

El Paso Electric Company

*2nd Quarter 2011 Earnings Conference Call
August 3, 2011*

Safe Harbor Statement

Statements in this presentation, other than statements of historical information, are forward-looking statements that are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995 (the “act”). Such statements are intended to be made as of the date of this presentation, and the company does not undertake to update any such forward-looking statement. Forward-looking statements involve known and unknown risks and other factors that may cause actual results to differ materially from those expressed in this presentation. In connection with the safe-harbor provisions of the act, the company has set forth below a number of important risks and factors that could cause actual results to differ materially from forward-looking information. Factors that could cause or contribute to such differences include, but are not limited to:

- Increased prices for fuel and purchased power and the possibility that regulators may not permit El Paso Electric (EE) to pass through all such increased costs to customers or to recover previously incurred fuel costs in rates
- The ability to recover capital investments and operating costs through rates in Texas and New Mexico
- Uncertainties and instability in the general economy and the resulting impact on EE’s sales and profitability
- Unanticipated increased costs associated with scheduled and unscheduled outages
- The size of our construction program and our ability to complete construction on budget and on time
- The costs at Palo Verde (PV)
- Deregulation and competition in the electric utility industry
- Possible increased costs of compliance with environmental or other laws, regulations and policies
- Possible income tax and interest payments as a result of audit adjustments proposed by the IRS
- Uncertainties and instability in the financial markets and the resulting impact on EE’s ability to access the capital and credit markets
- Other factors detailed by EE in its public filings with the Securities and Exchange Commission. Please refer to EE’s 2010 Form 10K and other 1934 Act Filings

Highlights for the 2nd Quarter 2011 – David Stevens

- Strong 2nd Quarter results due to a 6.2 percent increase in retail kWh sales growth
 - Every segment of our retail business posted growth with our residential segment growing at a robust rate of 9.3 percent for the quarter
- During the 2nd Quarter of 2011, EE repurchased approximately 324,000 shares at a total cost of \$9.6mm
- On June 30, 2011, EE paid a quarterly cash dividend of \$0.22 per share, the first dividend paid on the Company's common shares since 1989
- Native peak load record of 1,689 MW's on June 27, 2011 surpassed the previous record of 1,616 MW's in 2010
- In the 2nd Quarter of 2011, EE obtained all regulatory approvals on its CCN filing for Rio Grande 9
 - Unit expected to be on line for the peak season of 2013

Palo Verde Update

- On April 21, 2011, the NRC approved the PV 20-year license extension application that was filed in December 2008
 - In the 2nd quarter of 2011, the extension of operating licenses reduced depreciation & amortization expense by \$2.6mm and lowered the accretion expense on the PV asset retirement obligation by \$0.7mm
- PV Capacity Factors
 - Twelve months ended June 30, 2011- 93 percent
- PV Unit 2 planned refueling/maintenance outage began on April 2, 2011 and was completed within its planned 35 day outage duration
- PV Unit 1 planned refueling/maintenance outage scheduled for October/November of 2011; 35 day outage duration expected

2nd Quarter and YTD 2011 Financial Results – David Carpenter

- 2nd Quarter 2011 (Basic) EPS - \$0.78, compared to 2nd Quarter 2010 (Basic) EPS of \$0.49
- YTD 2011 (Basic) EPS - \$0.94, compared to YTD 2010 (Basic) EPS of \$0.75

2nd Quarter 2011 Financial Results - Key Drivers

- Retail non-fuel base revenues increased by \$24.1mm pre-tax or \$0.36 per share due to a 6.2 percent increase in kWh sales reflecting hotter summer weather, an expanding customer base, and impact of seasonal rates in our TX jurisdiction
- Offset to the above amounts include:
 - Increased operation and maintenance costs at gas-fired generating plants due to higher maintenance associated with damage caused by the severe winter weather event in February 2011 (\$0.04)

YTD 2011 Financial Results - Key Drivers

- Retail non-fuel base revenues increased by \$18.0mm pre-tax or \$0.27 per share as a result of a 2.8 percent increase in kWh sales due to hotter summer weather, impact of seasonal rates, and an expanding customer base
- Lower income tax expense due to an income tax charge in 2010 for the elimination of the Medicare Part D subsidy without any offsetting amounts in the current year - \$0.11
- Offset to the above amounts include:
 - Lower off-system sales margins due to an increase in margin sharing, and lower average market prices for power (\$0.09)

MWh's by Class – 2nd Quarter & YTD 2011

MWh Sales by Class	Q2	% Change	YTD	% Change
Residential	637,257	9.3%	1,178,539	3.4%
C&I Small	634,081	5.5%	1,112,602	2.5%
C&I Large	308,978	6.9%	538,210	2.4%
Other Public	413,258	2.3%	748,227	2.6%
Total Retail Sales	1,993,574	6.2%	3,577,578	2.8%
Heating Degree Days	40	(51.2%)	1,305	(11.7%)
Cooling Degree Days	1,169	17.5%	1,210	20.5%
Average Number of Retail Customers	377,803	1.4%	377,144	1.4%

June 2011 kWh Sales Comparison

Customer Class	1st Quarter		2nd Quarter	
	MWH Increase/ Decrease	Rate per kWh	MWH Increase/ Decrease	Rate per kWh
Residential	(14,998)	\$0.0831	54,161	\$0.0925
C&I Small	(5,761)	0.0694	33,033	0.0900
C&I Large	(7,381)	0.0384	19,883	0.0398
Other Public	9,412	0.0508	9,488	0.0629
Total Retail Sales	<u>(18,728)</u>	0.0657	<u>116,565</u>	0.0774

Capital Requirements and Liquidity

- EE expended \$87mm for additions to utility plant during the first half of 2011
- Capital expenditures for utility plant in 2011 are expected to total approximately \$195mm
- EE dividend payments in 2011 are expected to total \$27mm; expect to continue to buy back stock to appropriately balance the capital structure
 - During the first 6 months of 2011, EE repurchased approximately 911,000 shares at a total cost of \$26.3mm
 - As of June 30, 2011, approximately 2.3mm shares remain available for repurchase under stock repurchase program
- EE had a cash balance of \$5.1mm at June 30, 2011
- At June 30, 2011, EE had liquidity of \$165.5mm including cash and the revolving credit facility which will be sufficient to finance capital requirements in 2011

2011 Earnings Guidance

- Revising 2011 Earnings Guidance range to \$2.20 to \$2.50 per basic share
- Key Variables:
 - Revision to the low end of guidance made as a result of hotter than average summer weather experienced thus far in 2011

Questions and Answers