

El Paso Electric Company

*3rd Quarter 2011 Earnings Conference Call
November 2, 2011*



El Paso Electric

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
- Rates in El Paso following the El Paso City Council’s resolution ordering EE to show cause why our base rates for El Paso customers should not be lower
- 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 3rd Quarter 2011

- Strong 3rd Quarter results due to a 3.9 percent increase in retail kWh sales
 - Residential segment posted robust growth of 9.8 percent
 - Hotter than normal summer weather
- Native peak load record of 1,711 MW's on August 8, 2011
- Received final FERC approval on August 31, 2011 for the Tucson Electric Power Company (TEP) settlement
- Repurchased approximately 1.6mm shares at a total cost of \$51mm during the 3rd quarter of 2011

3rd Quarter and YTD 2011 Financial Results

- 3rd Quarter 2011 (Basic) EPS - \$1.41, compared to 3rd Quarter 2010 (Basic) EPS of \$ \$1.16 before extraordinary item
- YTD 2011 (Basic) EPS - \$2.33, compared to YTD 2010 (Basic) EPS of \$ \$1.90 before extraordinary item

Key Earnings Drivers

➤ Positive Drivers:

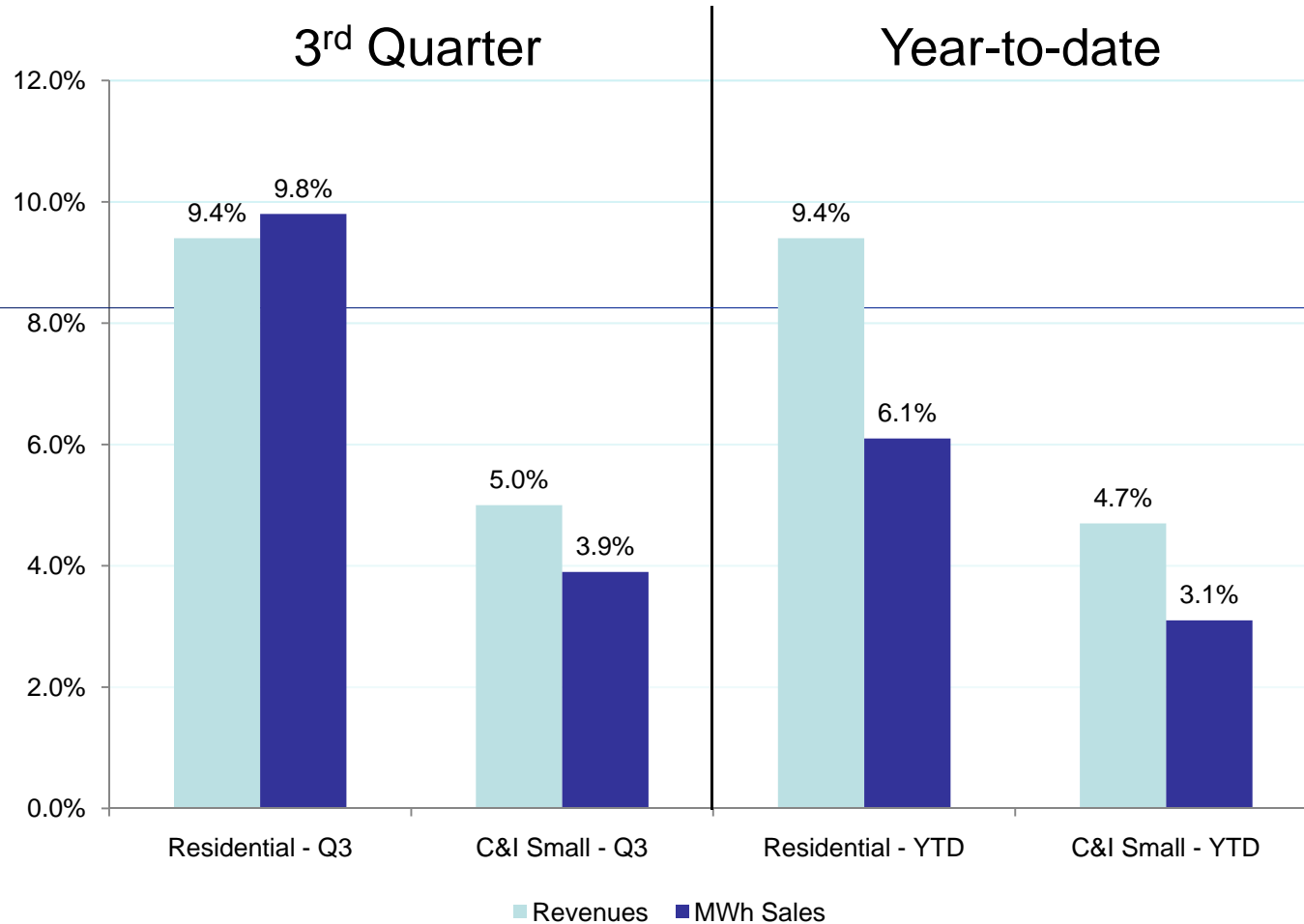
- Retail non-fuel base revenues
- TEP settlement
- Stock repurchases

- Medicare part D tax accrual - year to date

➤ Negative Drivers:

- Allowance for funds used during construction
- Off-system sales – year to date

% Change in Retail Non-Fuel Base Revenues and MWh Sales



Regulatory Update

- On October 4, 2011, El Paso City Council adopted a resolution requiring EE to show cause why base rates for customers in El Paso City limits should not be reduced
- On October 25, 2011, El Paso City Council held a temporary rate hearing
 - Delayed decision to establish temporary rates until November 15, 2011
- On October 27, 2011, the Company filed an appeal with the PUCT to set aside the City's Show Cause Order or in the alternative issue an order staying the City's Show Cause Order and corresponding jurisdictional deadlines until the City can establish that it has complied with Texas statutes

Capital Requirements and Liquidity

- EE expended \$130mm for additions to plant during the first nine months of 2011
- Capital expenditures for plant are expected to total approximately \$179mm in 2011
- EE dividend payments are expected to total \$27.6mm in 2011; expect to continue to buy back stock to appropriately balance the capital structure
 - During the first 9 months of 2011, EE repurchased approximately 2.5mm shares at a total cost of \$77.3mm; approximately 674,000 shares remain available for repurchase under the stock repurchase program
- EE had a cash balance of \$7.7mm at September 30, 2011
- At September 30, 2011, EE had liquidity of \$190mm including cash and the revolving credit facility

Capital Requirements and Liquidity

- In October 2011, EE received FERC and NMPRC approval to amend the existing \$200mm RCF and to issue up to \$300mm of fixed rate debt
 - RCF refinancing will reduce borrowing costs and extend the term to 2016
 - Authorizes potential long-term issuance through 2014

2011 Earnings Guidance

- Revising 2011 Earnings Guidance range to \$2.40 to \$2.60 per basic share
- Key Variables:
 - Revision to the low and high ends of guidance primarily due to hotter than normal summer weather in the 3rd Quarter

Capital Allocation

- EE is committed to enhancing long term value and cash returns to shareholders primarily through quarterly cash dividend payments and secondarily through share repurchases

Questions and Answers
