

**El Paso Electric Company and Subsidiary**  
**Consolidated Statements of Operations**  
**Quarter Ended June 30, 2011 and 2010**  
(In thousands except for per share data)  
(Unaudited)

|  | <u>2011</u>             | <u>2010</u>             | <u>Variance</u>          |
|--|-------------------------|-------------------------|--------------------------|
| Operating revenues, net of energy expenses:                                    |                         |                         |                          |
| Base revenues  | \$ 155,082              | \$ 130,752              | \$ 24,330 (a)            |
| Off-system sales margins, net of sharing                                       | (793)                   | 787                     | (1,580)                  |
| Deregulated Palo Verde Unit 3 revenues   | 3,914                   | 4,268                   | (354)                    |
| Other  | 6,787                   | 5,286                   | 1,501                    |
| <b>Operating Revenues Net of Energy Expenses</b>                               | <b><u>164,990</u></b>   | <b><u>141,093</u></b>   | <b><u>23,897</u></b>     |
| Other operating expenses:  |                         |                         |                          |
| Other operations and maintenance   | 47,592                  | 41,684                  | 5,908                    |
| Palo Verde operations and maintenance  | 26,377                  | 25,595                  | 782                      |
| Taxes other than income taxes  | 13,376                  | 13,170                  | 206                      |
| Other income (deductions)  | 893                     | 462                     | 431                      |
| <b>Earnings Before Interest, Taxes, Depreciation<br/>and Amortization</b>      | <b><u>78,538</u></b>    | <b><u>61,106</u></b>    | <b><u>17,432 (b)</u></b> |
| Depreciation and amortization  | 19,524                  | 20,167                  | (643)                    |
| Interest on long-term debt   | 13,526                  | 12,241                  | 1,285                    |
| AFUDC and capitalized interest   | 4,481                   | 4,499                   | (18)                     |
| Other interest expense   | 237                     | 25                      | 212                      |
| <b>Income Before Income Taxes</b>  | <b><u>49,732</u></b>    | <b><u>33,172</u></b>    | <b><u>16,560</u></b>     |
| Income tax expense   | 16,742                  | 11,665                  | 5,077                    |
| <b>Net Income</b>  | <b><u>\$ 32,990</u></b> | <b><u>\$ 21,507</u></b> | <b><u>\$ 11,483</u></b>  |
| <b>Basic Earnings per Share</b>  | <b><u>\$ 0.78</u></b>   | <b><u>\$ 0.49</u></b>   | <b><u>\$ 0.29</u></b>    |
| <b>Diluted Earnings per Share</b>  | <b><u>\$ 0.78</u></b>   | <b><u>\$ 0.49</u></b>   | <b><u>\$ 0.29</u></b>    |
| <b>Dividends declared per share of common stock</b>                            | <b><u>\$ 0.22</u></b>   | <b><u>\$ -</u></b>      | <b><u>\$ 0.22</u></b>    |
| Weighted average number of shares outstanding                                  | <u>41,854</u>           | <u>43,460</u>           | <u>(1,606)</u>           |
| Weighted average number of shares and dilutive<br>potential shares outstanding | <u>42,077</u>           | <u>43,558</u>           | <u>(1,481)</u>           |

(a) Base revenues exclude fuel recovered through New Mexico base rates of \$17.2 million and \$17.8 million, respectively.

(b) EBITDA is a non-GAAP financial measure and is not a substitute for net income or other measures of financial performance in accordance with GAAP.

**El Paso Electric Company and Subsidiary**  
**Consolidated Statements of Operations**  
**Six Months Ended June 30, 2011 and 2010**  
(In thousands except for per share data)  
(Unaudited)

|   | 2011             | 2010             | Variance         |
|---|------------------|------------------|------------------|
| Operating revenues, net of energy expenses:                                 |                  |                  |                  |
| Base revenues   | \$ 259,644       | \$ 241,222       | \$ 18,422 (a)    |
| Off-system sales margins, net of sharing                                    | (854)            | 5,169            | (6,023)          |
| Deregulated Palo Verde Unit 3 revenues                                      | 7,854            | 9,349            | (1,495)          |
| Other   | 13,225           | 11,581           | 1,644            |
| <b>Operating Revenues Net of Energy Expenses</b>                            | <b>279,869</b>   | <b>267,321</b>   | <b>12,548</b>    |
| Other operating expenses:   |                  |                  |                  |
| Other operations and maintenance  | 91,346           | 83,875           | 7,471            |
| Palo Verde operations and maintenance                                       | 48,966           | 48,002           | 964              |
| Taxes other than income taxes   | 26,503           | 24,913           | 1,590            |
| Other income (deductions)   | 2,833            | 1,203            | 1,630            |
| <b>Earnings Before Interest, Taxes, Depreciation and Amortization</b>       | <b>115,887</b>   | <b>111,734</b>   | <b>4,153 (b)</b> |
| Depreciation and amortization   | 40,460           | 39,451           | 1,009            |
| Interest on long-term debt  | 27,024           | 24,442           | 2,582            |
| AFUDC and capitalized interest  | 10,637           | 8,834            | 1,803            |
| Other interest expense  | 534              | 65               | 469              |
| <b>Income Before Income Taxes</b>   | <b>58,506</b>    | <b>56,610</b>    | <b>1,896</b>     |
| Income tax expense (c)  | 18,741           | 23,654           | (4,913)          |
| <b>Net Income</b>   | <b>\$ 39,765</b> | <b>\$ 32,956</b> | <b>\$ 6,809</b>  |
| <b>Basic Earnings per Share</b>   | <b>\$ 0.94</b>   | <b>\$ 0.75</b>   | <b>\$ 0.19</b>   |
| <b>Diluted Earnings per Share</b>   | <b>\$ 0.94</b>   | <b>\$ 0.75</b>   | <b>\$ 0.19</b>   |
| <b>Dividends declared per share of common stock</b>                         | <b>\$ 0.22</b>   | <b>\$ -</b>      | <b>\$ 0.22</b>   |
| Weighted average number of shares outstanding                               | 42,080           | 43,599           | (1,519)          |
| Weighted average number of shares and dilutive potential shares outstanding | 42,299           | 43,710           | (1,411)          |

- (a) Base revenues exclude fuel recovered through New Mexico base rates of \$33.5 million and \$33.6 million, respectively.
- (b) EBITDA is a non-GAAP financial measure and is not a substitute for net income or other measures of financial performance in accordance with GAAP.
- (c) Income tax expense for the six months ended June 30, 2010 includes a charge of \$4,787 related to the Patient Protection and Affordable Care Act which required the elimination of the tax benefit associated with the Medicare Part D subsidies beginning in 2013.

**El Paso Electric Company and Subsidiary**  
**Cash Flow Summary**  
**Six Months Ended June 30, 2011 and 2010**  
(In thousands and Unaudited)

|   | <b>2011</b>      | <b>2010</b>      |
|---|------------------|------------------|
| <b>Cash flows from operating activities:</b>                            |                  |                  |
| Net income  | \$ 39,765        | \$ 32,956        |
| Adjustments to reconcile net income to net cash provided by operations: |                  |                  |
| Depreciation and amortization of electric plant in service              | 40,460           | 39,451           |
| Deferred income taxes, net  | 12,647           | 14,206           |
| Other   | 24,452           | 15,815           |
| Change in working capital items:  |                  |                  |
| Net recovery (deferral) of fuel revenues                                | (25,827)         | 420              |
| Accounts receivable   | (35,772)         | (26,175)         |
| Other (a)   | (6,144)          | (17,148)         |
| <b>Net cash provided by operating activities</b>                        | <b>49,581</b>    | <b>59,525</b>    |
| <b>Cash flows from investing activities:</b>                            |                  |                  |
| Cash additions to utility property, plant and equipment                 | (86,950)         | (90,603)         |
| Cash additions to nuclear fuel  | (24,140)         | (26,981)         |
| Decommissioning trust funds   | (6,235)          | (5,604)          |
| Other   | (5,387)          | (4,454)          |
| <b>Net cash used for investing activities</b>                           | <b>(122,712)</b> | <b>(127,642)</b> |
| <b>Cash flows from financing activities:</b>                            |                  |                  |
| Repurchase of common stock  | (26,320)         | (9,988)          |
| Dividends paid  | (9,248)          | -                |
| Borrowings under the revolving credit facility                          | 34,938           | 15,828           |
| Other   | (317)            | (103)            |
| <b>Net cash provided by (used for) financing activities</b>             | <b>(947)</b>     | <b>5,737</b>     |
| <b>Net decrease in cash and cash equivalents</b>                        | <b>(74,078)</b>  | <b>(62,380)</b>  |
| <b>Cash and cash equivalents at beginning of period</b>                 | <b>79,184</b>    | <b>91,790</b>    |
| <b>Cash and cash equivalents at end of period</b>                       | <b>\$ 5,106</b>  | <b>\$ 29,410</b> |

(a) 2011 includes funding of \$15.1 million to EE's employee benefit plans compared to funding of \$6.3 million for 2010.

**El Paso Electric Company and Subsidiary**  
**Quarter Ended June 30, 2011 and 2010**  
**Sales and Revenues Statistics**

|  | 2011                    | 2010                    | Increase (Decrease)   |            |
|--|-------------------------|-------------------------|-----------------------|------------|
|  |                         |                         | Amount                | Percentage |
| <b>MWh sales:</b>                                  |                         |                         |                       |            |
| Retail:  |                         |                         |                       |            |
| Residential  | 637,257                 | 583,096                 | 54,161                | 9.3%       |
| Commercial and industrial, small                   | 634,081                 | 601,048                 | 33,033                | 5.5%       |
| Commercial and industrial, large                   | 308,978                 | 289,095                 | 19,883                | 6.9%       |
| Sales to public authorities                        | 413,258                 | 403,770                 | 9,488                 | 2.3%       |
| Total retail sales                                 | <u>1,993,574</u>        | <u>1,877,009</u>        | <u>116,565</u>        | 6.2%       |
| Wholesale:   |                         |                         |                       |            |
| Sales for resale                                   | 19,346                  | 17,335                  | 2,011                 | 11.6%      |
| Off-system sales                                   | 668,420                 | 511,470                 | 156,950               | 30.7%      |
| Total wholesale sales                              | <u>687,766</u>          | <u>528,805</u>          | <u>158,961</u>        | 30.1%      |
| Total MWh sales                                    | <u><u>2,681,340</u></u> | <u><u>2,405,814</u></u> | <u><u>275,526</u></u> | 11.5%      |
| <b>Operating revenues (in thousands):</b>          |                         |                         |                       |            |
| Non-fuel base revenues:                            |                         |                         |                       |            |
| Retail:  |                         |                         |                       |            |
| Residential  | \$ 58,934               | \$ 50,153               | \$ 8,781              | 17.5%      |
| Commercial and industrial, small                   | 57,060                  | 47,238                  | 9,822                 | 20.8%      |
| Commercial and industrial, large                   | 12,305                  | 11,608                  | 697                   | 6.0%       |
| Sales to public authorities                        | 25,998                  | 21,186                  | 4,812                 | 22.7%      |
| Total retail non-fuel base revenues                | <u>154,297</u>          | <u>130,185</u>          | <u>24,112</u>         | 18.5%      |
| Wholesale:   |                         |                         |                       |            |
| Sales for resale                                   | 785                     | 567                     | 218                   | 38.4%      |
| Total non-fuel base revenues                       | <u>155,082</u>          | <u>130,752</u>          | <u>24,330</u>         | 18.6%      |
| Fuel revenues:                                     |                         |                         |                       |            |
| Recovered from customers during the period (a)     | 33,672                  | 45,248                  | (11,576)              | (25.6%)    |
| Under (over) collection of fuel                    | 12,700                  | (6,402)                 | 19,102                | -          |
| New Mexico fuel in base rates (b)                  | 17,156                  | 17,753                  | (597)                 | (3.4%)     |
| Total fuel revenues                                | <u>63,528</u>           | <u>56,599</u>           | <u>6,929</u>          | 12.2%      |
| Off-system sales:                                  |                         |                         |                       |            |
| Fuel cost  | 17,256                  | 16,661                  | 595                   | 3.6%       |
| Shared margins                                     | 248                     | 262                     | (14)                  | (5.3%)     |
| Retained margins                                   | (793)                   | 787                     | (1,580)               | -          |
| Total off-system sales                             | <u>16,711</u>           | <u>17,710</u>           | <u>(999)</u>          | (5.6%)     |
| Other  |                         |                         |                       |            |
| Total operating revenues                           | <u>\$ 242,605</u>       | <u>\$ 211,397</u>       | <u>\$ 31,208</u>      | 14.8%      |
| <b>Average number of retail customers:</b>         |                         |                         |                       |            |
| Residential  | 335,808                 | 330,976                 | 4,832                 | 1.5%       |
| Commercial and industrial, small                   | 37,096                  | 36,740                  | 356                   | 1.0%       |
| Commercial and industrial, large                   | 50                      | 49                      | 1                     | 2.0%       |
| Sales to public authorities                        | 4,849                   | 4,701                   | 148                   | 3.1%       |
| Total  | <u>377,803</u>          | <u>372,466</u>          | <u>5,337</u>          | 1.4%       |
| <b>Number of retail customers (end of period):</b> |                         |                         |                       |            |
| Residential  | 335,897                 | 331,050                 | 4,847                 | 1.5%       |
| Commercial and industrial, small                   | 37,886                  | 36,713                  | 1,173                 | 3.2%       |
| Commercial and industrial, large                   | 50                      | 49                      | 1                     | 2.0%       |
| Sales to public authorities                        | 4,854                   | 4,795                   | 59                    | 1.2%       |
| Total  | <u>378,687</u>          | <u>372,607</u>          | <u>6,080</u>          | 1.6%       |
| <b>Weather statistics</b>                          |                         |                         | <b>10 Yr Average</b>  |            |
| Heating degree days                                | 40                      | 82                      | 66                    |            |
| Cooling degree days                                | 1,169                   | 995                     | 1,005                 |            |

(a) Excludes \$12.0 million of refunds in 2011 related to Texas deferred fuel revenues from prior periods.

(b) Includes \$3.9 million and \$4.3 million, respectively, charged to New Mexico customers for power supplied to New Mexico customers from Palo Verde Unit 3 using a proxy price.

**El Paso Electric Company and Subsidiary**  
**Quarter Ended June 30, 2011 and 2010**  
**Generation and Purchased Power Statistics**

|                                       | <u>2011</u>             | <u>2010</u>             | <u>Increase (Decrease)</u> |                     |
|---------------------------------------|-------------------------|-------------------------|----------------------------|---------------------|
|                                       |                         |                         | <u>Amount</u>              | <u>Percentage</u>   |
| Generation and purchased power (MWh): |                         |                         |                            |                     |
| Palo Verde                            | 1,182,054               | 1,091,969               | 90,085                     | 8.2%                |
| Four Corners                          | 145,008                 | 167,625                 | (22,617)                   | (13.5%)             |
| Gas plants (a)                        | 856,448                 | 766,575                 | 89,873                     | 11.7%               |
| Total generation                      | <u>2,183,510</u>        | <u>2,026,169</u>        | <u>157,341</u>             | <u>7.8%</u>         |
| Purchased power                       | <u>499,040</u>          | <u>545,720</u>          | <u>(46,680)</u>            | <u>(8.6%)</u>       |
| Total available energy                | <u>2,682,550</u>        | <u>2,571,889</u>        | <u>110,661</u>             | <u>4.3%</u>         |
| Line losses and Company use           | <u>1,210</u>            | <u>166,075</u>          | <u>(164,865)</u>           | <u>(99.3%)</u>      |
| Total MWh sold                        | <u><u>2,681,340</u></u> | <u><u>2,405,814</u></u> | <u><u>275,526</u></u>      | <u><u>11.5%</u></u> |
| Palo Verde capacity factor            | 87.0%                   | 80.4%                   | 6.6%                       |                     |
| Four Corners capacity factor          | 66.8%                   | 76.9%                   | (10.1%)                    |                     |

(a) Includes 48,266 MWhs for pre-commercial testing of Newman Unit 5 Phase II.

**El Paso Electric Company and Subsidiary**  
**Six Months Ended June 30, 2011 and 2010**  
**Sales and Revenues Statistics**

|  | 2011              | 2010              | Increase (Decrease)  |                |
|--|-------------------|-------------------|----------------------|----------------|
|  |                   |                   | Amount               | Percentage     |
| <b>MWh sales:</b>                                  |                   |                   |                      |                |
| Retail:  |                   |                   |                      |                |
| Residential  | 1,178,539         | 1,139,376         | 39,163               | 3.4%           |
| Commercial and industrial, small                   | 1,112,602         | 1,085,330         | 27,272               | 2.5%           |
| Commercial and industrial, large                   | 538,210           | 525,708           | 12,502               | 2.4%           |
| Sales to public authorities                        | 748,227           | 729,327           | 18,900               | 2.6%           |
| Total retail sales                                 | <u>3,577,578</u>  | <u>3,479,741</u>  | <u>97,837</u>        | <u>2.8%</u>    |
| Wholesale:   |                   |                   |                      |                |
| Sales for resale                                   | 30,999            | 26,515            | 4,484                | 16.9%          |
| Off-system sales                                   | 1,436,040         | 1,359,208         | 76,832               | 5.7%           |
| Total wholesale sales                              | <u>1,467,039</u>  | <u>1,385,723</u>  | <u>81,316</u>        | <u>5.9%</u>    |
| Total MWh sales                                    | <u>5,044,617</u>  | <u>4,865,464</u>  | <u>179,153</u>       | <u>3.7%</u>    |
| <b>Operating revenues (in thousands):</b>          |                   |                   |                      |                |
| Non-fuel base revenues:                            |                   |                   |                      |                |
| Retail:  |                   |                   |                      |                |
| Residential  | \$ 103,911        | \$ 94,988         | \$ 8,923             | 9.4%           |
| Commercial and industrial, small                   | 90,274            | 86,437            | 3,837                | 4.4%           |
| Commercial and industrial, large                   | 21,106            | 20,821            | 285                  | 1.4%           |
| Sales to public authorities                        | 43,018            | 38,102            | 4,916                | 12.9%          |
| Total retail non-fuel base revenues                | <u>258,309</u>    | <u>240,348</u>    | <u>17,961</u>        | <u>7.5%</u>    |
| Wholesale:   |                   |                   |                      |                |
| Sales for resale                                   | 1,335             | 874               | 461                  | 52.7%          |
| Total non-fuel base revenues                       | <u>259,644</u>    | <u>241,222</u>    | <u>18,422</u>        | <u>7.6%</u>    |
| Fuel revenues:                                     |                   |                   |                      |                |
| Recovered from customers during the period (a)     | 59,535            | 83,281            | (23,746)             | (28.5%)        |
| Under (over) collection of fuel                    | 13,738            | (12,092)          | 25,830               | -              |
| New Mexico fuel in base rates (b)                  | 33,525            | 33,582            | (57)                 | (0.2%)         |
| Total fuel revenues                                | <u>106,798</u>    | <u>104,771</u>    | <u>2,027</u>         | <u>1.9%</u>    |
| Off-system sales:                                  |                   |                   |                      |                |
| Fuel cost  | 37,519            | 49,523            | (12,004)             | (24.2%)        |
| Shared margins                                     | 1,412             | 1,721             | (309)                | (18.0%)        |
| Retained margins                                   | (854)             | 5,169             | (6,023)              | -              |
| Total off-system sales                             | <u>38,077</u>     | <u>56,413</u>     | <u>(18,336)</u>      | <u>(32.5%)</u> |
| Other  | 14,198            | 13,159            | 1,039                | 7.9%           |
| Total operating revenues                           | <u>\$ 418,717</u> | <u>\$ 415,565</u> | <u>\$ 3,152</u>      | <u>0.8%</u>    |
| <b>Average number of retail customers:</b>         |                   |                   |                      |                |
| Residential  | 335,320           | 330,356           | 4,964                | 1.5%           |
| Commercial and industrial, small                   | 37,081            | 36,644            | 437                  | 1.2%           |
| Commercial and industrial, large                   | 50                | 48                | 2                    | 4.2%           |
| Sales to public authorities                        | 4,693             | 4,833             | (140)                | (2.9%)         |
| Total  | <u>377,144</u>    | <u>371,881</u>    | <u>5,263</u>         | <u>1.4%</u>    |
| <b>Number of retail customers (end of period):</b> |                   |                   |                      |                |
| Residential  | 335,897           | 331,050           | 4,847                | 1.5%           |
| Commercial and industrial, small                   | 37,886            | 36,713            | 1,173                | 3.2%           |
| Commercial and industrial, large                   | 50                | 49                | 1                    | 2.0%           |
| Sales to public authorities                        | 4,854             | 4,795             | 59                   | 1.2%           |
| Total  | <u>378,687</u>    | <u>372,607</u>    | <u>6,080</u>         | <u>1.6%</u>    |
| <b>Weather statistics</b>                          |                   |                   | <b>10 Yr Average</b> |                |
| Heating degree days                                | 1,305             | 1,478             | 1,290                |                |
| Cooling degree days                                | 1,210             | 1,004             | 1,026                |                |

(a) Excludes \$12.0 million and \$11.8 million of refunds in 2011 and 2010, respectively, related to Texas deferred fuel revenues from prior periods.

(b) Includes \$7.9 million and \$9.3 million, respectively, charged to New Mexico customers for power supplied to New Mexico customers from Palo Verde Unit 3 using a proxy price.

**El Paso Electric Company & Subsidiary**  
**Six Months Ended June 30, 2011 and 2010**  
**Generation and Purchased Power Statistics**

|                                       | <u>2011</u>             | <u>2010</u>             | <u>Increase (Decrease)</u> |                   |
|---------------------------------------|-------------------------|-------------------------|----------------------------|-------------------|
|                                       |                         |                         | <u>Amount</u>              | <u>Percentage</u> |
| Generation and purchased power (MWh): |                         |                         |                            |                   |
| Palo Verde                            | 2,511,861               | 2,372,281               | 139,580                    | 5.9%              |
| Four Corners                          | 311,979                 | 288,034                 | 23,945                     | 8.3%              |
| Gas plants (a)                        | <u>1,473,782</u>        | <u>1,319,377</u>        | <u>154,405</u>             | 11.7%             |
| Total generation                      | 4,297,622               | 3,979,692               | 317,930                    | 8.0%              |
| Purchased power                       | <u>1,060,968</u>        | <u>1,155,743</u>        | <u>(94,775)</u>            | (8.2%)            |
| Total available energy                | 5,358,590               | 5,135,435               | 223,155                    | 4.3%              |
| Line losses and Company use           | <u>313,973</u>          | <u>269,971</u>          | <u>44,002</u>              | 16.3%             |
| Total                                 | <u><u>5,044,617</u></u> | <u><u>4,865,464</u></u> | <u><u>179,153</u></u>      | 3.7%              |
| <br>                                  |                         |                         |                            |                   |
| Palo Verde capacity factor            | 93.0%                   | 87.9%                   | 5.1%                       |                   |
| Four Corners capacity factor          | 75.4%                   | 66.0%                   | 9.4%                       |                   |

(a) Includes 193,460 MWhs for pre-commercial testing of Newman Unit 5 Phase II.

**El Paso Electric Company and Subsidiary**  
**Financial Statistics**  
**At June 30, 2011 and 2010**  
(In thousands, except number of shares, book value per share, and ratios)

| <b>Balance Sheet</b>                           | <b>2011</b>  | <b>2010</b>  |
|--|--------------|--------------|
| Cash and cash equivalents                      | \$ 5,106     | \$ 29,410    |
| Common stock equity                            | \$ 818,302   | \$ 744,163   |
| Long-term debt                                 | 849,771      | 739,721      |
| Total capitalization                           | \$ 1,668,073 | \$ 1,483,884 |
| <br>   |              |              |
| Borrowings under the revolving credit facility | \$ 39,642    | \$ 122,826   |
| Number of shares - end of period               | 41,820,178   | 43,515,310   |
| Book value per common share                    | \$ 19.57     | \$ 17.10     |
| <br>   |              |              |
| Common equity ratio                            | 47.9%        | 46.3%        |
| Debt ratio                                     | 52.1%        | 53.7%        |