption does not significantly conflict with what would be reasonable.
Benefit commencement date for deferred benefits:	
• Preretirement death benefit	Surviving spouses are assumed to begin benefits at the earliest permitted commencement date. If the spouse elects to defer, actuarial increases from the earliest commencement date must be given, so that a later commencement date is expected to be of approximately equal value, and experience indicates that most spouses do take the benefit as soon as it is available.
• Deferred vested benefit	Deferred vested participants are assumed to begin benefits based on rates applied to a number of commencement ages based on an analysis of actual commencement patterns.
Form of payment	The percentage of retiring participants assumed to take lump sums or an annuity is based on expectations given plan provisions. The form of payment is restricted to an annuity for members who entered prior to April 1, 2014 and restricted to a lump sum for those who entered after April 1, 2014.

Percent married	The assumed percentage married is based on historical experience of marital statuses, with annual consideration of changes expected to occur in marriage patterns of retirement age individuals in the future.
Spouse age	The assumed age difference for spouses is based on plan sponsor expectations.
Source of Prescribed Methods	
Accounting methods	The methods used for accounting purposes as described in Appendix A are "prescribed methods set by another party", as defined in the actuarial standards of practice (ASOPs). As required by U.S. GAAP, these methods were selected by the plan sponsor.
Changes in Assumptions, Methods and Estimation Techniques	
Change in assumptions since prior valuation	The single equivalent PBO discount rate decreased from 5.49% as of January 1, 2023 to 5.15% as of January 1, 2024 to reflect the change in yields on high-quality corporate bonds.
	The single equivalent service cost discount rate decreased from 5.44% as of January 1, 2023 to 5.15% as of January 1, 2024 to reflect the change in yields on high-quality corporate bonds.
	The single equivalent interest cost discount rate decreased from 5.38% as of January 1, 2023 to 5.08% as of January 1, 2024 to reflect the change in yields on high-quality corporate bonds.
	The "applicable mortality table" under Code Section 417(e)(B) used for lump sum conversions was updated to reflect an additional year of data.
	The interest crediting rate was updated from 4.30% to 4.03%.
	The retirement rates were updated to reflect observations found in an experience study conducted in 2023.
	The termination rates were updated to reflect observations found in an experience study conducted in 2023.
	The rate of base pay increases was updated to reflect observations found in an experience study conducted in 2023.
Change in methods since prior valuation	None.
Change in estimation techniques since prior valuation	None.

Model Descriptions and Disclosures in accordance with ASOP No. 56	
Quantify	Quantify is the WTW centrally developed, tested and maintained Global actuarial valuation system. It is used to perform valuations of clients' benefit plans. Quantify provides the ability to process data, calculate benefits and value benefit liabilities, develop results using applicable standards, and generate client reports. Quantify parameters provide significant flexibility to model populations and plan designs. Various demographic, economic and benefit related assumptions exist for users to model multiple demographic and economic situations. Plan liabilities are calculated based on standard actuarial techniques, developing actuarially reasonable results using the population and parameters entered. The calculation and presentation of liabilities in Quantify relies on the assumptions used and the reasonability of the assumptions selected. Quantify incorporates standard liability methodologies that are intended to reasonably reflect a variety of economic or demographic conditions. The model itself does not evaluate any assumptions entered for reasonableness, consistency or probability of occurrence. Quantify is designed specifically for these purposes, and we know of no material limitations that would prevent the system from being suitable for these intended purposes. The actuaries signing this report have relied on the actuaries who develop, test and maintain this system, and have also performed a limited review of results to ensure that system parameters have been set appropriately and plan provisions coded correctly.

RateCalc/RATE:Link	**RateCalc** is used as one component in developing the single equivalent discount rate that reflects the characteristics of the client's employee benefit plan. It references a yield curve (often a RATE:Link curve) and expected plan benefit payments. The projected benefit payments from the client's plan are matched to the spot rates along the yield curve to determine their present values. A single equivalent discount rate is then solved for, which produces the same total present value as the spot rates. **RATE:Link** is a methodology to develop spot rates to be used for liability and cost measurements related to employee benefit plans. The same core methodology is used to develop all RATE:Link curves. The RATE:Link process develops term structures of interest rates from corporate bond data for each covered geography (e.g., the U.S. for this valuation). The construction of RATE:Link yield curves relies on bond data collected as of the measurement date. Information regarding quoted bond prices, yields and other bond related data is from Bloomberg Finance L.P.
Published Demographic Tables	Certain demographic tables described above are standard published tables or are based on standard published tables from models developed by organizations with the requisite expertise.

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Appendix B : Summary of principal plan provisions

Plan Provisions	
Effective January 1, 2004. The most recent amendment reflected in the following plan provisions was adopted on April 1, 2014.	
Covered employees	Prior to April 1, 2014, participation was restricted to certain participants of the Retirement Income Plan, as selected by the Company. Generally, the officers of the Company were selected to participate. Beginning April 1, 2014, any employee who holds the office of Vice President or above.
Participation date	Date of becoming a covered employee.
Definitions	
Vesting service	One year for each 1,000-hour calendar year of employment.
Pension service	One year for each 1,000-hour calendar year of employment.
Pensionable pay	A participant's basic compensation received from the Company, including regular wages and bonuses paid pursuant to the Company's "short term bonus plan", but excluding overtime pay, expense allowances, profit sharing, bonuses from other sources, and any other extra compensation in any form.
Average monthly earnings:	
• Final Average Pay	The monthly average of a participant's Considered Earnings computed by summing his Considered Earnings as of any date and for each of the days beginning the four years preceding such date and dividing by sixty.
• Cash Balance	For a Cash Balance Member who is employed by the employer as of April 1, 2014 and becomes a Cash Balance Member as of April 1, 2014, the monthly average of a Member's Considered Earnings computed by summing his Considered Earnings as of March 31, 2014 and as of March 31 of the preceding four calendar years and dividing by sixty.
Normal retirement date (NRD)	First of month coinciding with or next following the attainment of age 65 with five years of pension service.

Accrued benefit:

• Final Average Pay	The monthly accrued benefit payable as a single life annuity upon Normal Retirement is the difference between (a) and (b) below: a) The monthly amount to which the participant would be entitled under the Retirement Income Plan based on the participant's Average Monthly Earnings as defined in this plan and benefit accrual service as determined under the Retirement Income Plan, without giving effect to any limitations on benefits imposed by any provisions of the Internal Revenue Code. b) The monthly amount of the Retirement Income Plan benefit payable to the participant from the Retirement Income Plan.
• Cash Balance	a) The cash balance account to which the participant would be entitled under the Retirement Income Plan if pay credits were calculated based on considered earnings as defined in this plan, years of vesting service as determined under the Retirement Income Plan, and interest credits calculated in the manner provided under the Retirement Income Plan, without giving effect to any limitations on benefits imposed by any provisions of the Internal Revenue Code. b) The cash balance account to which the participant is entitled under the Retirement Income Plan.
Monthly preretirement death benefit	If the participant has attained age 50 and completed at least 10 years of vesting service, 50% of the monthly pension benefit as of the date of death with no reductions for early commencement or optional forms of payment. In all other cases, 50% of the monthly pension benefit as of the date of death, reduced for the 50% joint and survivor election and reduced for payment as early as the participant's 55th birthday.

Eligibility for Benefits	
Normal retirement	Retirement on NRD.
Early retirement	Retirement before NRD and on or after both attaining age 55 and is fully vested in a benefit under the Qualified Plan.
Postponed retirement	Retirement after NRD.
Deferred vested termination	Termination for reasons other than death or retirement and participant is fully vested in a benefit under the Qualified Plan.

Disability	Permanent and total disability prior to NRD, and participant is receiving a Social Security disability benefit.
Preretirement death benefit	Death while eligible for normal, early, postponed, or deferred vested retirement benefits, with a surviving spouse.
Benefits Paid Upon the Following Events	
Normal retirement	The monthly pension benefit determined as of NRD.
Early retirement	The monthly pension benefit determined as of NRD reduced under the reduction schedule provisions of the qualified plan.
Postponed retirement	The monthly pension benefit determined as of the actual retirement date.
Deferred vested termination	Accrued Normal Retirement Benefit with actuarial reductions.
Preretirement death	If participant has attained age 50 and earned at least 10 years of vesting service, then the monthly preretirement death benefit payable on behalf of an active employee is unreduced for form of payment and early retirement. In all other cases, the monthly preretirement death benefit payable is reduced 6.667% for each of the first five years and 3.333% for each of the next five years that payment precedes the participant's NRD.
Other Plan Provisions	
Forms of payment	Preretirement death benefits are payable only as described above. Monthly pension benefits are paid as described above as an annuity, if the individual became a participant prior to April 1, 2014. Optional forms of annuities are joint and survivor annuity with selected percentages up to 100%, a ten-year certain and life annuity, or a single life annuity. Otherwise, benefits are paid in the form of a lump sum. Actuarial equivalence for annuity forms uses the 1971 Group Annuity Mortality Table for males, set back three years, and an interest rate of 6% compounded annually. Actuarial equivalence for lump sum purposes is the "applicable mortality table" under Code Section 417(e)(3)(B) and the "applicable interest rate" under Code Section 417(e)(3)(C) determined as of the fifth month immediately preceding the first day of the Plan Year in which the distribution is being made.
Pension Increases	None.
Plan participants' contributions	None.

Maximum limits on benefits and pay	None.

Future Plan Changes

No future plan changes were recognized in determining pension cost or funding requirements. WTW is not aware of any future plan changes that are required to be reflected.

Changes in Benefits Valued Since Prior Year

There have been no changes in benefits valued since the prior year.

Requirement No. 1:

The Company's requested pension expense is based on a Generally Accepted Accounting Principles (GAAP) calculation. The Company accrues pension costs in accordance with the Financial Accounting Standards Board (FASB) guidance for defined benefit plans. The Company relies on its current actuaries, Willis Towers Watson, to make sure all determinations were done in accordance with FASB guidance.

Requirement No. 2:
Listed below are contributions to the qualified pension plan for the past three calendar years.

	2023	2022	2021
January	$ 188,000	$ -	$ 811,112
February	$ 189,000	$ 377,777	$ 811,111
March	$ 189,000	$ 188,889	$ 811,111
April	$ 189,000	$ 188,889	$ 811,111
May	$ 189,000	$ 188,889	$ 811,111
June	$ 189,000	$ 188,889	$ 811,111
July	$ 189,000	$ 188,889	$ 811,111
August	$ 189,000	$ 188,889	$ 811,111
September	$ 189,000	$ 188,889	$ 811,111
October	-	-	-
November	-	-	-
December	-	-	-
	$ 1,700,000	$ 1,700,000	$ 7,300,000

Refer to WP/G-2.1, for support for funding payments to the pension trust.

Requirement No. 3:

Listed are the three most recent years. Test Year Ended September 30, 2024, pension expense per GAAP, actual pension payments funded to the pension trust, and actuarial minimum and maximum calculations.

SCHEDULE G-2.1: PENSION EXPENSE
SPONSOR: STEVEN SIERRA
PREPARER: EN LI
FOR THE TEST YEAR ENDED SEPTEMBER 30, 2024

For the Years ending December 31:				
(a) Year	(b) Pension Expense Per GAAP (1)	(c) Actual Pension Payments to the Fund	(d) Actuarial Minimum (2)	(e) Actuarial Maximum (2)
10/1/23 – 9/30/24 (3)	2,562,814(7)	5,000,000	N/A	N/A
2023 (4)	(2,745,381)	1,700,000	0	270,659,125
2022 (5)	(2,627,773)	1,700,000	0	269,931,432
2021 (6)	4,484,232	7,300,000	0	254,148,663

(1) Refer to Schedule G-2.1 Attachment A pages 7, 105, 205, and 301 for the pension expense per GAAP for the calendar years 2024, 2023, 2022, and 2021.

(2) Refer to Schedule G-2.1 Attachment A pages 50, 66,148, 165, 247, 263, 302 and 321 for the actuarial minimum and maximum contributions for the calendar years 2024, 2023, 2022, and 2021.

(3) Refer to Schedule G-2.1 Attachment A page 1 to 98 for the actuarial report from Willis Towers Watson for the calendar year ended December 31, 2024.

(4) Refer to Schedule G-2.1 Attachment A page 99 to 198 for the actuarial report from Willis Towers Watson for the calendar year ended December 31, 2023.

(5) Refer to Schedule G-2.1 Attachment A page 199 to 293 for the actuarial report from Willis Towers Watson for the calendar year ended December 31, 2022.

(6) Refer to Schedule G-2.1 Attachment A page 294 to 362 for the actuarial report from Willis Towers Watson for the calendar year ended December 31, 2021.

(7) See schedule A-3 adjustment 4 for requested expense.

El Paso Electric Company

Retirement Income Plan

Actuarial Valuation Report
Benefit Cost for Fiscal Year Beginning January 1, 2024 under US GAAP

July 2024

wtwco.com

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Purposes of valuation

El Paso Electric Company (the Company) engaged Willis Towers Watson US LLC ("**WTW**") to value the **Company's pension plan.**

As requested by the Company, this report documents the results of an actuarial valuation of the Retirement Income Plan for Employees of El Paso Electric Company (the Plan) as of January 1, 2024.

The primary purpose of this valuation is to determine the Net Periodic Benefit Cost/(Income) (Benefit Cost), in accordance with FASB Accounting Standards Codification Topic 715 (ASC 715) for the fiscal year ending December 31, 2024. It is anticipated that a separate report will be prepared for year-end financial reporting purposes.

Limitations

This valuation has been conducted for the purposes described above and may not be suitable for any other purpose. In particular, please note the following:

1. The expected contributions to the qualified pension plan(s) were set at $5,000,000 as provided by El Paso Electric Company.

   Note that any significant change in the amounts contributed or expected to be contributed in 2024 from what is disclosed at December 31, 2023 may require disclosure in the interim financial statements, but should not affect the expected return on plan assets absent a remeasurement for another purpose.
2. There may be certain events that have occurred since the valuation date that are not reflected in the current valuation. See Subsequent Events in the Basis for Valuation section below for more information.
3. This report is not intended to constitute a certification of the Adjusted Funding Target Attainment Percentage (AFTAP) under IRC §436 for any plan year.
4. This report does not determine funding requirements under IRC §430.
5. This report does not provide information for plan accounting and financial reporting under ASC 960.
6. This report does not present liabilities on a plan termination basis, for which a separate extensive analysis would be required. No funded status measure included in this report is intended to assess, and none may be appropriate for assessing, the sufficiency of plan assets to cover the estimated cost of settling benefit obligations, as all such measures differ in some way from plan termination obligations. In addition, funded status measures shown in this report do not reflect the current costs of settling obligations by offering immediate lump sum payments to participants and/or purchasing annuity contracts for the remaining participants (e.g., insurer profit, insurer pricing of contingent benefits and/or provision for anti-selection in the choice of a lump sum vs. an annuity).

7. The comparisons of plan obligations as determined for accounting and financial reporting purposes to plan assets presented in this report cannot be relied upon to determine the need for nor the amount of required future plan contributions. Nevertheless, such comparisons may be useful to assess the need for future contributions because they reflect current interest rates at the measurement date in determining benefit obligations. However, asset gains and losses, demographic experience different from assumed, changes in interest rates, future benefit accruals, if any, and other factors will all affect the need for and amount of future contributions. In addition, if a plan is not required by law to be funded, benefit payments may also be paid directly by the plan sponsor as they come due.

Section 1 : Summary of key results

1.1 Benefit cost, plan assets & obligations

All monetary amounts shown in US Dollars

Fiscal Year Beginning		01/01/2024	01/01/2023
Benefit Cost/ (Income)	Net Periodic Benefit Cost/(Income)	4,332,211	(2,745,381)
	Benefit Cost/(Income) due to Special Events	0	0
	Total Benefit Cost/(Income)	4,332,211	(2,745,381)
Measurement Date		**01/01/2024**	**01/01/2023**
Plan Assets	Fair Value of Plan Assets (FVA)	277,810,445	271,670,914
	Market Related Value of Plan Assets (MRVA)	312,266,391	348,414,724
	Actual Return on Fair Value of Plan Assets during Prior Year	10.36%	(24.99%)
Benefit Obligations	Accumulated Benefit Obligation (ABO)	(306,143,191)	(294,948,249)
	Projected Benefit Obligation (PBO)	(315,581,208)	(311,073,760)
Funded Ratios	Fair Value of Plan Assets to ABO	90.7%	92.1%
	Fair Value of Plan Assets to PBO	88.0%	87.3%
Accumulated Other Comprehensive (Income)/Loss (Pre-tax)	Net Prior Service Cost/(Credit)	0	(3,074,144)
	Net Loss/(Gain)	89,259,691	89,520,537
	Total Accumulated Other Comprehensive (Income)/Loss (pre-tax)	89,259,691	86,446,393
Assumptions	Equivalent Single Discount Rate for Benefit Obligations	5.20%	5.54%
	Equivalent Single Discount Rate for Service Cost	5.35%	5.69%
	Equivalent Single Discount Rate for Interest Cost	5.10%	5.41%
	Expected Long-Term Rate of Return on Plan Assets	7.00%	7.00%
	Rate of Compensation Increase	Graded Scale	4.50%
Participant Data	Census Date	01/01/2024	01/01/2023

1.2 Comments on results

The actuarial gains/(losses) due to demographic experience, including any assumption changes, and investment return different from assumed during the prior year were $(3,202,567) and $8,764,094 respectively.

Change in net periodic cost and funded position

The net periodic cost increased from $(2,745,381) in fiscal 2023 to $4,332,211 in fiscal 2024 and the funded position improved from $(39,402,846) to $(37,770,763).

Significant reasons for these changes include the following:

- The actual return on the fair value of plan assets since the prior measurement date was greater than the expected return on plan assets, which improved the funded position.
- The single equivalent discount rate used to measure PBO declined 34 basis points compared to the prior year, which increased the net periodic cost and caused the funded position to deteriorate.
- Updates in the demographic assumptions based on the experience study conducted in 2023 improved the funded position and reduced the net periodic cost.

1.3 Basis for valuation

Appendix A summarizes the assumptions, methods and models used in the valuation. Appendix B summarizes our understanding of the principal provisions of the plan being valued. Both of these appendices include a summary of any changes since the prior valuation. Unless otherwise described below under Subsequent Events, assumptions were selected based on information known as of the measurement date.

Subsequent events

None.

Additional information

None.

Actuarial certification

This valuation has been conducted in accordance with generally accepted actuarial principles and practices. However, please note the information described below regarding this valuation.

Reliances

In preparing the results presented in this report, we have relied on information regarding plan provisions, participants, assets, and sponsor accounting policies and methods provided by the Company and other persons or organizations designated by the Company. See the Sources of Data and Other Information section of Appendix A for further details. We have relied on all the data and information provided as complete and accurate. We have reviewed this information for overall reasonableness and consistency, but have neither audited nor independently verified this information. Based on discussions with and concurrence by the plan sponsor, assumptions or estimates may have been made if data were not available. We are not aware of any errors or omissions in the data that would have a significant effect on the results of our calculations. The results presented in this report are directly dependent upon the accuracy and completeness of the underlying data and information. Any material inaccuracy in the data, assets, plan provisions or other information provided to us may have produced results that are not suitable for the purposes of this report and such inaccuracies, as corrected by the Company, may produce materially different results that could require that a revised report be issued.

Measurement of benefit obligations, plan assets and balance sheet adjustments

Census date/measurement date

The measurement date is January 1, 2024. The benefit obligations were measured as of January 1, 2024 and are based on participant data as of the census date, January 1, 2024.

Plan assets and balance sheet adjustments

Information about the fair value of plan assets and the general ledger account balances for the benefit plan cost at December 31, 2023, which reflect the expected funded status of the plan was reviewed for reasonableness and consistency, but no audit was performed.

Accumulated other comprehensive (income)/loss amounts shown in the report are shown prior to adjustment for tax effects. Any tax effects in AOCI should be determined by the Company in consultation with its tax advisors and independent accountants.

Assumptions and methods under U.S. GAAP

As required by U.S. GAAP, the actuarial assumptions and methods employed in the development of the benefit cost and other financial reporting have been selected by the Company. WTW has evaluated the assumptions used and believes that they do not significantly conflict with what would be reasonable. In addition, we believe that the combined effect of assumptions is expected to have no significant bias. See Appendix A for a description of each significant assumption used and our rationale for concluding that it does not significantly conflict with what would be reasonable.

U.S. GAAP requires that each significant assumption "individually represent the best estimate of the plan's future experience solely with respect to that assumption."

The results shown in this report have been developed based on actuarial assumptions that, to the extent evaluated by WTW, we believe do not significantly conflict with what would be reasonable. Other actuarial assumptions could also be considered to not significantly conflict with what would be reasonable. Thus, reasonable results differing from those presented in this report could have been developed by selecting different reasonable assumptions.

A summary of the assumptions, methods and sources of data and other information used is provided in Appendix A. Note that any subsequent changes in methods or assumptions for the January 1, 2024 measurement date will change the results shown in this report.

Certain models (as described in ASOP No. 56) were used in preparing the information presented herein. Further information on these models can be found in Appendix A.

Nature of actuarial calculations

The results shown in this report are estimates based on data that may be imperfect and on assumptions about future events that cannot be predicted with any certainty. The effects of certain plan provisions may be approximated, or determined to be insignificant and therefore not valued. Reasonable efforts were made in preparing this valuation to confirm that items that are significant in the context of the actuarial liabilities or costs are treated appropriately, and are not excluded or included inappropriately. Any rounding (or lack thereof) used for displaying numbers in this report is not intended to imply a degree of precision, which is not a characteristic of actuarial calculations.

If overall future plan experience produces higher benefit payments or lower investment returns than assumed, the relative level of plan costs reported in this valuation will likely increase in future valuations (and vice versa). Future actuarial measurements may differ significantly from the current measurements presented in this report due to many factors, including: plan experience differing from that anticipated by the economic or demographic assumptions, changes in economic or demographic assumptions, increases or decreases expected as part of the natural operation of the methodology used for the measurements (such as the end of an amortization period), and changes in plan provisions or applicable law. Due to the limited scope of our assignment, we did not perform an analysis of the potential range of such future measurements.

See Basis for Valuation in Section 1 above for a discussion of any material events that have occurred after the valuation date that are not reflected in this valuation.

Limitations on use

This report is provided subject to the terms set out herein and in our engagement letter dated January 24, 2023 and any accompanying or referenced terms and conditions.

The information contained in this report was prepared for the internal use of the Company and its independent accountants in connection with our actuarial valuation of the pension plan as described in Purposes of Valuation above. It is not intended for and may not be used for other purposes, and we accept no responsibility or liability in this regard. The Company may distribute this actuarial valuation report to the appropriate authorities who have the legal right to require the Company to provide them this report, in which case the Company will use best efforts to notify WTW in advance of this distribution. Further distribution to, or use by, other parties of all or part of this report is expressly prohibited without WTW's prior written consent. WTW accepts no responsibility for any consequences arising from any party other than El Paso Electric Company relying on this report or any advice relating to its contents.

Professional qualifications

The undersigned are members of the Society of Actuaries and meet the "Qualification Standards for Actuaries Issuing Statements of Actuarial Opinion in the United States" relating to pension plans. Our objectivity is not impaired by any relationship between the plan sponsor and our employer, Willis Towers Watson US LLC.

Katherine Pitzinger

Katherine Pitzinger, ASA, EA
Associate Director, Retirement
23-08096
July 17, 2024

D Anderson

David Anderson, ASA, EA
Senior Director, Retirement
23-07493
July 17, 2024

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Section 2 : Accounting exhibits

2.1 Balance sheet asset/(liability)

All monetary amounts shown in US Dollars

Measurement Date	01/01/2024	01/01/2023
A Development of Balance Sheet Asset/(Liability)[1]		
1 Projected benefit obligation (PBO)	(315,581,208)	(311,073,760)
2 Fair value of plan assets (FVA) [2]	277,810,445	271,670,914
3 Net balance sheet asset/(liability)	(37,770,763)	(39,402,846)
B Current and Noncurrent Classification[3]		
1 Noncurrent asset	0	0
2 Current liability	0	0
3 Noncurrent liability	(37,770,763)	(39,402,846)
4 Net balance sheet asset/(liability)	(37,770,763)	(39,402,846)
C Accumulated Benefit Obligation (ABO)	(306,143,191)	(294,948,249)
D Accumulated Other Comprehensive (Income)/Loss		
1 Net prior service cost/(credit)	0	(3,074,144)
2 Net loss/(gain)	89,259,691	89,520,537
3 Accumulated other comprehensive (income)/loss[4]	89,259,691	86,446,393
E Assumptions and Dates		
1 Equivalent single discount rate for benefit obligations	5.20%	5.54%
2 Rate of compensation increase	Graded Scale	4.50%
3 Cash balance interest crediting rate	4.03%	4.30%
4 Census date	01/01/2024	01/01/2023

[1] Whether any amounts in this table that differ from those disclosed at year-end must be disclosed in subsequent interim financial statements should be determined.
[2] Excludes receivable contributions.
[3] The current liability (for each underfunded plan) was measured as the discounted value of benefits expected to be paid over the next 12 months in excess of the fair value of the plan's assets at the measurement date.
[4] Amount shown is pre-tax and should be adjusted by plan sponsor for tax effects.

2.2 Changes in plan obligations and assets

All monetary amounts shown in US Dollars

Period Beginning		01/01/2024	01/01/2023
A	**Change in Projected Benefit Obligation (PBO)**		
1	PBO at beginning of prior fiscal year	311,073,760	424,001,787
2	Employer service cost	7,693,352	11,042,170
3	Interest cost	16,251,576	10,375,011
4	Actuarial loss/(gain)	3,202,567	(109,431,335)
5	Plan participants' contributions	0	0
6	Benefits paid from plan assets	(19,895,893)	(23,391,122)
7	Benefits paid from Company assets	0	0
8	Administrative expenses paid [1]	(2,744,154)	(1,522,751)
9	Plan amendments	0	0
10	Acquisitions/(divestitures)	0	0
11	Curtailments	0	0
12	Settlements	0	0
13	Special/contractual termination benefits	0	0
14	PBO at beginning of current fiscal year	315,581,208	311,073,760
B	**Change in Plan Assets**		
1	Fair value of plan assets at beginning of prior fiscal year	271,670,914	389,309,759
2	Actual return on plan assets	27,079,578	(94,424,972)
3	Employer contributions	1,700,000	1,700,000
4	Plan participants' contributions	0	0
5	Benefits paid	(19,895,893)	(23,391,122)
6	Administrative expenses paid	(2,744,154)	(1,522,751)
7	Transfer payments	0	0
8	Acquisitions/(divestitures)	0	0
9	Settlements	0	0
10	Fair value of plan assets at beginning of current fiscal year	277,810,445	271,670,914

[1] Only if future expenses are accrued in PBO through a load on service cost.

2.3 Summary of net balances

All monetary amounts shown in US Dollars

A Summary of Prior Service Cost/(Credit) Bases

Measurement Date Established	Original Amount	Net Amount at 01/01/2024	Remaining Amortization Period	Amortization Amount in 2024	Effect of Curtailments	Other Events
Total		0		0	0	0

All monetary amounts shown in US Dollars

B Summary of Net Loss/(Gain) (see Appendix A for a description of amortization method)

	Net Amount at 01/01/2024 [1]	Amortization Amount in 2024	Effect of Curtailments	Effect of Settlements	Other Events (Identify)
	89,259,691	(1,864,179)	0	0	0

[1] Before any immediate recognition on the same date.

2.4 Development of plan assets for benefit cost

All monetary amounts shown in US Dollars

			Fair Value	Market-Related Value
A		**Reconciliation of Plan Assets**		
	1	Plan assets at 12/31/2022	271,670,914	348,414,724
	2	Actual return on plan assets	27,079,578	(15,208,286)
	3	Employer contributions	1,700,000	1,700,000
	4	Plan participants' contributions	0	0
	5	Benefits paid	(19,895,893)	(19,895,893)
	6	Administrative expenses paid	(2,744,154)	(2,744,154)
	7	Acquisitions/(divestitures)	0	0
	8	Settlements	0	0
	9	Plan assets at 12/31/2023	277,810,445	312,266,391
B		**Rate of Return on Invested Assets**		
	1	Weighted invested assets	261,468,686	
	2	Rate of return	10.36%	
C		**Investment Loss/(Gain)**		
	1	Actual return	27,079,578	
	2	Expected return	18,315,484	
	3	Loss/(gain)	(8,764,094)	
D		**Market-Related Value of Assets**		
	1	Fair value of plan assets at 12/31/2023	277,810,445	
	2	Deferred investment (gains) and losses for the last 3 years		

	Measurement Year Ending (i)	(Gain)/Loss (ii)	Percent Recognized (iii)	Percent Deferred (iv)	Deferred Amount (v) = (ii) × (iv)
a	12/31/2023	(8,764,094)	33.33%	66.67%	(5,842,759)
b	12/31/2022	120,893,696	66.67%	33.33%	40,298,705
c	12/31/2021	(11,556,940)	100.00%	0.00%	0
	Total				34,455,946

3	Market-related value of assets	312,266,391

2.5 Summary and comparison of benefit cost and cash flows

All monetary amounts shown in US Dollars

Fiscal Year Ending		12/31/2024	12/31/2023
A	**Total Benefit Cost**		
1	Employer service cost	8,124,674	7,693,352
2	Interest cost	15,563,954	16,251,576
3	Expected return on plan assets	(21,220,596)	(23,616,165)
4	Subtotal	2,468,032	328,763
5	Net prior service cost/(credit) amortization	0	(3,074,144)
6	Net loss/(gain) amortization	1,864,179	0
7	Subtotal	1,864,179	(3,074,144)
8	Net periodic benefit cost/(income)	4,332,211	(2,745,381)
9	Curtailment (gain)/loss	0	0
10	Settlement (gain)/loss	0	0
11	Special/contractual termination benefits	0	0
12	Total benefit cost	4,332,211	(2,745,381)
B	**Assumptions** (See Appendix A for interim measurements, if any)		
1	Equivalent single discount rate for benefit obligations	5.20%	5.54%
2	Equivalent single discount rate for service cost	5.35%	5.69%
3	Equivalent single discount rate for interest cost	5.10%	5.41%
4	Expected long-term rate of return on plan assets	7.00%	7.00%
5	Rate of compensation increase	Graded Scale	4.50%
6	Cash balance interest crediting rate	4.03%	4.30%
7	Census date	01/01/2024	01/01/2023
C	**Plan Assets at Beginning of Year**		
1	Fair value	277,810,445	271,670,914
2	Market-related value	312,266,391	348,414,724
D	**Cash Flows**	**Expected**	**Actual**
1	Employer contributions	5,000,000	1,700,000
2	Plan participants' contributions	0	0
3	Benefits paid from Company assets	0	0
4	Benefits paid from plan assets	21,230,779	19,895,893
E	**Amortization Period**	12.46963	13.06158

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Section 3 : Participant data

3.1 Summary of participant data

All monetary amounts shown in US Dollars

Census Date			01/01/2024	01/01/2023
A		**Participating Employees**		
	1	Number	1,107	1,128
	2	Average expected plan compensation	93,249	88,579
	3	Average age	43.89	43.66
	4	Average credited service	7.17	9.70
B		**Participants with Deferred Benefits**		
	1	Number	391	372
	2	Deferred FAP annual benefits		
		Total	1,949,669	1,991,800
		Average	6,413	6,488
	3	Deferred CB benefits		
		Total	2,928,651	2,149,356
		Average	19,655	17,474
	4	Average age	51.28	51.72
C		**Participants Receiving Benefits**		
	1	Number	930	926
	2	Total annual pension	17,300,607	17,454,593
	3	Average annual pension	18,603	18,849
	4	Average age	72.98	72.40
	5	Distribution at January 1, 2024		

Age	Number	Annual Pension
Under 55	2	4,759
55-59	19	494,800
60-64	97	2,428,695
65-69	242	4,732,240
70-74	264	5,016,234
75-79	159	2,502,131
80-84	83	1,281,434
85 and over	64	836,558

3.2 Age and service distribution of active participants

All monetary amounts shown in US Dollars

Attained Age	Attained Years of Credited Service and Number and Average Compensation[1]													
	0	1	2	3	4	5-9	10-14	15-19	20-24	25-29	30-34	35-39	40 & Over	Total
Under 25	34	3	3	3	1	0	0	0	0	0	0	0	0	44
25-29	84	15	12	9	3	2	0	0	0	0	0	0	0	125
30-34	113	4	1	2	4	0	1	0	0	0	0	0	0	125
35-39	118	15	7	2	3	6	14	1	0	0	0	0	0	166
40-44	84	6	10	1	0	14	15	12	2	0	0	0	0	144
45-49	51	1	10	3	6	18	12	12	4	3	0	0	0	120
50-54	44	6	6	3	4	15	26	18	16	3	12	0	0	153
55-59	20	2	2	0	2	9	15	16	14	12	15	7	0	114
60-64	8	0	0	2	1	3	9	8	10	12	12	10	8	83
65-69	3	0	1	0	1	1	1	3	3	4	3	4	5	29
70 & over	0	0	1	0	0	0	0	0	0	0	0	0	3	4
Total	559	52	53	25	25	68	93	70	49	34	42	21	16	1,107

Average:	Age	44	Number of Participants: Fully vested	885	Males	811
	Service	7	Partially vested	0	Females	296

Census data as of January 1, 2024

[1] Ages and service totals for purposes of determining category are based on exact (not rounded) values.

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3.3 Participant reconciliation

			Active	Deferred Inactive	Currently Receiving Benefits	Total
1	At 01/01/2023 valuation		1,128	372	926	2,426
2	Change due to:					
	a	New hire and rehire	68	(3)	0	65
	b	Non-vested termination	(19)			(19)
	c	Vested termination	(39)	39		0
	d	Retirement	(10)	(14)	24	0
	e	Disability	0	0	0	0
	f	Death	(2)	(2)	(26)	(30)
	g	New beneficiary		6	7	13
	h	Cashout	(17)	(8)	0	(25)
	i	Miscellaneous	(2)	1	(1)	(1)
	j	Net change	(21)	19	4	2
3	At 01/01/2024 valuation		1,107	391	930	2,428

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Appendix A : Statement of actuarial assumptions, methods and data sources

Plan Sponsor

El Paso Electric Company

Statement of Assumptions

The assumptions disclosed in this Appendix are for the fiscal year 2024 benefit cost.

Assumptions and methods for pension cost purposes

Economic Assumptions	
Pre-tax rate of return on assets for	7.00%
Discount rate:	
• Equivalent single discount rate for benefit obligations	5.20%
• Equivalent single discount rate for service cost	5.35%
• Equivalent single discount rate for interest cost	5.10%
Annual rates of increase:	
• Inflation	2.50%
• Compensation:	(see table below)
• Statutory limits on compensation and benefits	2.50%
• Cash balance interest credit rate	4.03%

Age	Rate of Base Pay Increase
25	8.00%
30	7.00%
35	6.00%
40	5.00%
45	4.00%
50	3.50%
55	3.00%
60	2.50%
65+	2.00%

Annuity conversion	Cash balances are converted to annuities using "annuity substitution" with valuation interest rates and the "applicable mortality table" under Code Section 417(e)(B)

The return on assets shown above is gross of investment expenses. Administrative expenses are accounted for as an addition to Service Cost, as described below.

As required by the U.S. GAAP accounting standard, the yield curve reflecting returns on high quality corporate bonds (AA and AAA) is used to determine the obligations and service cost, and thus the net periodic benefit cost for the plan. Because these assumptions are required by the U.S. GAAP accounting standard, and reflect current market conditions (specifically, the market conditions as of the measurement date) they may from time to time be inconsistent with other economic assumptions used in the valuation, which may reflect both current economic conditions and assumed future conditions.

Demographic Assumptions

Inclusion date	The valuation date coincident with or next following the date on which the employee becomes a participant.
New or rehired employees	It was assumed there will be no new or rehired employees.
Termination	The rates at which participants are assumed to terminate employment by age are shown below:

Representative Termination Rates

Percentage leaving during the year	
Attained Age	Males and Females
20	7.00%
25	6.40%
30	5.65%
35	4.90%
40	4.15%
45	3.40%
50	2.65%

Disability

The rates at which participants become disabled by age and gender are shown below:

Percentage becoming disabled during the year	
Age	Males and Females
20	0.14%
25	0.15%
30	0.16%
35	0.19%
40	0.30%
45	0.45%
50	0.69%

Retirement

Rates varying by age.

Percentage assumed to retire during the year				
	Active Participants			
	Final Average Pay			
Age	Reduced Early Retirement	Unreduced Retirement	Cash Balance	Terminated Vested Participants
55 - 59	4%	6%	8%	0%
60 - 61	4%	10%	8%	0%
62	12%	20%	8%	0%
63 - 64	12%	12%	12%	0%
65	20%	20%	20%	90%
66-69	20%	20%	20%	0%
70+	100%	100%	100%	100%

Benefit commencement date:

- Preretirement death benefit — The later of the death of the active participant or the date the participant would have attained age 55.
- Deferred vested benefit — For participants under 65, assumed commencement age 65; otherwise, age 70
- Disability benefit — Upon disablement.
- Retirement benefit — Upon termination of employment.

Form of payment

- Final Average Pay Participants — 50% are assumed to elect a Single Life Annuity and 50% are assumed to elect a 100% Joint and Survivor Annuity

• Cash Balance Participants	90% of participants are assumed to elect a lump sum form of payment and 10% are assumed to elect a Single Life Annuity. Lump sums were valued using the substitution of annuity form under IRS Regulation §1.430(d)-1(f)(4) without application of generational mortality.
Lump Sum & Annuity Conversion	Cash balances are converted to annuities using "annuity substitution" with valuation interest rates and the "applicable mortality table" under Code Section 417(e)(B). Cash balance participants' frozen FAP benefits are converted to lump sum using "annuity substitution" with valuation interest rates and the "applicable mortality table" under Code Section 417(e)(B).
Percent married	75% of participants eligible for pre-retirement death benefits are assumed to have an eligible spouse.
Spouse age	Wife three years younger than husband.
Covered pay	Assumed plan compensation for the year beginning on the valuation date was determined as an employee's annualized rate of basic compensation, excluding overtime, bonuses, expense allowances, profit sharing, and any other extra compensation in any form.

Mortality:

• Healthy mortality rates

Base Mortality Table (Male Table used for males; Female Table used for Females)

1. Base table: Pri-2012
2. Base mortality table year: 2012
3. Table type: White Collar for non-union participants, Blue-Collar for union participants, and Total Dataset for participants with an unknown union status
4. Healthy or Disabled: Healthy
5. Table weighting: Benefit
6. Blending of annuitants and non-annuitants: Separate rates for annuitants and non-annuitants (based on Employees table)
7. Blending of retirees and contingent annuitants: Retiree mortality is used for both retirees and contingent annuitants.

Mortality Improvement Scale (Male Table used for males; Female Table used for Females)

1. Base scale: MP-2021
2. Projection Type: Generational

• Disabled life mortality rates	Base Mortality Table 1. Base table: Pri-2012 Disabled Retiree 2. Base mortality table year: 2012 3. Table type: No Collar 4. Healthy or Disabled: Disabled 5. Blending of annuitants and non-annuitants: Single blended table of rates for annuitants and non-annuitants Mortality Improvement Scale 1. Base scale: MP-2021 2. Projection Type: Generational
Additional Assumptions	
Administrative expenses	Service cost includes a load for administrative expenses expected to be paid from the trust during the current year, equal to 60 basis points of the market value of assets.
Cash flow	
• Decrement timing	The assumptions used are collectively called rounded middle of year (rounded MOY) decrement timing. Most events are assumed to occur at the middle of year during which the eligibility condition will be met or the start/end date will occur. For death and disability decrements, the rate applied is based on the participant's rounded age (nearest integer age) at the beginning of the year, to align with the methodology generally used to create those rate tables. For retirement and withdrawal decrements: the age is generally the participant's rounded age at the middle of the year.
• Timing of benefit payments	Benefit payments are assumed to be made uniformly throughout the year and, on average, at mid-year.
• Amount and timing of contributions	Contributions are assumed to be made on the schedule specified by the Company.
Funding policy	El Paso Electric Company's funding policy is to contribute an amount equal to the minimum required contribution with consideration for amounts included in customer rates. El Paso Electric Company considers each year whether to contribute additional amounts (e.g., to reach certain funded status thresholds to avoid benefit restrictions, at-risk status, ERISA §4010 filings or other requirements).

Methods – Pension Cost Position	
Census date	January 1, 2024.
Measurement date	January 1, 2024.
Service cost and projected benefit obligation	The Unit Credit Cost Method is used to determine the Projected Benefit Obligation (PBO) and related current service cost. Under this method, the accrued benefit is calculated based upon service as of the measurement date. The PBO is the present value of this benefit and the service cost is the present value of the increase in the benefit due to service in the upcoming year. In normal circumstances the "accrued benefit" is based upon the Plan's accrual formula. However, if service in later years leads to a materially higher level of benefit than in earlier years, the "accrued benefit" is calculated by attributing benefits on a straight-line basis over the relevant period. The benefits described above are used to determine both ABO and PBO except that final average pay is assumed to remain constant in the future when calculating ABO. PBO and service cost are measured by separately discounting the projected benefit payments underlying these measures, determined using the methodology described above, using the spot rates on the December 31, 2023 WTW RATE:Link 40:90 yield curve. Interest cost was measured by summing the individual interest costs associated with each future benefit payment underlying the PBO and service cost. These individual interest costs are developed by multiplying the present value of each benefit payment, discounted using the applicable spot rate on the yield curve relating to the future benefit payment, by that spot rate. Equivalent single discount rates that would reproducing the resulting benefit obligation, service cost and interest cost have been determined and disclosed.
Market-related value of assets	The market-related value of assets is determined by adjusting the market value of assets to reflect the investment gains and losses (the difference between the actual investment return and the expected investment return) during each of the last 2 years at the rate of 33% per year. Expected investment return is a component of NPBC.

Amortization of unamortized amounts:

- Recognition of past service cost/(credit)

Amortization of net prior service cost/(credit) resulting from a plan change is included as a component of Net Periodic Benefit Cost/(Income) in the year first recognized and every year thereafter until it is fully amortized. The annual amortization payment is determined in the first year as the increase in PBO due to the plan change divided by the average remaining service period of active participants expected to receive benefits under the plan.

However, when a plan change reduces the PBO, existing positive prior service costs are reduced or eliminated starting with the earliest established before a new prior service credit base is established.

- Recognition of gains or losses

Amortization of the net gain or loss resulting from experience different from that assumed and from changes in assumptions (excluding asset gains and losses not yet reflected in market-related value) is included as a component of Net Periodic Benefit Cost/(Income) for a year.

If, as of the beginning of the year, that net gain or loss exceeds 10% of the greater of the PBO and the market-related value of plan assets, the amortization is that excess divided by the average remaining service period of active plan participants.

Under this methodology, the gain/loss amounts recognized in AOCI are not expected to be fully recognized in benefit cost until the plan is terminated (or an earlier event, like a settlement, triggers recognition) because the average expected remaining service of active participants expected to benefit under the plan over which the amounts are amortized is redetermined each year and amounts that fall within the corridor described above are not amortized.

Benefits not valued

All benefits described in the Plan Provisions section of this report were valued. WTW has reviewed the plan provisions with the plan sponsor and, based on that review, is not aware of any significant benefits required to be valued that were not.

Sources of Data and Other Information

The plan sponsor furnished participant data and claims data as of January 1, 2024. Information on assets, contributions and plan provisions was supplied by the plan sponsor. Data and other information were reviewed for reasonableness and consistency, but no audit was performed. Based on discussions with the plan sponsor, assumptions or estimates were made when data were not available. A summary of these assumptions can be found in our email dated June 6, 2024.

Accumulated other comprehensive (income)/loss amounts shown in the report are shown prior to adjustment for deferred taxes. Any deferred tax effects in AOCI should be determined in consultation with the Company's tax advisors and auditors.

We are not aware of any errors or omissions in the data that would have a significant effect on the results of our calculations.

Assumptions Rationale - Significant Economic Assumptions

Discount rate(s)	As required by U.S. GAAP the discount rate methodology was chosen by the plan sponsor based on market information on the measurement date. Based on WTW's interest rate model, RATE:Link, that uses a yield curve derived from current, high quality (rated AA and above) corporate bonds to discount expected pension cash flows, and thus determine discount rates, we believe the discount rate chosen does not significantly conflict with what would be reasonable.
Expected return on plan assets	We understand that the expected return on assets assumption reflects the plan sponsor's estimate of future experience for trust asset returns, reflecting the plan's current asset allocation and any expected changes during the current plan year, current market conditions and the plan sponsor's expectations for future market conditions. WTW was unable to evaluate this assumption because relevant information was not provided.
Cash balance interest crediting rate	The interest crediting rate is equal to the daily 30-year treasury rate at the December 31 measurement date, but with a minimum interest credit rate of 3.80%. We believe this assumption does not significantly conflict with what would be reasonable.
Annuity conversion rate	Cash balances are converted to annuities using "annuity substitution". We believe this assumption does not significantly conflict with what would be reasonable.
Rates of increase in compensation	Assumed increases were chosen by the plan sponsor based on an experience study conducted in 2023 and, as required by U.S. GAAP they represent an estimate of future experience. We believe this assumption does not significantly conflict with what would be reasonable.

Administrative expenses	Administrative expenses are estimated based on an assumption of past expenses paid from the trust assets as a percentage of held assets. We believe this assumption does not significantly conflict with what would be reasonable.

Assumptions Rationale - Significant Demographic Assumptions	
Healthy Mortality	Assumptions were selected by the plan sponsor and, as required by U.S. GAAP represent a best estimate of future experience. We believe this assumption does not significantly conflict with what would be reasonable.
Disabled Mortality	Assumptions used for accounting purposes were selected by the plan sponsor and, as required by U.S. GAAP represent a best estimate of future experience. We believe this assumption does not significantly conflict with what would be reasonable.
Termination	Termination rates were based on an experience study conducted in 2023, with annual consideration of whether any conditions have changed that would be expected to produce different results in the future. We believe this assumption does not significantly conflict with what would be reasonable.
Disability	Disability rates were selected by the plan sponsor with annual consideration of whether any conditions have changed that would be expected to produce different results in the future. We believe this assumption does not significantly conflict with what would be reasonable.
Retirement	Retirement rates were based on an experience study conducted in 2023, with annual consideration of whether any conditions have changed that would be expected to produce different results in the future. We believe this assumption does not significantly conflict with what would be reasonable.
Benefit commencement date for deferred benefits:	
• Preretirement death benefit	Surviving spouses are assumed to begin benefits at the earliest permitted commencement date because ERISA requires benefits to start then unless the spouse elects to defer. If the spouse elects to defer, actuarial increases from the earliest commencement date must be given, so that a later commencement date is expected to be of approximately equal value, and experience indicates that most spouses do take the benefit as soon as it is available.

• Deferred vested benefit	Based on plan sponsor's historical experience reviewed during the 2023 experience study, and expectations for the future with periodic adjustment based on observed gains and losses.
Form of payment	The percentage of retiring participants assumed to take lump sums or an annuity is based on historical experience reviewed during the 2023 experience study, and best expectations for the future with consideration of whether any conditions have changed that would be expected to produce different results in the future.
Percent married	The assumed percentage married is based on historical experience of marital statuses, with consideration of changes expected to occur in marriage patterns of retirement age individuals in the future.
Spouse age	The assumed age difference for spouses is based on plan sponsor expectations.
Source of Prescribed Methods (Required for ASOP compliance, otherwise optional)	
Accounting methods	The methods used for accounting purposes as described in Appendix A, including the method of determining the market-related value of plan assets, are "prescribed methods set by another party", as defined in the actuarial standards of practice (ASOPs). As required by U.S. GAAP, these methods were selected by the plan sponsor.
Changes in Assumptions, Methods and Estimation Techniques	
Change in assumptions since prior valuation	The single equivalent PBO discount rate decreased from 5.54% as of January 1, 2023 to 5.20% as of January 1, 2024 to reflect the change in yields on high-quality corporate bonds. The single equivalent service cost discount rate decreased from 5.69% as of January 1, 2023 to 5.35% as of January 1, 2024 to reflect the change in yields on high-quality corporate bonds. The single equivalent interest cost discount rate decreased from 5.41% as of January 1, 2023 to 5.10% as of January 1, 2024 to reflect the change in yields on high-quality corporate bonds. The "applicable mortality table" under Code Section 417(e)(B) used for lump sum conversions was updated to reflect an additional year of data. The interest crediting rate was updated from 4.30% to 4.03%. The retirement rates were updated to reflect observations found in an experience study conducted in 2023. The termination rates were updated to reflect observations found in an experience study conducted in 2023.

	The rate of base pay increases was updated to reflect observations found in an experience study conducted in 2023. The form of payment assumptions for final average pay participants were updated to reflect observations found in an experience study conducted in 2023.
Change in methods since prior valuation	None.
Change in estimation techniques since prior valuation	None.
Model Descriptions and Disclosures (in accordance with ASOP No. 56)	
Quantify	Quantify is the WTW centrally developed, tested and maintained Global actuarial valuation system. It is used to perform valuations of clients' benefit plans. Quantify provides the ability to process data, calculate benefits and value benefit liabilities, develop results using applicable standards, and generate client reports. Quantify parameters provide significant flexibility to model populations and plan designs. Various demographic, economic and benefit related assumptions exist for users to model multiple demographic and economic situations. Plan liabilities are calculated based on standard actuarial techniques, developing actuarially reasonable results using the population and parameters entered. The calculation and presentation of liabilities in Quantify relies on the assumptions used and the reasonability of the assumptions selected. Quantify incorporates standard liability methodologies that are intended to reasonably reflect a variety of economic or demographic conditions. The model itself does not evaluate any assumptions entered for reasonableness, consistency or probability of occurrence. Quantify is designed specifically for these purposes, and we know of no material limitations that would prevent the system from being suitable for these intended purposes. The actuaries signing this report have relied on the actuaries who develop, test and maintain this system, and have also performed a limited review of results to ensure that system parameters have been set appropriately and plan provisions coded correctly.

RateCalc/RATE:Link	**RateCalc** is used as one component in developing the single equivalent discount rate that reflects the characteristics of the client's employee benefit plan. It references a yield curve (often a RATE:Link curve) and expected plan benefit payments. The projected benefit payments from the client's plan are matched to the spot rates along the yield curve to determine their present values. A single equivalent discount rate is then solved for, which produces the same total present value as the spot rates. **RATE:Link** is a methodology to develop spot rates to be used for liability and cost measurements related to employee benefit plans. The same core methodology is used to develop all RATE:Link curves. The RATE:Link process develops term structures of interest rates from corporate bond data for each covered geography (e.g., the U.S. for this valuation). The construction of RATE:Link yield curves relies on bond data collected as of the measurement date. Information regarding quoted bond prices, yields and other bond related data is from Bloomberg Finance L.P.
Published Demographic Tables	Certain demographic tables described above are standard published tables or are based on standard published tables from models developed by organizations with the requisite expertise.

Appendix B : Summary of principal plan provisions

Plan Provisions

The most recent amendment reflected in the following plan provisions was adopted on April 1, 2014.

Covered employees	All employees.
Participation date	Prior to April 1, 2014, each employee who has completed a year of Eligibility Service shall become a Member in the plan. An employee receives a year of Eligibility Service if he completes 1,000 or more Hours of Service within a 12-month period commencing with his date of employment or any anniversary date. Effective April 1, 2014, an employee hired or re-hired on or after April 1, 2014 shall become a Cash Balance Member on his employment commencement date or re-employment commencement date. An employee hired or re-hired before December 31, 2013 could affirmatively elect to become a Cash Balance Member on April 1, 2014 to accrue future benefits under the Plan as a Cash Balance Benefits rather than as final average pay benefits. An employee who is hired or re-hired after December 31, 2013 and before April 1, 2014 shall become a Cash Balance Member on April 1, 2014.

Definitions

Vesting service	One year for each 1,000-hour calendar year of employment with El Paso Electric Company.
Benefit service:	
• Final Average Pay	One year for each 1,000-hour calendar year of employment.
• Cash Balance	Prior to January 1, 2014, a Member receives credit for one full year for each Plan Year in which he completes 1,000 or more hours of service. A Cash Balance Member (other than a Cash Balance Member who is hired or re-hired after December 31, 2013 and before April 1, 2014) who completes at least one Hour of Service during the period beginning January 1,2014 and ending March 31, 2014 shall receive credit for 0.25 year of Benefit Accrual Service for the 2014 Plan Year. After March 31, 2014, no additional Benefit Service shall be earned by a Cash Balance Member.

Pensionable pay An employee's annualized rate of basic compensation, excluding overtime, bonuses, expense allowances, profit sharing, and any other extra compensation in any form.

Average earnings:

- Final Average Pay — The monthly average of a participant's pensionable pay computed by summing his pensionable pay as of any date and for each of the days beginning the four years preceding such date and dividing by sixty.

- Cash Balance — For a Cash Balance Member who is employed by the employer as of April 1, 2014 and becomes a Cash Balance Member as of April 1, 2014, the monthly average of a Member's pensionable pay computed by summing his pensionable pay as of March 31, 2014 and as of March 31 of the preceding four calendar years and dividing by sixty.

Normal retirement date (NRD) First day of the month coinciding with or next following the attainment of age 65 with five years of benefit service.

Accrued benefit:

- Final Average Pay — The monthly accrued benefit payable as a single life annuity upon Normal Retirement is the greater of (a), (b), (c) or (d) below, less any frozen benefit provided under group annuity contracts deemed

  purchased prior to August 1, 1989 as illustrated in Appendix A of the plan document:

  (a) 1-1/4% of Average Monthly Earnings multiplied by years of benefit service.

  (b) $25.00 multiplied by years of projected benefit service at normal retirement date, not to exceed 10.

  This amount multiplied by the ratio of years

  of benefit service earned to date,

  divided by years of projected benefit service at normal retirement date. This benefit shall be no greater than $250 per month.

  (c) Amount of benefit payable in accordance with the Plan in effect on June 30, 1982 with Earnings frozen at the rate on June 30, 1982.

  (d) Amount of accrued benefit earned as of October 17, 1990 under the prior benefit formula

Cash Balance

The Accrued Benefit for a Cash Balance Member is

(a) plus (b), as follows:

(a) The benefit accrued under the Plan prior to becoming a Cash Balance Member, as determined under the Final Average Pay formula above.

(b) The Cash Balance Account, consisting of pay credits and interest credits.

Pay Credits

For each Plan Year beginning on January 1, 2014, a Cash Balance Member shall receive a pay credit to his Cash Balance Account as of the last day of the Plan year (or termination date, if earlier). The pay crediting rate is based on the member's age and years of Vesting Service, as shown below:

Age Plus Vesting Service	Percentage of Base Pay for the Plan Year
Less than 30	3.00%
30-39	4.00%
40-49	5.00%
50-59	6.00%
60-69	7.00%
70-79	8.00%
80 or More	9.00%

Interest Credits

Interest credits are allocated to the Cash Balance Account as of the last day of each month. The interest credit is determined by multiplying the Cash Balance Account as of the last day of the preceding month by the 30-Year Treasury Bond Rate for the month, which when compounded monthly for the 12 months of the Plan Year, is equal to the 30-Year Treasury Bond Rate for August of the preceding year (but no less than 3.80% for the Plan Year, compounded monthly).

Monthly preretirement death benefit:	
• Before Normal Retirement Age	Payable upon the death of a participant employed by the company who had completed 5 years of Vesting Service. If the participant dies before attaining age 50 with 10 years of service, the amount payable to the spouse, to whom the participant was legally married during the one year period immediately preceding his death, is 50% of the amount the participant would have been entitled to had the participant separated from service on the date of his death, survived to the earliest retirement age, retired with an immediate qualified joint and survivor annuity and died the day after the earliest retirement age. If the participant dies after attaining age 50 with 10 years of service, the amount payable to the eligible spouse is 50% of the participant's Accrued Benefit, commencing immediately.
• After Normal Retirement Age	If the participant dies after his Normal Retirement Age but before benefit payments commence, survivorship benefits will be paid in accordance with the form in which the participant's benefits would be paid if he had retired on the first day of the month following his date of death.
Eligibility for Benefits	
Normal retirement	Retirement on NRD.
Early retirement:	
• Final Average Pay	After attainment of age 55 and completion of 5 years of Vesting Service, the participant may elect to commence his Accrued Benefit on a reduced basis prior to age 65. If the participant retires with at least 20 years of Vesting Service, he may receive his Accrued benefit as early as age 62 without any reduction. If the sum of the participant's age and years of Vesting Service equals or exceeds 85, he may receive his Accrued Benefit without any reduction.
• Cash Balance	Early retirement under the plan is age 55 and completion of 3 years of Vesting Service.
Postponed retirement	Retirement after NRD.
Deferred vested termination	Termination for reasons other than death or retirement after completing five years of vesting service for a Final Average Pay participant or three years of vesting service for a Cash Balance Member.

Disability	Permanent and total disability prior to NRD, and participant is receiving a Social Security disability benefit.
Preretirement death benefit	Death while eligible for normal, early, postponed, or deferred vested retirement benefits, with a surviving spouse.
Benefits Paid Upon the Following Events	
Normal retirement	The monthly pension benefit determined as of NRD.
Early retirement:	
• Final Average Pay	The monthly pension benefit determined as of NRD reduced 6.667% for each of the first five years and 3.333% for each of the next five years that payment precedes the participant's NRD.
• Cash Balance	The frozen accrued benefit excluding his Cash Balance Benefits determined as of NRD actuarially reduced to the commencement date. The Cash Balance Benefit determined as of the commencement date will be actuarially reduced to be equivalent to the member's Cash Balance Account.
Postponed retirement	The monthly pension benefit determined as of the actual retirement date.
Deferred vested termination:	
• Final Average Pay	The participant may elect to commence as early as their Early Retirement with the monthly pension benefit determined as of NRD reduced 6.667% for each of the first five years and 3.333% for each of the next five years that payment precedes the participant's NRD.
• Cash Balance	The frozen accrued benefit excluding Cash Balance Benefits will be payable as of NRD or may elect to commence at any time after termination with actuarial reductions. 100% of the Cash Balance account is payable on the first day of any month following termination.
Disablement:	
• Final Average Pay	Payable to a participant beginning at NRD after becoming totally and permanently disabled while employed by the company. The annuity payable is based on Average Monthly Earnings at date of Disability and Benefit Service, including all credit for all years while disabled, at NRD. The qualified joint and spouse survivor death benefit will apply.

• Cash Balance	Payable to a participant immediately after becoming totally and permanently disabled while employed by the company. The benefit payable is the Frozen Final Average Pay Accrued Benefit as of March 31, 2014 and the Cash Balance Account based on Earnings and Vesting Service through date of Disability.
Preretirement death	If participant has attained age 50 and earned at least 10 years of vesting service, then the monthly preretirement death benefit payable on behalf of an active employee is unreduced for form of payment and early retirement. In all other cases, the monthly preretirement death benefit payable is reduced 6.667% for each of the first five years and 3.333% for each of the next five years that payment precedes the participant's NRD.
Other Plan Provisions	
Forms of payment	Preretirement death benefits are payable only as described above. Monthly pension benefits are paid as described above as a life annuity, if the participant has no spouse as of the date payments begin, or if the participant so elects. Otherwise, benefits are paid in the form of a 50% joint and survivor annuity option or, if the participant elects and the spouse consents, another actuarially equivalent optional form offered by the plan. Optional forms are a 25%, 75% and 100% joint and survivor annuity, a ten-year certain and life annuity, (for married participants) a life annuity, or (for Cash Balance Members) a lump sum distribution. Actuarial equivalence for annuity forms uses the 1971 Group Annuity Mortality Table for males, set back three years, and an interest rate of 6% compounded annually. Actuarial equivalence for lump sum purposes is the "applicable mortality table" under Code Section 417(e)(3)(B) and the "applicable interest rate" under Code Section 417(e)(3)(C) determined as of the fifth month immediately preceding the first day of the Plan Year in which the distribution is being made.
Pension Increases	None.
Plan participants' contributions	None.
Automatic Cash Out	Upon termination of service, if the lump sum value of the accrued benefit is less than $1,000, the lump sum amount is paid as soon as practical after termination.

Maximum limits on benefits and pay	All benefits and pay for any calendar year may not exceed the maximum limitations for that year as defined in the Internal Revenue Code. The plan provides for increasing the dollar limits automatically as such changes take effect.

Future Plan Changes

No future plan changes were recognized in determining pension cost requirements. WTW is not aware of any future plan changes that are required to be reflected.

Changes in Benefits Valued Since Prior Year

There have been no changes in benefits valued since the prior year.

El Paso Electric Company

Retirement Income Plan

Actuarial Valuation Report
Employer Contributions for Plan Year Beginning January 1, 2024

September 2024

wtwco.com

Table of Contents

Purposes of valuation

El Paso Electric Company (the Company) retained Willis Towers Watson US LLC ("WTW"), to perform an actuarial valuation of the Retirement Income Plan for Employees of El Paso Electric Company for the purpose of determining the following:

1. The minimum required contribution in accordance with ERISA and the Internal Revenue Code (IRC) for the plan year beginning January 1, 2024.
2. The estimated maximum tax-deductible contribution for the tax year in which the 2024 plan year ends in accordance with ERISA as allowed by the IRC. The maximum tax-deductible contribution should be finalized in consultation with El Paso Electric Company's tax advisor.
3. An assessment of ERISA §4010 reporting requirements for the plan for 2024.
4. Determination of the Funding Target Attainment Percentage (FTAP) under IRC §430(d)(2), as reported in the Annual Funding Notice required under ERISA §101(f).
5. As requested by El Paso Electric Company, a "specific certification" of the Adjusted Funding Target Attainment Percentage (AFTAP) for the Retirement Income Plan for Employees of El Paso Electric Company under IRC §436 for the plan year beginning January 1, 2024. Please see Section 4 for additional information. Note that the AFTAP certification included herein may be superseded by a subsequent AFTAP certification for the Retirement Income Plan for Employees of El Paso Electric Company for the plan year beginning January 1, 2024.

Limitations

This valuation has been conducted for the purposes described above and may not be suitable for use for any other purpose. In particular, please note the following:

1. This report does not determine the plan's liquidity shortfall requirements (if any) under IRC §430(j)(4). If applicable, we will determine such requirements separately as requested by El Paso Electric Company.
2. This report does not present liabilities on a plan termination basis, for which a separate extensive analysis would be required. No funded status measure included in this report, including the low-default-risk obligation measure discussed below, is intended to assess, and none may be appropriate for assessing, the sufficiency of plan assets to cover the estimated cost of settling the plan's benefit obligations, as all such measures differ in some way from plan termination obligations. For example, measures shown in this report may reflect smoothed assets or interest rates, rather than current values, in accordance with funding rules. In addition, funded status measures shown in this report do not reflect the current costs of settling the plan obligations by offering immediate lump sum payments to participants and/or purchasing annuity contracts for the remaining participants (e.g., insurer profit, insurer pricing of contingent benefits and/or provision for anti-selection in the choice of a lump sum vs. an annuity).

3. The report provides a low-default-risk obligation measure as required by Actuarial Standard of Practice No. 4 to be disclosed once a year. Such measure is provided in Section 2.1E of this report. The assumptions and methods other than the discount rates used for this measurement, and the rationale for their selection, are described in Appendix A of this report. The methodology used to value plan provisions that are difficult to value is also described in Appendix A of this report.

   Note that the low-default-risk obligation measure is not a plan termination liability, for the reasons discussed in item 2 above and because it assumes an ongoing plan rather than a terminating plan. Rather, the low-default-risk obligation measure represents costs allocated by the plan's funding method to periods before the valuation date as of January 1, 2024. The measure reflects PBGC Standard Method interest rates, which represent a one-month average of high quality corporate bond rates as of December 31, 2023. These rates were selected because they were readily available (since used for other purposes) and are permitted by ASOP No. 4 to be used to develop the low-default-risk obligation measure. The low-default-risk obligation may more closely represent the market value of the benefit obligation on the measurement date than the plan's Funding Target shown in Section 2.1C of this report if the Funding Target is based on stabilized interest rates that are not current market interest rates on the measurement date. If this measure is higher than the plan's Funding Target, and interest rates remain at current levels, the plan may be less well funded than suggested by the Funding Target and, as a result, contributions may need to increase in future years to secure participant benefits.

4. The cost method for the minimum required contribution is established under IRC §430 and may not in all circumstances produce adequate assets to pay benefits under all optional forms of payment available under the plan when benefit payments are due.

5. The comparison of the plan's funding target to its actuarial value of assets (the funding shortfall (surplus) shown in Section 1) is used in determining required contributions for the coming year, and a contribution made on the valuation date equal to the shortfall would be considered to "fully fund" the plan for benefits accrued as of the valuation date under the funding rules, and thus is useful for assessing the need for and amount of future contributions. However, the funding shortfall (surplus) cannot be relied upon to determine either the need for or the amount of future contributions. The funding shortfall (surplus) is based on the interest rates elected to be used for funding purposes, which may be smoothed rates not reflecting current market conditions and will in any event change over time. It is also based on the actuarial value of assets, so if an asset smoothing method is used, it would be different than if based on market value of assets. In addition, asset gains and losses, demographic experience different from assumed, and future benefit accruals (if any) will all affect the need for and amount of future contributions.

6. There may be certain events that occurred since the valuation date that are not reflected in this valuation. See Subsequent Events (under the "Basis for valuation" portion of Section 1 below) for more information.

7. This valuation reflects our understanding of the relevant provisions of the Pension Protection Act of 2006 (PPA); the Worker, Retiree and Employer Recovery Act of 2008 (WRERA); the Moving Ahead for Progress in the 21st Century Act (MAP-21); the Highway and Transportation Funding Act of 2014 (HATFA); the Bipartisan Budget Act of 2015 (BBA 2015); the Coronavirus Aid, Relief and Economic Security (CARES) Act of 2020, and the American Rescue Plan Act of 2021 (ARPA). The IRS has yet to issue final guidance with respect to certain aspects of these laws. It is possible that future guidance may conflict with our understanding of these laws based on currently available guidance and could therefore affect results shown in this report.

8. This report does not provide information for plan accounting and financial reporting under ASC 960.

Section 1 : Summary of results

1.1 Summary of valuation results

All monetary amounts shown in US Dollars

Plan Year Beginning	01/01/2024	01/01/2023
Funding		
Market value of assets with discounted receivable contributions	282,708,572	273,340,754
Actuarial value of assets	297,109,806	300,674,829
Funding balances	30,957,235	35,173,644
Funding target	300,147,787	300,831,131
Target normal cost	7,698,283	8,540,769
Funding shortfall (surplus) (FS)	33,995,216	35,329,946
Funding target attainment percentage (FTAP)	88.67%	88.25%
Minimum required contribution		
Prior to application of funding balances	10,955,465	11,776,311
Net of available funding balances	0	0
Effective interest rate	5.18%	5.25%
Participants as of Census Date	**01/01/2024[1]**	**01/01/2023**
Active employees	1,107	1,128
Participants with deferred benefits	391	372
Participants receiving benefits	930	926
Total	2,428	2,426

[1] Headcounts as of 01/01/2024 reflect 46 alternative payees, 15 of whom have survived the original participant.

1.2 Minimum required contribution and funding policy

All monetary amounts shown in US Dollars

Plan Year Beginning	01/01/2024	01/01/2023
Minimum Required Contribution (MRC)		
Prior to application of funding balances	10,955,465	11,776,311
Net of available funding balances	0	0

The plan sponsor's funding policy is to make the minimum required contribution with consideration for amounts included in customer rates. At its discretion, the Company may determine from time to time whether to make additional contributions. We understand the sponsor may deviate from this policy based on cash, tax or other considerations.

The minimum required contribution includes a contribution to cover the benefits expected to accrue in the coming year (if any) plus any expenses expected to be paid from the trust in the coming year (target normal cost) less the funding surplus (the excess of plan assets, reduced by funding balances, over the funding target, if any), as well as a 15-year amortization of any funding shortfall (amortization installments). (See Section 2.4 for a break-down of the minimum required contribution into target normal cost and amortization installments, and see Section 2.5 for a schedule of amortization installments for future years.) Thus, assuming that all actuarial assumptions are realized and do not change, and the plan sponsor contributes the minimum required contribution each year (target normal cost less surplus plus amortization installments), the plan would generally be expected to be fully funded in 15 years, and the minimum required contribution would be expected to drop to target normal cost. The amortization of the funding shortfall may take longer if the plan sponsor contributes less than the minimum required contribution. We estimate that the available funding balance can reduce the minimum required contribution for approximately 2 years, at which time the required contribution will return to the target normal cost plus a 15-year amortization of any funding shortfall, although the operation of interest rate stabilization, a decision by the plan sponsor to forfeit funding balance, or automatic forfeiture of such funding balance, and plan experience including experience caused by paying lump sums at interest rates that are different than the stabilized interest rates used for funding,may change the length of this period. During the 15-year period, there will be some variability in minimum required contributions due to amortization installments from prior years dropping out as the 15-year amortization period ends (and for deferred asset gains or losses becoming reflected in assets if an asset smoothing method is used for the actuarial value of assets), and due to the gradual widening of ARPA's interest rate corridors. In reality, gains and losses will occur, and the plan sponsor may fail to contribute the minimum required contribution (or may contribute more than the minimum required contribution in accordance with the funding policy described above), which may cause the plan to take more or less than 15 years to become fully funded. Note that being fully funded under the funding rules is not the same as being fully funded on a plan termination basis, as different assumptions apply (e.g., the cost of annuity contracts or lump sums to participants) on plan termination.

Target normal cost for individual participants accruing benefits will grow from year to year as participants age (and as their salaries increase, if benefit accruals are pay related), but the changes in total target normal cost will depend on the numbers of participants earning benefits and their ages. Because the number and ages of active participants covered by the plan are not expected to change significantly from year to year, target normal cost is expected to remain relatively level. Of course, changes in discount rates and other assumptions in future years will also influence the pattern of future required contributions.

The minimum required contribution for the 2024 plan year must be partially satisfied in quarterly installments during the plan year, with a final payment due by September 15, 2025. These requirements may be satisfied through contributions and/or an election to apply the available funding balances. The minimum required contribution is determined assuming it is paid as of the valuation date for the plan year. Contributions made on a date other than the valuation date must be adjusted for interest at the plan's effective interest rate. The minimum funding schedule, before reflecting any funding balance elections or amounts already contributed for the 2024 plan year before the issuance of this report, is shown below:

All monetary amounts shown in US Dollars

Due Date	Amount
April 15, 2024	2,464,980
July 15, 2024	2,464,980
October 15, 2024	2,464,980
January 15, 2025	2,464,980
September 15, 2025	1,547,409

Because the plan has a funding shortfall, quarterly contributions for the 2025 plan year will be required.

The preliminary minimum funding schedule for the 2025 plan year, before reflecting any funding balance elections, is shown below:

All monetary amounts shown in US Dollars

Plan Year	2025
Preliminary Schedule of Minimum Funding Requirements	
April 15, 2025	2,738,866
July 15, 2025	2,738,866
October 15, 2025	2,738,866
January 15, 2026	2,738,866
September 15, 2026	To be determined by 2025 valuation

The final schedule will be based on the 2025 valuation, but the final quarterly contributions will not be more than the amounts shown above.

1.3 Change in minimum funding requirement and funding shortfall (surplus)

The minimum funding requirement declined from $11,776,311 for the 2023 plan year to $10,955,465 for the 2024 plan year, and the funding shortfall (surplus) declined from $35,329,946 on January 1, 2023 to $33,995,216 on January 1, 2024, as set forth below:

Significant reasons for these changes include the following:

- Greater than expected returns on the market value of assets and funding balance usage since the prior improved the adjusted actuarial value of assets which decreased the minimum funding requirement and the funding shortfall.
- **The plan's effective** interest rate declined 7 basis points compared to the prior year, which increased the minimum funding requirement and the funding shortfall.
- The valuation reflects updated IRC §417(e) mortality tables provided by the IRS for 2023 plan years, which decreased the minimum funding requirement and the funding shortfall.
- Demographic assumption updates selected by EPE and supported by the 2023 experience study decreased the minimum funding requirement and the funding shortfall.

1.4 Funding ratios

The Pension Protection Act of 2006 (PPA) defines several Funding Ratios. All of these ratios are based on a ratio of plan assets to plan liabilities, but the assets and liabilities are defined differently for different purposes. Depending on the purpose, the assets may be market value or, if different, a smoothed actuarial value of assets, and may be reduced by the prefunding balance or all funding balances. The liabilities may be based on the funding target, funding target disregarding at-risk assumptions, or the funding target calculated using at-risk assumptions (see the At-Risk status section below), and may or may not reflect stabilized interest rates.

Following are the key funding ratios and their implications for the 2024 or 2025 plan years. See Appendix D for details on how each ratio is calculated.

January 1, 2023 Funding ratios

Ratio Test Implications		Threshold	Ratio Value
1	Funding balances can be used to satisfy the 2024 Minimum Required Contribution (MRC) if threshold met	80%	88.25%
2	Quarterly contribution exemption applies in 2024 if threshold met	100%	88.25%
3	Plan is not at-risk for 2024 if the threshold for either the Prong 1 or Prong 2 test is met		
	– Prong 1 Test	80%	88.25%
	– Prong 2 Test	70%	N/A

January 1, 2024 Funding ratios

Ratio Test Implications		Threshold	Ratio Value
1	Funding balances can be used to satisfy the 2025 MRC if threshold met	80%	88.67%
2	Quarterly contribution exemption applies in 2025 if threshold met	100%	88.67%
3	Plan is not at-risk for 2025 if the threshold for either the Prong 1 or Prong 2 test is met		
	– Prong 1 Test	80%	88.67%
	– Prong 2 Test	70%	N/A
4	PBGC 4010 filing may be required in 2025 if threshold is not met by every plan in the controlled group	80%	86.25%
5	Previously established SABs are eliminated for 2024 if threshold met	100%	88.67%

1.5 Benefit limitations

The Adjusted Funding Target Attainment Percentage (AFTAP) for the plan year beginning January 1, 2024 is 88.67%. This AFTAP may be changed by subsequent events. The AFTAP certified for the plan year beginning January 1, 2024 of 88.67% will be used to determine the presumed AFTAP for the plan year beginning January 1, 2025.

Under the PPA, a plan may become subject to various benefit limitations if its AFTAP falls below certain thresholds.

If the AFTAP is below 60% (100%, calculated ignoring stabilized interest rates, if the plan sponsor is in bankruptcy), plans are prohibited from paying lump sums or other accelerated forms of distribution (such as Social Security level payment options). If the AFTAP is at least 60% but less than 80%, the amounts that can be paid are limited. These limitations do not apply to mandatory lump sum cash-outs of $7,000 or less. In addition, plans that were completely frozen before September 2005 are exempt from the restrictions on lump sums and other accelerated forms of distribution. Also, lump sums to the 25 highest paid employees above the mandatory lump sum cash-out threshold **may be restricted if a plan's AFTAP is** below 110%.

If the AFTAP is below 60%, benefit accruals must cease, amendments to improve benefits cannot take effect, and plant shutdown benefits and other Unpredictable Contingent Event Benefits (UCEBs) cannot be paid without being fully paid for. In addition, if the AFTAP would be below 80% reflecting a proposed amendment, the plan amendment cannot take effect unless actions are taken to increase plan assets.

To avoid these benefit limitations, a plan sponsor may take a variety of steps, including reducing the funding balances, contributing additional amounts to the plan for the prior plan year, contributing special **"designated** IRC **§436 contributions" for the current plan year, or providing security outside the plan.** Not all of these approaches are available for all of the restrictions discussed above. For example, restrictions on accelerated distributions cannot be avoided by making designated IRC §436 contributions.

As requested by El Paso Electric Company in your letter dated September 13, 2024 this report is intended **to constitute a "specific certification" of the AFTAP,** effective as of September 30, 2024, for the plan year beginning January 1, 2024 for the purpose of determining benefit restrictions under IRC §436 for the Retirement Income Plan for Employees of El Paso Electric Company. This AFTAP certification is based on the data, methods, models, assumptions, plan provisions, annuity purchase information, and other information provided in this report. Please see the Appendices for additional information. Note that the AFTAP certification provided herein may be superseded by a subsequent AFTAP certification for the plan year beginning January 1, 2024. Please see Section 4 for a discussion of the implications of this certified AFTAP.

1.6 PBGC reporting requirements

Certain financial and actuarial information (i.e., a "4010 filing") must be provided to the PBGC if the PBGC Funding Target Attainment Percentage (PBGC FTAP) is less than 80% for any plan in the contributing sponsor's controlled group. However, this reporting requirement may be waived for controlled groups with no more than $15 million in aggregate funding shortfall (PBGC 4010 FS), or with fewer than 500 participants in all defined benefit plans. Note that interest rate stabilization does not apply for purposes of determining the PBGC FTAP or the PBGC 4010 FS.

The 2024 PBGC FTAP is 86.25%. In addition, we understand that there are no other pension plans within the Company's controlled group. As a result, no 4010 filing is expected to be required for 2024 as a result of the plan's funded status. However, the only plan we have considered in this analysis is the Retirement Income Plan; if there are other plans within the controlled group, a filing may be required.

1.7 At-Risk status for determining minimum required contributions

The plan is not in at-risk status, as defined in the PPA, for the 2024 plan year, because the plan's FTAP for the 2023 plan year was at least 80%, and/or the plan's FTAP measured using "at-risk assumptions" was at least 70%.

The plan will not be in at-risk status, as defined in the PPA, for the 2025 plan year, because the plan's FTAP for the 2024 plan year is at least 80%, and/or the plan's FTAP measured using "at-risk assumptions" is at least 70%.

When a plan is in at-risk status as defined in the PPA:

- The plan is subject to potentially higher minimum contribution requirements. The funding target and target normal cost for purposes of determining the minimum required contribution must be measured reflecting certain mandated assumptions ("at-risk assumptions"). Specifically, participants eligible to retire within the next 11 years must be assumed to retire immediately when first eligible (but not before the end of the current year, except in accordance with the regular valuation assumptions), and all participants must be assumed to elect the most valuable form of payment available when they begin receiving benefits. In addition, plans that have been at-risk in past years may also be required to increase the funding target and target normal cost for prescribed assumed expenses. The net effect of these assumptions and expense adjustments in most cases is to increase required contributions and PBGC variable premiums.
- The plan sponsor must indicate in the annual funding notice for the plan that the plan is at-risk and disclose additional at-risk funding targets.
- Immediate taxation of non-qualified pension or deferred compensation for certain employees may occur if the plan sponsor is a public company. This may result when non-qualified pension or deferred compensation for such employees is funded during a period when a plan sponsored by the plan sponsor or another member of the plan sponsor's controlled group is in at-risk status.

1.8 Basis for valuation

Appendix A summarizes the assumptions, methods, models and sources of data and other information used in the valuation. Appendix B summarizes the principal provisions of the plan being valued. Both of these appendices include a summary of any changes since the prior valuation. Unless otherwise described below under Subsequent Events, assumptions were selected based on information known as of the measurement date.

Certain models (as described in ASOP No. 56) were used in preparing the information presented herein. Further information on these models can be found in Appendix A.

Subsequent Events

None.

Additional Information

None.

Actuarial certification

This valuation has been conducted in accordance with generally accepted actuarial principles and practices. However, please note the information discussed below regarding this valuation.

Reliances

In preparing the results presented in this report, we have relied upon information regarding plan provisions, participants, assets and sponsor elections provided by El Paso Electric Company and other persons or organizations designated by El Paso Electric Company. We may also have relied on certain models developed by others; any such reliance is discussed in Appendix A. See the Sources of Data and Other Information section of Appendix A for further details. In addition, the results in this report are dependent on contributions reported for the prior plan year and maintenance of funding balance elections after the valuation date.

We have reviewed this information for overall reasonableness and consistency, but have neither audited nor independently verified this information. Based on discussions with and concurrence by the plan sponsor, assumptions or estimates may have been made if data were not available. We are not aware of any errors or omissions in the data that would have a significant effect on the results of our calculations.

We have relied on all the information provided as complete and accurate. The results presented in this report are directly dependent upon the accuracy and completeness of the underlying data and information. Any material inaccuracy in the data, assets, plan provisions or information regarding contributions or funding balance elections provided to us may have produced results that are not suitable for the purposes of this report and such inaccuracies, as corrected by El Paso Electric Company, may produce materially different results that could require that a revised report be issued.

Assumptions and methods under ERISA and the Internal Revenue Code for funding purposes

The plan sponsor selected, as prescribed by regulations under the Pension Protection Act of 2006 (PPA), key assumptions and funding methods (including the mortality assumption, asset valuation method and the choice among prescribed interest rates) employed in the development of the results presented in this report and communicated them to us in the letter dated September 13, 2024.

To the extent not prescribed by ERISA, the Internal Revenue Code and regulatory guidance from the Treasury and the IRS, or selected by the sponsor, the actuarial assumptions and methods employed in the development of the results presented in this report have been selected by WTW, with the concurrence of the plan sponsor. It is beyond the scope of this actuarial valuation to analyze the reasonableness and appropriateness of prescribed methods and assumptions, or to analyze other sponsor elections from among the alternatives available for prescribed methods and assumptions.

Other than prescribed assumptions, ERISA and the Internal Revenue Code require the use of assumptions each of which is "reasonable (taking into account the experience of the plan and reasonable expectations), and which, in combination, offer the actuary's best estimate of anticipated experience under the plan." The results shown in this report have been developed based on actuarial assumptions that, to the extent selected by WTW, we consider to be reasonable. In addition, we believe that the combined effect of assumptions, other than assumptions set by law and assumptions selected by another party that we have been unable to assess for reasonableness, is expected to have no significant bias. See Appendix A for a discussion of any assumptions that we were unable to assess. Other actuarial assumptions could also be considered to be reasonable. Thus, reasonable results differing from those presented in this report could have been developed by selecting different reasonable assumptions.

A summary of the assumptions, methods, models and sources of data and other information used is provided in Appendix A. Note that any subsequent changes in methods or assumptions for the 2024 plan year will change the results shown in this report and could result in plan qualification issues under IRC §436 if the application of benefit restrictions is affected by the change.

Nature of actuarial calculations

The results shown in this report are estimates based on data that may be imperfect and on assumptions about future events that cannot be predicted with any certainty. The effects of certain plan provisions may be approximated, or determined to be insignificant and therefore not valued. Reasonable efforts were made in preparing this valuation to confirm that items that are significant in the context of the actuarial liabilities or costs are treated appropriately, and are not excluded or included inappropriately. Any rounding (or lack thereof) used for displaying numbers in this report is not intended to imply a degree of precision, which is not a characteristic of actuarial calculations.

If overall future plan experience produces higher benefit payments or lower investment returns than assumed, the relative level of plan costs or contribution requirements reported in this valuation will likely increase in future valuations (and vice versa). Future actuarial measurements may differ significantly from the current measurements presented in this report due to many factors, including: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for the measurements (such as the end of an amortization period or additional contribution requirements based on the plan's funded status); and changes in plan provisions or applicable law. It is beyond the scope of this valuation to analyze the potential range of future pension contributions, but we can do so upon request. See Appendix C for disclosures required under ASOP No. 51 of significant risks related to the plan.

See Basis for Valuation in Section 1 above for a discussion of any material events that have occurred after the valuation date that are not reflected in this valuation.

Limitations on use

This report is provided subject to the terms set out herein and in our engagement letter dated January 24, 2023 and any accompanying or referenced terms and conditions.

The information contained in this report was prepared for the internal use of El Paso Electric Company and its auditors and any organization that provides benefit administration services for the plan in connection with our actuarial valuation of the pension plan as described in Purposes of Valuation above. It is not intended for and may not be used for other purposes, and we accept no responsibility or liability in this regard. El Paso Electric Company may distribute this actuarial valuation report to the appropriate authorities who have the legal right to require El Paso Electric Company to provide them this report, in which case El Paso Electric Company will use best efforts to notify WTW in advance of this distribution. Further distribution to, or use by, other parties of all or part of this report is expressly prohibited without WTW's prior written consent. WTW accepts no responsibility for any consequences arising from any party other than El Paso Electric Company relying on this report or any advice relating to its contents.

Professional qualifications

The undersigned consulting actuaries are members of the Society of Actuaries and meet the "Qualification Standards for Actuaries Issuing Statements of Actuarial Opinion in the United States" relating to pension plans. Our objectivity is not impaired by any relationship between El Paso Electric Company and our employer, Willis Towers Watson US LLC.

Katherine Pitzinger

Katherine Pitzinger
Associate Director, Retirement
23-08096
September 26, 2024

David Anderson

David Anderson
Senior Director, Retirement
23-07493
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Willis Towers Watson US LLC

September 2024

Section 2 : Actuarial exhibits

2.1 Summary of liabilities

All monetary amounts shown in US Dollars

Plan Year Beginning	01/01/2024	01/01/2023
A Funding Target (Disregarding At-risk Assumptions)		
1 Funding target	300,147,787	300,831,131
2 Target normal cost	7,698,283	8,540,769
B Funding Target (At-risk Assumptions)		
1 Funding target	N/A	N/A
2 Target normal cost	N/A	N/A
C Funding Target		
1 Number of consecutive years at-risk	0	0
2 Funding target		
a. Active employees – non-vested benefits	6,177,399	6,984,970
b. Active employees – vested benefits	85,652,641	82,394,255
c. Participants with deferred benefits	16,881,039	16,054,945
d. Participants receiving benefits	191,436,708	195,396,961
e. Total funding target	300,147,787	300,831,131
3 Target normal cost	7,698,283	8,540,769
D Expected Disbursements (benefit payments and expenses)[1]	22,153,667	24,879,925
E Low-Default-Risk Obligation Measure[2]	301,688,694	308,268,954

Accumulated and Vested Benefits

Accumulated benefits include benefits earned under the plan's benefit formula based on service rendered and compensation earned before the measurement date.

[1] The expected disbursements are provided for ERISA 4010 reporting purposes and include expected administrative expenses for the upcoming year plus the expected benefit payments based on the funding target interest rate without regard to stabilization, if applicable, assuming the plan is not at risk.

[2] The low-default-risk obligation measure was calculated using the assumptions described in Appendix A except that segment rates for the PBGC Standard Method were used. Specifically, a rate of 5.01% was used to discount benefit payments expected to be paid in the first 5 years beginning on the valuation date, 5.13% for benefits expected to be paid in years 5-20, and 5.15% for benefits expected to be paid after 20 years from the valuation date. For further discussion of the low-default-risk-obligation measure, see the Limitations section in the Purposes of Valuation section above.

Benefits included in vested benefits are the same as described above for accrued benefits, except the following benefits, if applicable, are excluded:

- For participants who are not disabled on the measurement date, disability benefits in excess of the value of standard termination benefits (retirement benefits for those eligible).
- For participants who have not yet satisfied the eligibility requirements for these benefits, early retirement benefits and supplements in excess of standard termination benefits.
- Death benefits in excess of **the plan's QPSA.**
- All benefits for participants who are not yet vested in their accrued benefits or eligible for other benefits.

2.2 Change in plan assets during plan year

All monetary amounts shown in US Dollars

Plan Year Beginning		January 1, 2023
A	**Reconciliation of Market Value of Assets**	
1	Market value of assets at January 1, 2023 (including discounted contributions receivable)	273,340,754
2	Discounted contributions receivable at January 1, 2023	1,669,840
3	Market value of assets at January 1, 2023 (excluding contributions receivable)	271,670,914
4	Employer contributions	
	a. For prior plan year	1,700,000
	b. For current plan year	0
	c. IRC §436 contributions for current plan year	0
	d. Total	1,700,000
5	Employee contributions	0
6	Benefit payments	(19,895,893)
7	Administrative expenses paid by plan	(2,744,154)
8	Transfers from/(to) other plans	0
9	Investment return	27,079,578
10	Market value of assets at January 1, 2024 (excluding contributions receivable)	277,810,445
11	Discounted contributions receivable at January 1, 2024	4,898,127
12	Market value of assets at January 1, 2024 (including discounted contributions receivable)	282,708,572
B	**Rate of Return on Invested Assets (i.e., for crediting unused funding balances)**	
1	Weighted invested assets	261,471,316
2	Rate of return during 2023 plan year	10.36%

C Discounted Receivable Contributions at January 1, 2024

Date	Prior Year Contributions	Discounted Value at January 1, 2024
January 31, 2024	188,000	187,227
February 2, 2024	189,000	188,169
March 12, 2024	663,000	656,343
April 3, 2024	660,000	651,426
May 6, 2024	660,000	648,377
June 4, 2024	660,000	645,802
July 8, 2024	660,000	642,689
August 2, 2024	660,000	640,500
September 4, 2024	660,000	637,594
Total		4,898,127