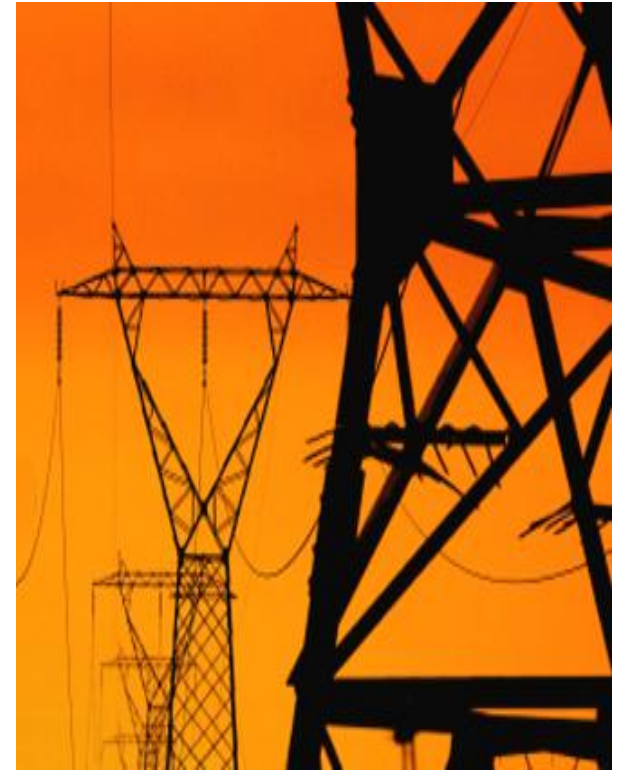


El Paso Electric Company



Analyst Day/Fourth Quarter 2012 Earnings Call
New York City
February 19, 2013



Opening Remarks



Steve Busser
Vice President and Treasurer

February 19, 2013



Safe Harbor Statement



This presentation includes statements that may constitute forward-looking statements made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. This information may involve risks and uncertainties that could cause actual results to differ materially from such forward-looking statements. 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 EE to pass through all such increased costs to customers or to recover previously incurred fuel costs in rates
- Recovery of 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
- Costs at Palo Verde
- 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 or state taxing authorities
- 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. EE's filings are available from the Securities and Exchange Commission or may be obtained through EE's website, <http://www.epelectric.com>. Any such forward-looking statement is qualified by reference to these risks and factors. EE cautions that these risks and factors are not exclusive. EE does not undertake to update any forward-looking statement that may be made from time to time by or on behalf of EE except as required by law

Agenda



- ❖ **2012 Highlights** - Tom Shockley (CEO)
- ❖ **2013 Goals** - Tom Shockley
- ❖ **El Paso Outlook** - Tom Shockley
- ❖ **Economic Overview** - Robert W. (Bill) Gilmer (Ph.D.)
- ❖ **2012 Earnings** - David Carpenter (CFO)
- ❖ **Capital Construction Program & Rate Case Filing Update** - David Carpenter
- ❖ **2013 Earnings Guidance** - David Carpenter
- ❖ **Q & A**
- ❖ **El Paso Economic Metrics** - Bill Gilmer (Ph.D.)
- ❖ **Q & A**



2012 Highlights

Tom Shockley

2012 Financial & Regulatory Highlights

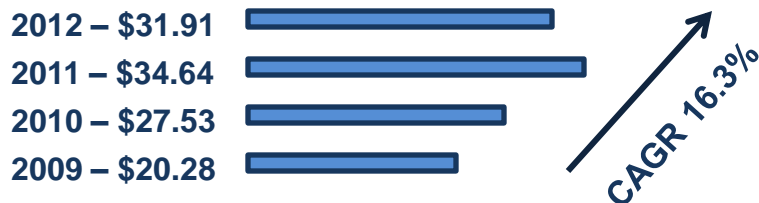


- ❖ Increased borrowing available under the Revolving Credit Facility from \$200mm to \$300mm
- ❖ Settled the Texas Rate Case and worked to improve relations with the City of El Paso
- ❖ Increased the annual dividend by 13.6% from \$0.88 to \$1.00 per share
- ❖ Completed refinancing of Pollution Control Bonds; annual savings of approximately \$1.1mm
- ❖ Issued \$150mm of 10-year 3.3% unsecured Senior Notes
- ❖ Obtained Certificates of Convenience & Necessity in Texas and New Mexico for the first two units at the new Montana Power Station
- ❖ Added two new board members from the El Paso area

Shareholder Return

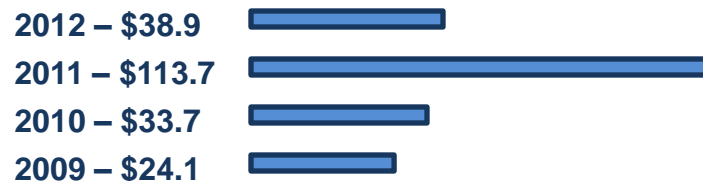


MARKET PRICE PER SHARE

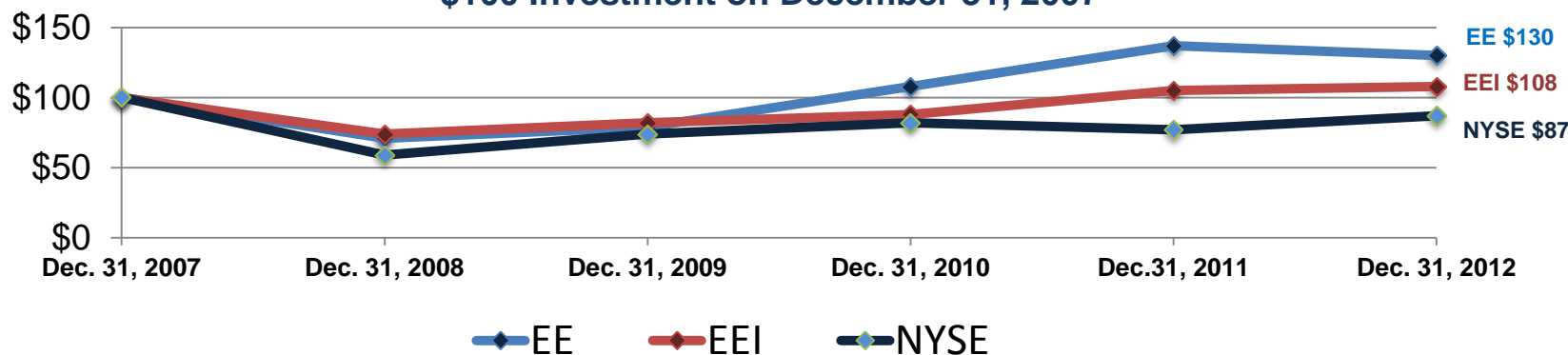


ANNUAL VALUE OF SHARE REPURCHASES AND DIVIDENDS *

(in millions)



Total Return Comparison \$100 Investment on December 31, 2007



* EE Initiated a quarterly cash dividend in 2011 distributing a total of \$27.2mm in 2011 and \$38.9mm during 2012

2012 Operational Highlights



- ❖ Edison Electric Institute (EEI) awarded EE the 2012 Emergency Assistance Award for its efforts to restore power to the New York area as a result of Super Storm Sandy
- ❖ Ranked #1 in terms of reliability among investor owned electric utilities by the Texas PUCT for the System Average Interruption Duration Index (SAIDI) and the System Average Interruption Frequency Index (SAIFI)
- ❖ Palo Verde Plant achieved its best generation year ever producing over 31 million mega-watt hours in 2012
- ❖ Palo Verde Unit 2 recorded the best performance in plant history by operating for a plant record 518 consecutive days





2013 Goals

Tom Shockley

2013 Goals



- ❖ Complete construction and begin commercial operation of Rio Grande Unit 9
- ❖ Obtain approvals for air permits from the Texas Commission on Environmental Quality (TCEQ) and the Environmental Protection Agency (EPA) and begin construction of the Montana Power Station
- ❖ Work with union to successfully negotiate new collective bargaining agreement
- ❖ Refine plans for future rate cases



El Paso Outlook

Tom Shockley

Fort Bliss



- ❖ **El Paso Community College (2015)**
 - ❖ New branch to be built on 250 acre site
- ❖ **Residential and Mixed Commercial Development**
 - ❖ Anticipate 1,800 acres of public land will be sold to developers for mixed commercial and residential development

- ❖ **William Beaumont Army Medical Center (2017)**

- ❖ Total expected cost of \$1 billion
- ❖ Will include 135 private rooms, 30 specialty clinics, and a four-story administration building



Medical Facilities



❖ El Paso Children's Hospital

- ❖ Opened February 2012
- ❖ The largest provider of pediatric medical services in the region at a size of approximately 225,000 square feet



❖ Gayle Greve Hunt School of Nursing

- ❖ \$11mm facility to be completed by 2014
- ❖ Nursing school enrollment is expected to grow to 300 students by 2015
- ❖ School is part of the Texas Tech University Health Sciences Center and the Paul L. Foster School of Medicine

Research and Medical Expansion



❖ Biomedical Research & Technology Park

- ❖ Medical Center of the Americas Foundation to construct a research & technology building at a cost of \$25mm
- ❖ 80,000 square foot building occupying 11.7 acres
- ❖ Will create \$47.1mm of new business revenues for the local economy

❖ Sierra Providence Medical Center

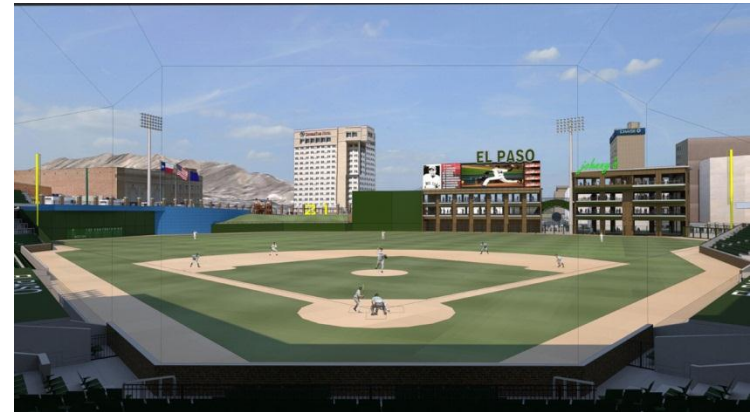
- ❖ \$67mm expansion in east El Paso
- ❖ Four-story hospital that will add surgical and medical capacity



New Baseball Franchise and 2012 Quality-of-Life Bond Projects



- ❖ A group of El Paso business leaders recently entered into a partnership to acquire a Triple-A baseball franchise from the Tucson Padres
- ❖ A new \$50mm baseball stadium will be constructed in the heart of downtown El Paso, and is slated to open in time for the start of the 2014 season
- ❖ Approximately \$473mm in Quality-of-Life bonds were approved by voters in November 2012
- ❖ Bond proceeds will be used for parks, pools, museums, libraries and community center expansions and upgrades and the continued revitalization of the zoo; also includes the construction of a new children's museum and new downtown multipurpose performing arts and entertainment facility

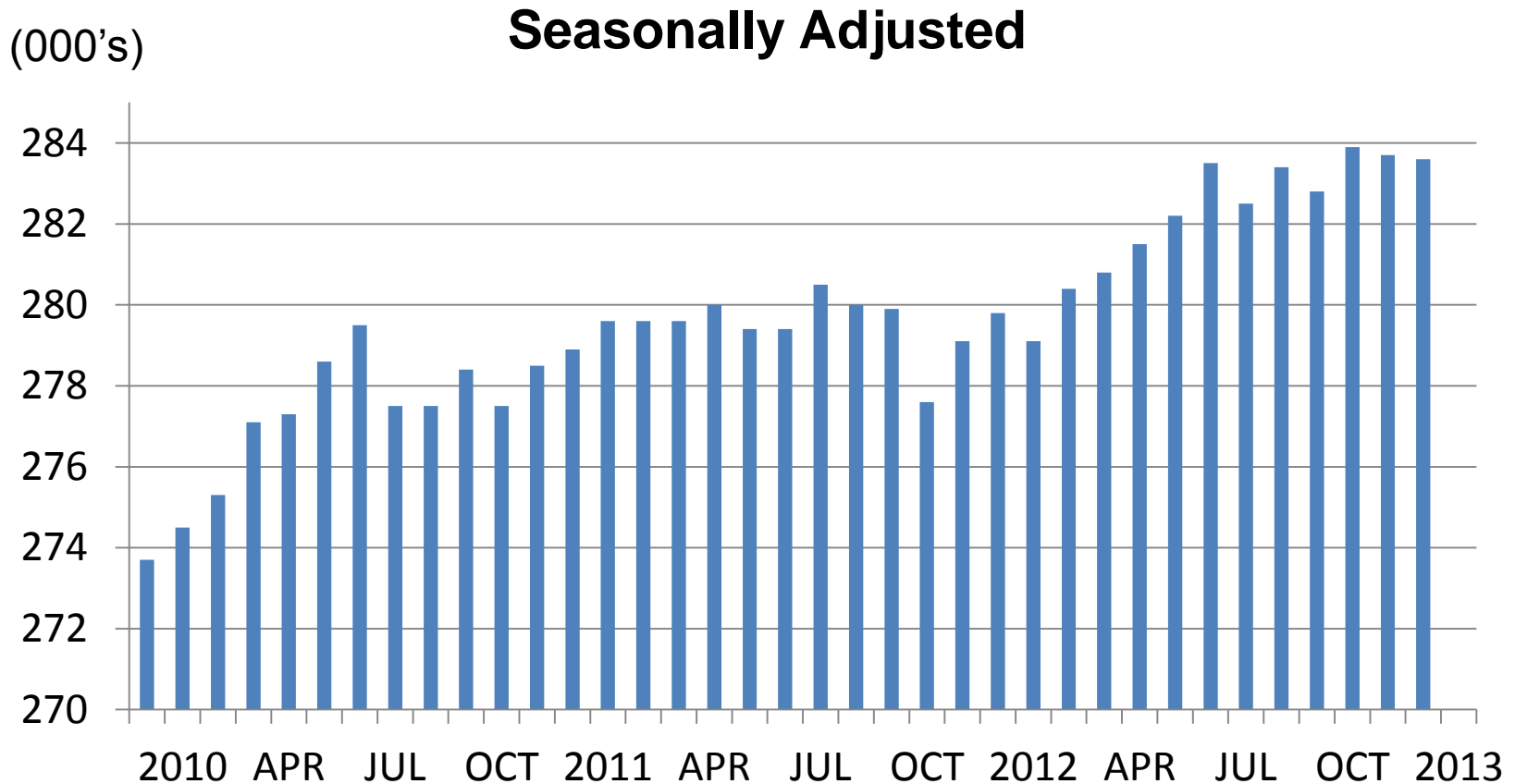




Economic Overview

Bill Gilmer

El Paso's Expansion Brought More Job Growth in 2012



Federal Reserve Bank of Dallas

Planned Expansion of Fort Bliss Still a Force in 2013



- ❖ The last year of \$5 billion expansion, with construction continuing at \$500 million rate
- ❖ 8,800 population increase in 2013 as the last wave of troops and their family arrive
- ❖ The new William Beaumont Medical Center will bring an additional \$660 million in spending by the time it opens in 2017

Why El Paso Should Do Well in 2013



- ❖ Projected second-half strength in US economy
- ❖ More mature recovery in El Paso's housing market
- ❖ Mexico remains a draw for the expansion of North American manufacturing, especially autos
- ❖ Cross-border trade shows no slowdown at the El Paso port of entry. Juarez maquiladora jobs are growing at 5 percent rate

Army Secretary Memo on Risk Mitigation of Sequester



- ❖ Civilian hiring freeze; terminate temporary employees; civilian furloughs a last resort
- ❖ Curtail training not related to forward deployment
- ❖ Curtail spending on maintenance, studies, research and development, overseas moves for civilians, etc.
- ❖ Act immediately

Conclusion



- ❖ Expect El Paso payroll job growth to continue in 2013 at 1.5 to 2.0 percent
- ❖ Stimulus continues through 2013 from build-out of Fort Bliss, as well as civilian construction projects
- ❖ El Paso also benefits from mature housing recovery, growth in Mexico, expansion of cross-border trade
- ❖ Sequester is the major undefined risk



2012 Earnings

David Carpenter

Fourth Quarter and YTD 2012 Financial Results



- ❖ Fourth Quarter 2012 (Basic) EPS - \$0.12, compared to Fourth Quarter 2011 (Basic) EPS - \$0.14

- ❖ YTD 2012 (Basic) EPS - \$2.27, compared to YTD 2011 (Basic) EPS - \$2.49

4th Quarter Key Earnings Drivers



	Basic EPS	Description
December 31, 2011	\$ 0.14	
Changes in:		
AFUDC	0.04	Increased AFUDC due to higher construction balances
Non Palo Verde O & M	0.04	Due primarily to a \$1.6mm refund recorded in Q4 2012 related to resolution of rates for purchased transmission
Depreciation and Amortization Expense	0.02	Reduced depreciation rates on gas-fired generating units and on T&D plant as a result of the Texas rate case settlement
Retail Non-Fuel Base Revenues	(0.06)	Decreased retail non-fuel base revenues due to milder weather and reduced rates in Texas
Deregulated Palo Verde Unit 3 Revenues	(0.01)	
Other	(0.05)	
December 31, 2012	\$ 0.12	

Year-to-Date Key Earnings Drivers



	Basic EPS	Description
December 31, 2011	\$ 2.49	
Changes in:		
Depreciation & Amortization	0.05	Reduced depreciation rates on PV plant due to license extension and non-PV plant due to Texas rate case settlement
AFUDC	0.04	Increased AFUDC due to higher construction balances
Retail Non-Fuel Base Revenues	(0.16)	Decreased retail non-fuel base revenues due to reduced rates in Texas and reduced kWh sales to large C&I customers
Non Palo Verde O&M	(0.11)	Increased pension & benefits expense due to lower discount rates and increased plant O&M due to timing of outages
Deregulated Palo Verde Unit 3 Revenues	(0.08)	Lower proxy prices due to lower gas prices and increased nuclear fuel costs; lower output from 2012 refueling outage
Transmission Revenues	(0.04)	Decrease due to \$3.9mm transmission settlement with TEP recorded in 2011 without any current year offsetting amounts
2011 Share Repurchases Effect	0.08	Reduced number of shares outstanding due to repurchases made in 2011
December 31, 2012	\$ 2.27	

February 19, 2013

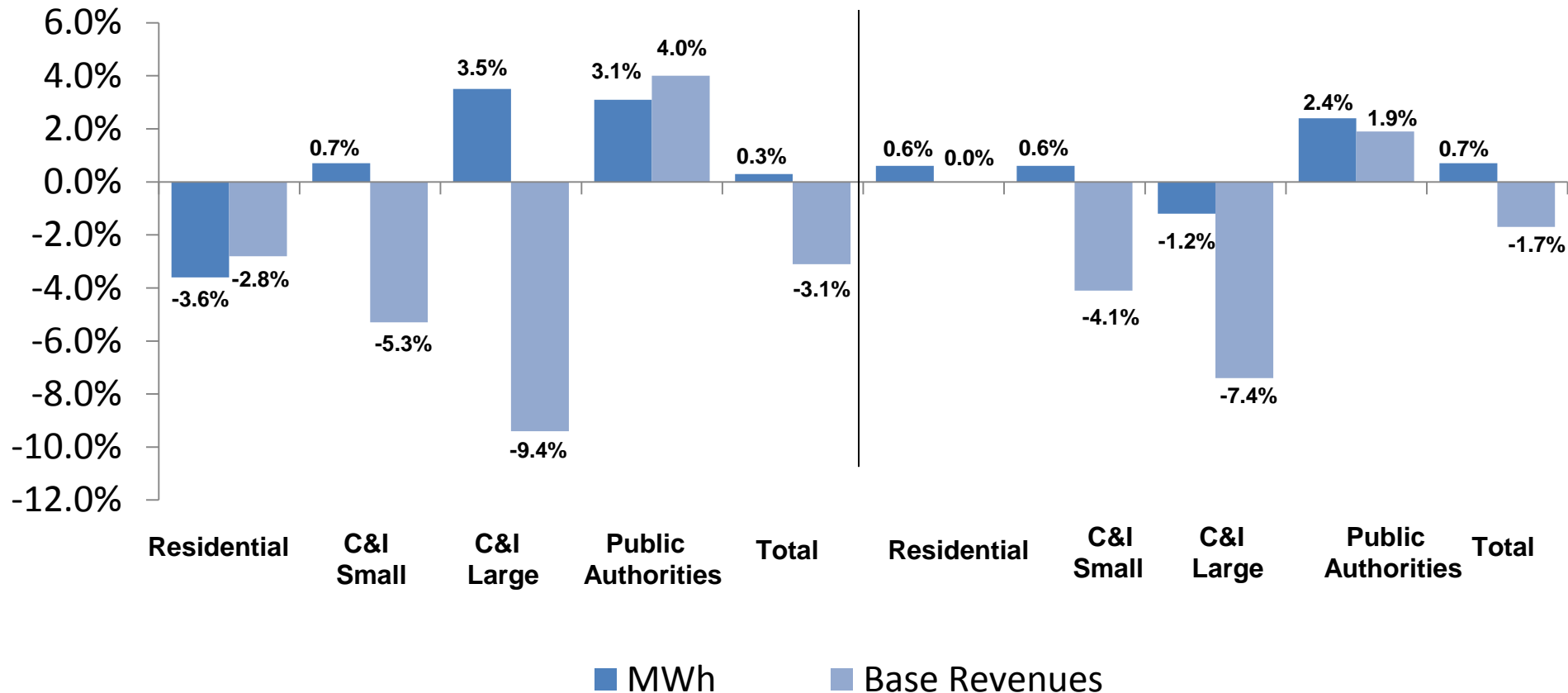


Changes in Revenue and Sales



4th Quarter

Year-to-Date



Revenue Reconciliation

4th Quarter and YTD 2012 comparison



	4th Qtr 2012 vs. 4th Qtr 2011		YTD December 2012 vs. YTD December 2011	
	Amount	Percent Change	Amount	Percent Change
Rate decrease	\$ (3,262)	-2.7%	\$ (11,698)	-2.1%
Weather	(2,668)	-2.2%	(9,718)	-1.7%
Other (sales mix & growth)	2,186	1.8%	11,742	2.1%
Total retail sales	\$ (3,744)	-3.1%	\$ (9,674)	-1.7%

Capital Requirements and Liquidity



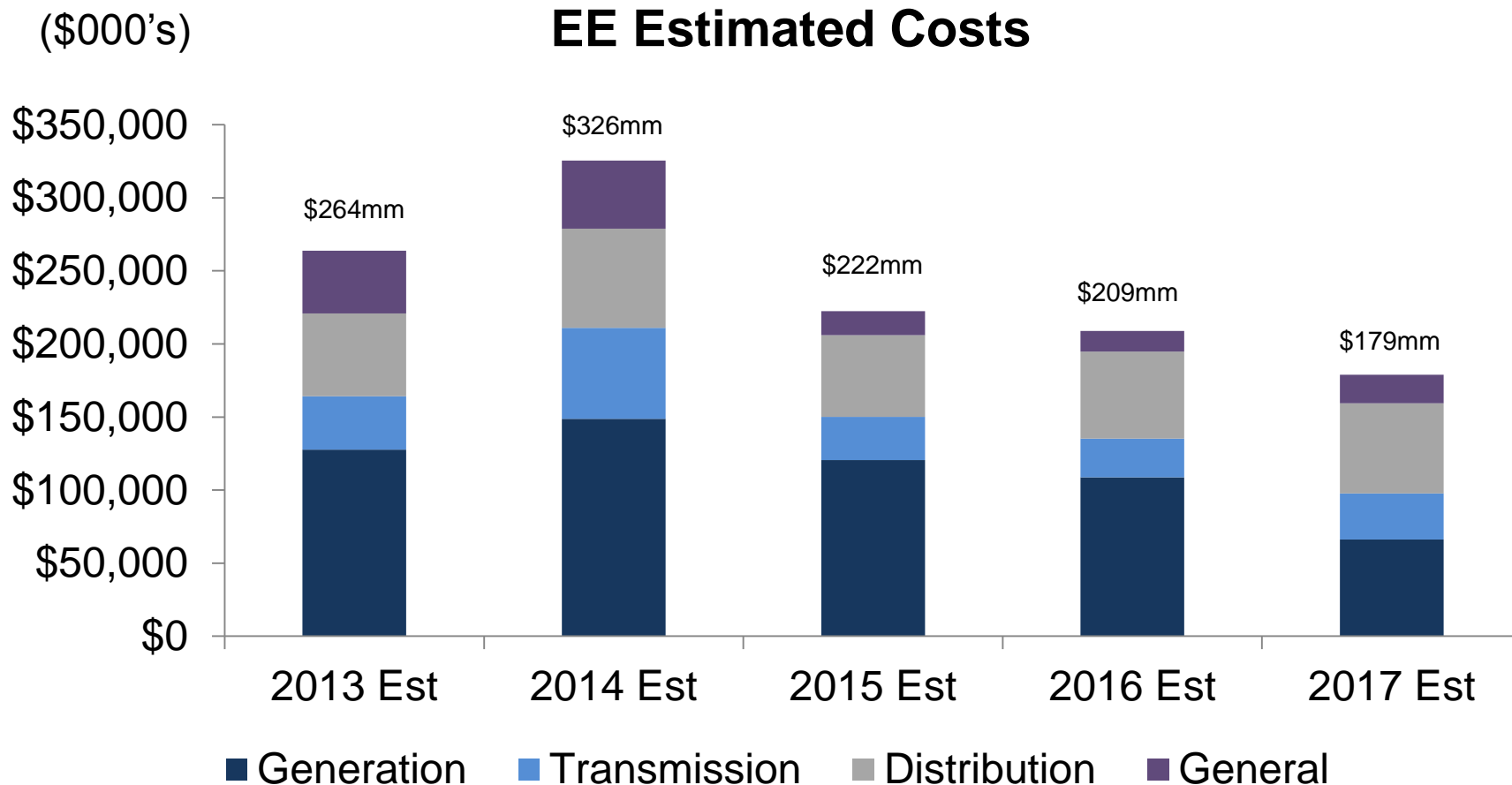
- ❖ \$202.4mm expended for additions to utility plant for the year ended December 31, 2012
- ❖ \$38.9mm in dividends paid for the year ended December 31, 2012
- ❖ Cash balance of \$111.1mm at December 31, 2012
 - ❖ During December 2012, EE issued \$150mm of 10-year unsecured Senior Notes at a coupon rate of 3.3%
- ❖ At December 31, 2012, EE had liquidity of \$388.5mm including cash and the revolving credit facility



Capital Construction Program & Rate Case Filing Update

David Carpenter

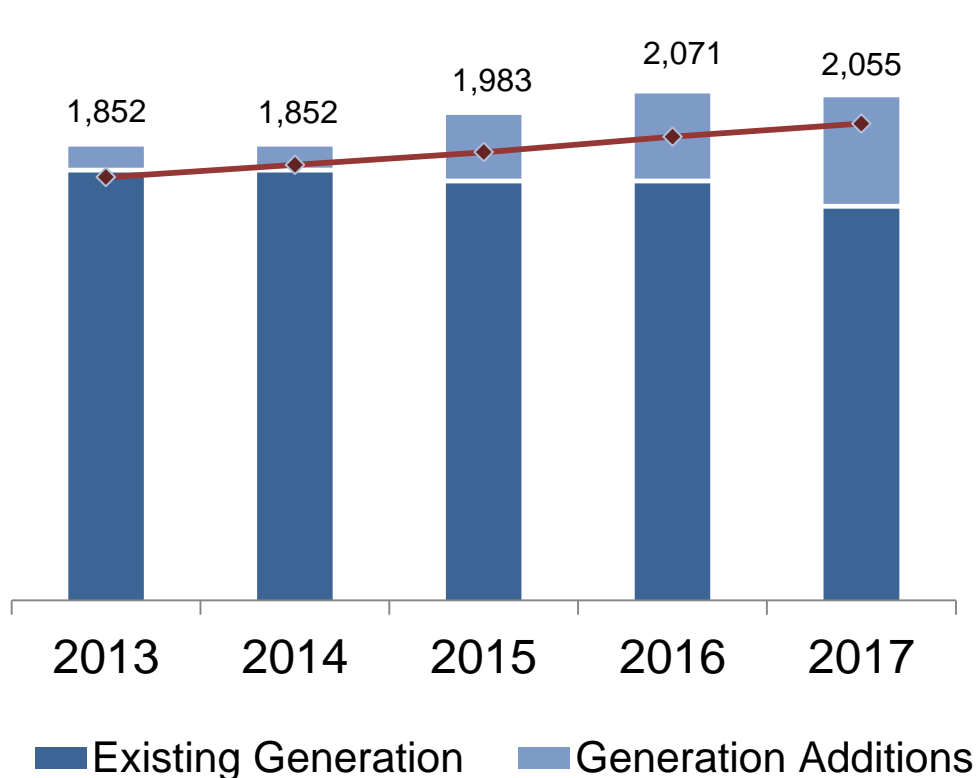
Five Year Cash Capital Expenditures



Generation Additions Schedule



Generating Capacity at Summer Peak (MW)



❖ Existing capacity 1,765 MW

Additions

- ❖ 2013 Rio Grande 9 (87 MW)
- ❖ 2014 MPS Unit 1 (88 MW)
- ❖ 2015 MPS Unit 2 (88 MW)
- ❖ 2016 MPS Unit 3 (88 MW)
- ❖ 2017 MPS Unit 4 (88 MW)

Unit Retirements (a)

- ❖ 2014 Rio Grande 6 (45 MW)
- ❖ 2016 Four Corners 4 & 5 (104 MW)

(a) Unit retirements occur in December and impact capacity available in the following year

Generation Capital Expenditures



- ❖ Generation capital expenditures are expected to be approximately \$572mm through 2017
 - ❖ New generation plant - \$325mm
 - ❖ Palo Verde - \$166mm
 - ❖ Other generation - \$81mm

- ❖ Generation expenditure differences compared to 2011 10-K are due to accelerated implementation of MPS units and delayed implementation of combined cycle units

T & D Capital Expenditures



- ❖ T&D capital expenditures are expected to be approximately \$488mm through 2017
 - ❖ Transmission - \$176mm
 - ❖ Distribution - \$312mm

General Capital Expenditures



- ❖ Total General capital expenditures are expected to be approximately \$140mm through 2017
 - ❖ Facilities - \$55mm
 - ❖ Fleet - \$19mm
 - ❖ IT - \$60mm
 - ❖ Metering & Other - \$6mm
- ❖ Construction of two new distribution centers on the east and west side of El Paso constitute \$42mm of the facilities capital expenditures

Projected Rate Base and CWIP



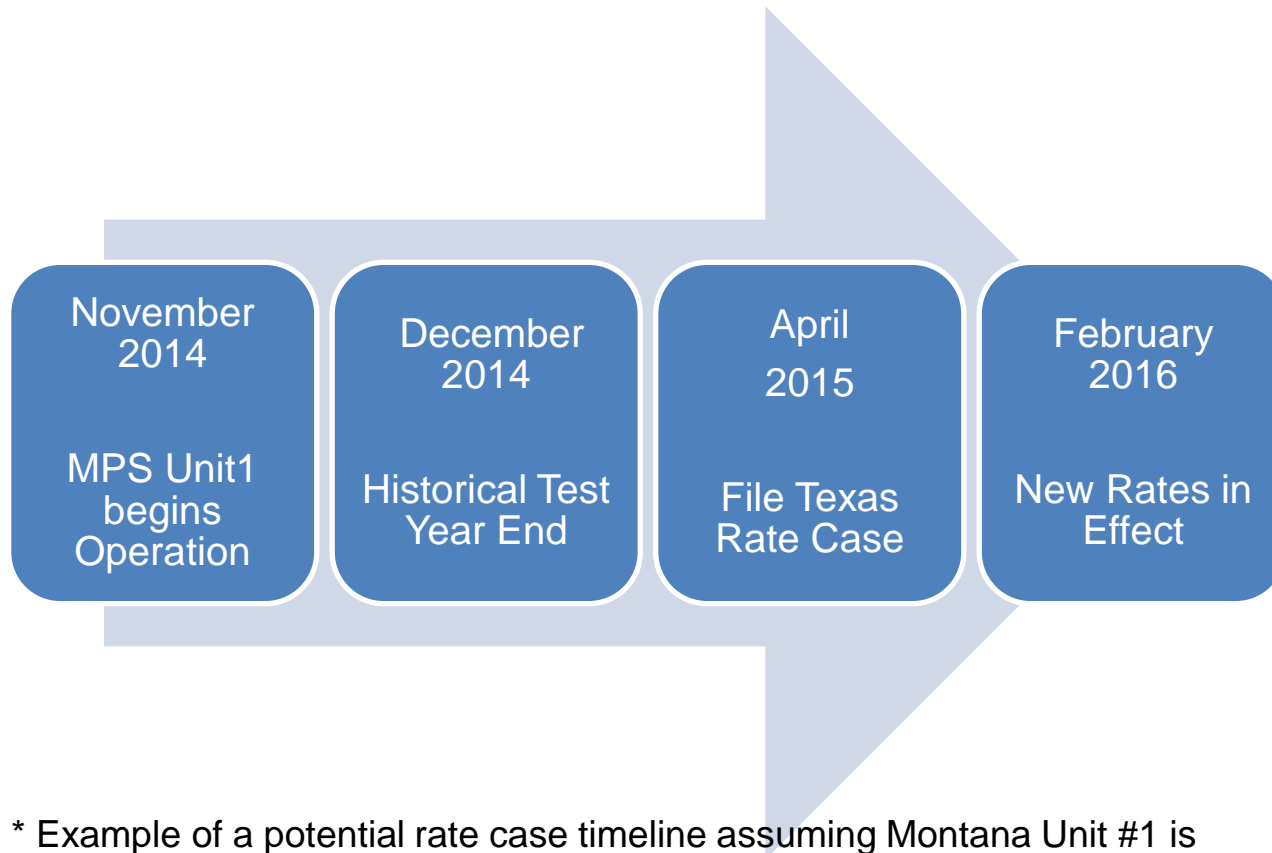
Pro forma Rate Base Balances for Future Rate Case Filings (\$000)

	Rio 9 2013	MPS 1 2014	MPS 2 2015	MPS 3 2016	MPS 4 2017
Beginning Rate Base ⁽¹⁾	\$1,537	\$1,676	\$1,881	\$2,100	\$2,231
Plant Additions:					
Excluding new generating units	175	188	238	158	172
New generating units:					
Rio Grande U9 (expected in-service 2013)	93				
Montana Site - Common Plant		57	8	5	2
Montana Site - U1 (expected in-service 2014)		71			
Montana Site - U2 (expected in-service 2015)			72		
Montana Site - U3 (expected in-service 2016)				77	
Montana Site - U4 (expected in-service 2017)					79
Total	268	316	318	240	253
Depreciation Expense	(83)	(90)	(96)	(104)	(110)
Change in Deferred Income Taxes & Other	(46)	(21)	(3)	(5)	(6)
Total Rate Base (2)	\$1,676	\$1,881	\$2,100	\$2,231	\$2,368
Year End CWIP Balances (\$ in millions)	\$274	\$307	\$229	\$213	\$149

(1) Includes Palo Verde Unit 3 rate base of approximately \$35mm for 2013 & 2014, \$36mm for 2015 and \$37mm for 2016 & 2017

(2) Represents a pro-forma rate base amount that EE would use in rate filings for test year ending, calendar year presented

Example Rate Case Timeline



* Example of a potential rate case timeline assuming Montana Unit #1 is placed into service in November 2014



2013 Earnings Guidance

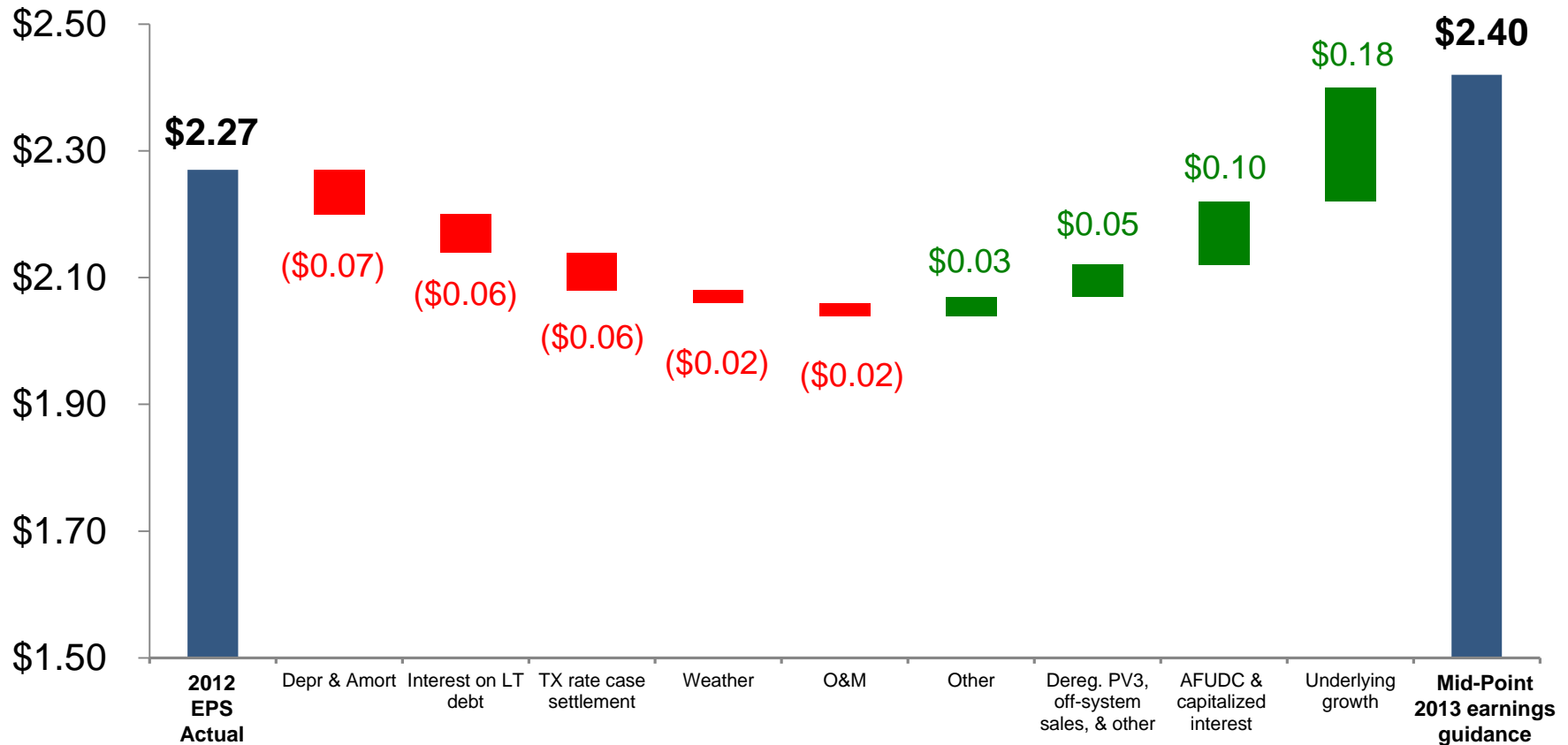
David Carpenter

February 19, 2013



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2013 Earnings Guidance



2013 Earnings Guidance range of \$2.20 to \$2.60 per basic share



Q & A