

THIS FILING IS

Item 1:  An Initial (Original) Submission OR  Resubmission No. \_\_\_\_\_

Form 1 Approved  
OMB No.1902-0021  
(Expires 12/31/2019)  
Form 1-F Approved  
OMB No.1902-0029  
(Expires 12/31/2019)  
Form 3-Q Approved  
OMB No.1902-0205  
(Expires 12/31/2019)



# FERC FINANCIAL REPORT

## FERC FORM No. 1: Annual Report of Major Electric Utilities, Licensees and Others and Supplemental Form 3-Q: Quarterly Financial Report

These reports are mandatory under the Federal Power Act, Sections 3, 4(a), 304 and 309, and 18 CFR 141.1 and 141.400. Failure to report may result in criminal fines, civil penalties and other sanctions as provided by law. The Federal Energy Regulatory Commission does not consider these reports to be of confidential nature

**Exact Legal Name of Respondent (Company)**

El Paso Electric Company

**Year/Period of Report**

**End of** 2019/Q3

## INSTRUCTIONS FOR FILING FERC FORM NOS. 1 and 3-Q

### GENERAL INFORMATION

#### I. Purpose

FERC Form No. 1 (FERC Form 1) is an annual regulatory requirement for Major electric utilities, licensees and others (18 C.F.R. § 141.1). FERC Form No. 3-Q (FERC Form 3-Q) is a quarterly regulatory requirement which supplements the annual financial reporting requirement (18 C.F.R. § 141.400). These reports are designed to collect financial and operational information from electric utilities, licensees and others subject to the jurisdiction of the Federal Energy Regulatory Commission. These reports are also considered to be non-confidential public use forms.

#### II. Who Must Submit

Each Major electric utility, licensee, or other, as classified in the Commission's Uniform System of Accounts Prescribed for Public Utilities and Licensees Subject To the Provisions of The Federal Power Act (18 C.F.R. Part 101), must submit FERC Form 1 (18 C.F.R. § 141.1), and FERC Form 3-Q (18 C.F.R. § 141.400).

Note: Major means having, in each of the three previous calendar years, sales or transmission service that exceeds one of the following:

- (1) one million megawatt hours of total annual sales,
- (2) 100 megawatt hours of annual sales for resale,
- (3) 500 megawatt hours of annual power exchanges delivered, or
- (4) 500 megawatt hours of annual wheeling for others (deliveries plus losses).

#### III. What and Where to Submit

(a) Submit FERC Forms 1 and 3-Q electronically through the forms submission software. Retain one copy of each report for your files. Any electronic submission must be created by using the forms submission software provided free by the Commission at its web site: <http://www.ferc.gov/docs-filing/eforms/form-1/elec-subm-soft.asp>. The software is used to submit the electronic filing to the Commission via the Internet.

(b) The Corporate Officer Certification must be submitted electronically as part of the FERC Forms 1 and 3-Q filings.

(c) Submit immediately upon publication, by either eFiling or mail, two (2) copies to the Secretary of the Commission, the latest Annual Report to Stockholders. Unless eFiling the Annual Report to Stockholders, mail the stockholders report to the Secretary of the Commission at:

Secretary  
Federal Energy Regulatory Commission  
888 First Street, NE  
Washington, DC 20426

(d) For the CPA Certification Statement, submit within 30 days after filing the FERC Form 1, a letter or report (not applicable to filers classified as Class C or Class D prior to January 1, 1984). The CPA Certification Statement can be either eFiled or mailed to the Secretary of the Commission at the address above.

The CPA Certification Statement should:

- a) Attest to the conformity, in all material aspects, of the below listed (schedules and pages) with the Commission's applicable Uniform System of Accounts (including applicable notes relating thereto and the Chief Accountant's published accounting releases), and
- b) Be signed by independent certified public accountants or an independent licensed public accountant certified or licensed by a regulatory authority of a State or other political subdivision of the U. S. (See 18 C.F.R. §§ 41.10-41.12 for specific qualifications.)

<u>Reference Schedules</u>	<u>Pages</u>
Comparative Balance Sheet	110-113
Statement of Income	114-117
Statement of Retained Earnings	118-119
Statement of Cash Flows	120-121
Notes to Financial Statements	122-123

- e) The following format must be used for the CPA Certification Statement unless unusual circumstances or conditions, explained in the letter or report, demand that it be varied. Insert parenthetical phrases only when exceptions are reported.

"In connection with our regular examination of the financial statements of \_\_\_\_\_ for the year ended on which we have reported separately under date of \_\_\_\_\_, we have also reviewed schedules \_\_\_\_\_ of FERC Form No. 1 for the year filed with the Federal Energy Regulatory Commission, for conformity in all material respects with the requirements of the Federal Energy Regulatory Commission as set forth in its applicable Uniform System of Accounts and published accounting releases. Our review for this purpose included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

Based on our review, in our opinion the accompanying schedules identified in the preceding paragraph (except as noted below) conform in all material respects with the accounting requirements of the Federal Energy Regulatory Commission as set forth in its applicable Uniform System of Accounts and published accounting releases."

The letter or report must state which, if any, of the pages above do not conform to the Commission's requirements. Describe the discrepancies that exist.

- (f) Filers are encouraged to file their Annual Report to Stockholders, and the CPA Certification Statement using eFiling. To further that effort, new selections, "Annual Report to Stockholders," and "CPA Certification Statement" have been added to the dropdown "pick list" from which companies must choose when eFiling. Further instructions are found on the Commission's website at <http://www.ferc.gov/help/how-to.asp>.

- (g) Federal, State and Local Governments and other authorized users may obtain additional blank copies of FERC Form 1 and 3-Q free of charge from <http://www.ferc.gov/docs-filing/eforms/form-1/form-1.pdf> and <http://www.ferc.gov/docs-filing/eforms.asp#3Q-gas>.

#### IV. When to Submit:

FERC Forms 1 and 3-Q must be filed by the following schedule:

- a) FERC Form 1 for each year ending December 31 must be filed by April 18<sup>th</sup> of the following year (18 CFR § 141.1), and
- b) FERC Form 3-Q for each calendar quarter must be filed within 60 days after the reporting quarter (18 C.F.R. § 141.400).

**V. Where to Send Comments on Public Reporting Burden.**

The public reporting burden for the FERC Form 1 collection of information is estimated to average 1,144 hours per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data-needed, and completing and reviewing the collection of information. The public reporting burden for the FERC Form 3-Q collection of information is estimated to average 150 hours per response.

Send comments regarding these burden estimates or any aspect of these collections of information, including suggestions for reducing burden, to the Federal Energy Regulatory Commission, 888 First Street NE, Washington, DC 20426 (Attention: Information Clearance Officer); and to the Office of Information and Regulatory Affairs, Office of Management and Budget, Washington, DC 20503 (Attention: Desk Officer for the Federal Energy Regulatory Commission). No person shall be subject to any penalty if any collection of information does not display a valid control number (44 U.S.C. § 3512 (a)).

## GENERAL INSTRUCTIONS

- I. Prepare this report in conformity with the Uniform System of Accounts (18 CFR Part 101) (USofA). Interpret all accounting words and phrases in accordance with the USofA.
- II. Enter in whole numbers (dollars or MWH) only, except where otherwise noted. (Enter cents for averages and figures per unit where cents are important. The truncating of cents is allowed except on the four basic financial statements where rounding is required.) The amounts shown on all supporting pages must agree with the amounts entered on the statements that they support. When applying thresholds to determine significance for reporting purposes, use for balance sheet accounts the balances at the end of the current reporting period, and use for statement of income accounts the current year's year to date amounts.
- III. Complete each question fully and accurately, even if it has been answered in a previous report. Enter the word "None" where it truly and completely states the fact.
- IV. For any page(s) that is not applicable to the respondent, omit the page(s) and enter "NA," "NONE," or "Not Applicable" in column (d) on the List of Schedules, pages 2 and 3.
- V. Enter the month, day, and year for all dates. Use customary abbreviations. **The "Date of Report" included in the header of each page is to be completed only for resubmissions** (see VII. below).
- VI. Generally, except for certain schedules, all numbers, whether they are expected to be debits or credits, must be reported as positive. Numbers having a sign that is different from the expected sign must be reported by enclosing the numbers in parentheses.
- VII. For any resubmissions, submit the electronic filing using the form submission software only. Please explain the reason for the resubmission in a footnote to the data field.
- VIII. Do not make references to reports of previous periods/years or to other reports in lieu of required entries, except as specifically authorized.
- IX. Wherever (schedule) pages refer to figures from a previous period/year, the figures reported must be based upon those shown by the report of the previous period/year, or an appropriate explanation given as to why the different figures were used.

Definitions for statistical classifications used for completing schedules for transmission system reporting are as follows:

FNS - Firm Network Transmission Service for Self. "Firm" means service that can not be interrupted for economic reasons and is intended to remain reliable even under adverse conditions. "Network Service" is Network Transmission Service as described in Order No. 888 and the Open Access Transmission Tariff. "Self" means the respondent.

FNO - Firm Network Service for Others. "Firm" means that service cannot be interrupted for economic reasons and is intended to remain reliable even under adverse conditions. "Network Service" is Network Transmission Service as described in Order No. 888 and the Open Access Transmission Tariff.

LFP - for Long-Term Firm Point-to-Point Transmission Reservations. "Long-Term" means one year or longer and "firm" means that service cannot be interrupted for economic reasons and is intended to remain reliable even under adverse conditions. "Point-to-Point Transmission Reservations" are described in Order No. 888 and the Open Access Transmission Tariff. For all transactions identified as LFP, provide in a footnote the

termination date of the contract defined as the earliest date either buyer or seller can unilaterally cancel the contract.

OLF - Other Long-Term Firm Transmission Service. Report service provided under contracts which do not conform to the terms of the Open Access Transmission Tariff. "Long-Term" means one year or longer and "firm" means that service cannot be interrupted for economic reasons and is intended to remain reliable even under adverse conditions. For all transactions identified as OLF, provide in a footnote the termination date of the contract defined as the earliest date either buyer or seller can unilaterally get out of the contract.

SFP - Short-Term Firm Point-to-Point Transmission Reservations. Use this classification for all firm point-to-point transmission reservations, where the duration of each period of reservation is less than one-year.

NF - Non-Firm Transmission Service, where firm means that service cannot be interrupted for economic reasons and is intended to remain reliable even under adverse conditions.

OS - Other Transmission Service. Use this classification only for those services which can not be placed in the above-mentioned classifications, such as all other service regardless of the length of the contract and service FERC Form. Describe the type of service in a footnote for each entry.

AD - Out-of-Period Adjustments. Use this code for any accounting adjustments or "true-ups" for service provided in prior reporting periods. Provide an explanation in a footnote for each adjustment.

#### DEFINITIONS

I. Commission Authorization (Comm. Auth.) -- The authorization of the Federal Energy Regulatory Commission, or any other Commission. Name the commission whose authorization was obtained and give date of the authorization.

II. Respondent -- The person, corporation, licensee, agency, authority, or other Legal entity or instrumentality in whose behalf the report is made.

## EXCERPTS FROM THE LAW

### Federal Power Act, 16 U.S.C. § 791a-825r

Sec. 3. The words defined in this section shall have the following meanings for purposes of this Act, to with:

(3) 'Corporation' means any corporation, joint-stock company, partnership, association, business trust, organized group of persons, whether incorporated or not, or a receiver or receivers, trustee or trustees of any of the foregoing. It shall not include 'municipalities, as hereinafter defined;

(4) 'Person' means an individual or a corporation;

(5) 'Licensee, means any person, State, or municipality Licensed under the provisions of section 4 of this Act, and any assignee or successor in interest thereof;

(7) 'municipality means a city, county, irrigation district, drainage district, or other political subdivision or agency of a State competent under the Laws thereof to carry and the business of developing, transmitting, unitizing, or distributing power; .....

(11) "project' means. a complete unit of improvement or development, consisting of a power house, all water conduits, all dams and appurtenant works and structures (including navigation structures) which are a part of said unit, and all storage, diverting, or fore bay reservoirs directly connected therewith, the primary line or lines transmitting power there from to the point of junction with the distribution system or with the interconnected primary transmission system, all miscellaneous structures used and useful in connection with said unit or any part thereof, and all water rights, rights-of-way, ditches, dams, reservoirs, Lands, or interest in Lands the use and occupancy of which are necessary or appropriate in the maintenance and operation of such unit;

"Sec. 4. The Commission is hereby authorized and empowered

(a) To make investigations and to collect and record data concerning the utilization of the water 'resources of any region to be developed, the water-power industry and its relation to other industries and to interstate or foreign commerce, and concerning the location, capacity, development -costs, and relation to markets of power sites; ... to the extent the Commission may deem necessary or useful for the purposes of this Act."

"Sec. 304. (a) Every Licensee and every public utility shall file with the Commission such annual and other periodic or special\* reports as the Commission may be rules and regulations or other prescribe as necessary or appropriate to assist the Commission in the -proper administration of this Act. The Commission may prescribe the manner and FERC Form in which such reports salt be made, and require from such persons specific answers to all questions upon which the Commission may need information. The Commission may require that such reports shall include, among other things, full information as to assets and Liabilities, capitalization, net investment, and reduction thereof, gross receipts, interest due and paid, depreciation, and other reserves, cost of project and other facilities, cost of maintenance and operation of the project and other facilities, cost of renewals and replacement of the project works and other facilities, depreciation, generation, transmission, distribution, delivery, use, and sale of electric energy. The Commission may require any such person to make adequate provision for currently determining such costs and other facts. Such reports shall be made under oath unless the Commission otherwise specifies\*.10

"Sec. 309. The Commission shall have power to perform any and all acts, and to prescribe, issue, make, and rescind such orders, rules and regulations as it may find necessary or appropriate to carry out the provisions of this Act. Among other things, such rules and regulations may define accounting, technical, and trade terms used in this Act; and may prescribe the FERC Form or FERC Forms of all statements, declarations, applications, and reports to be filed with the Commission, the information which they shall contain, and the time within which they shall be filed..."

### **General Penalties**

The Commission may assess up to \$1 million per day per violation of its rules and regulations. *See* FPA § 316(a) (2005), 16 U.S.C. § 825o(a).



**FERC FORM NO. 1/3-Q:  
REPORT OF MAJOR ELECTRIC UTILITIES, LICENSEES AND OTHER**

**IDENTIFICATION**

01 Exact Legal Name of Respondent El Paso Electric Company		02 Year/Period of Report End of <u>2019/Q3</u>	
03 Previous Name and Date of Change (if name changed during year) <p align="center">/ /</p>			
04 Address of Principal Office at End of Period (Street, City, State, Zip Code) P.O. Box 982, El Paso, TX 79960-0982; 100 North Stanton Street, El Paso, TX			
05 Name of Contact Person Russell G. Gibson		06 Title of Contact Person Vice President & Controller	
07 Address of Contact Person (Street, City, State, Zip Code) P.O. Box 982, El Paso, TX 79960-0982; 100 North Stanton Street, El Paso, TX			
08 Telephone of Contact Person, Including Area Code (915) 351-4222		09 This Report Is (1) <input checked="" type="checkbox"/> An Original      (2) <input type="checkbox"/> A Resubmission	
		10 Date of Report (Mo, Da, Yr) <p align="center">/ /</p>	

**QUARTERLY CORPORATE OFFICER CERTIFICATION**

The undersigned officer certifies that:

I have examined this report and to the best of my knowledge, information, and belief all statements of fact contained in this report are correct statements of the business affairs of the respondent and the financial statements, and other financial information contained in this report, conform in all material respects to the Uniform System of Accounts.

01 Name /s/ Russell G. Gibson		03 Signature  /s/ Russell G. Gibson	04 Date Signed (Mo, Da, Yr) 11/22/2019	
02 Title Vice President & Controller				

Title 18, U.S.C. 1001 makes it a crime for any person to knowingly and willingly to make to any Agency or Department of the United States any false, fictitious or fraudulent statements as to any matter within its jurisdiction.



Name of Respondent El Paso Electric Company	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report / /	Year/Period of Report End of <u>2019/Q3</u>
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**IMPORTANT CHANGES DURING THE QUARTER/YEAR**

Give particulars (details) concerning the matters indicated below. Make the statements explicit and precise, and number them in accordance with the inquiries. Each inquiry should be answered. Enter "none," "not applicable," or "NA" where applicable. If information which answers an inquiry is given elsewhere in the report, make a reference to the schedule in which it appears.

1. Changes in and important additions to franchise rights: Describe the actual consideration given therefore and state from whom the franchise rights were acquired. If acquired without the payment of consideration, state that fact.
2. Acquisition of ownership in other companies by reorganization, merger, or consolidation with other companies: Give names of companies involved, particulars concerning the transactions, name of the Commission authorizing the transaction, and reference to Commission authorization.
3. Purchase or sale of an operating unit or system: Give a brief description of the property, and of the transactions relating thereto, and reference to Commission authorization, if any was required. Give date journal entries called for by the Uniform System of Accounts were submitted to the Commission.
4. Important leaseholds (other than leaseholds for natural gas lands) that have been acquired or given, assigned or surrendered: Give effective dates, lengths of terms, names of parties, rents, and other condition. State name of Commission authorizing lease and give reference to such authorization.
5. Important extension or reduction of transmission or distribution system: State territory added or relinquished and date operations began or ceased and give reference to Commission authorization, if any was required. State also the approximate number of customers added or lost and approximate annual revenues of each class of service. Each natural gas company must also state major new continuing sources of gas made available to it from purchases, development, purchase contract or otherwise, giving location and approximate total gas volumes available, period of contracts, and other parties to any such arrangements, etc.
6. Obligations incurred as a result of issuance of securities or assumption of liabilities or guarantees including issuance of short-term debt and commercial paper having a maturity of one year or less. Give reference to FERC or State Commission authorization, as appropriate, and the amount of obligation or guarantee.
7. Changes in articles of incorporation or amendments to charter: Explain the nature and purpose of such changes or amendments.
8. State the estimated annual effect and nature of any important wage scale changes during the year.
9. State briefly the status of any materially important legal proceedings pending at the end of the year, and the results of any such proceedings culminated during the year.
10. Describe briefly any materially important transactions of the respondent not disclosed elsewhere in this report in which an officer, director, security holder reported on Page 104 or 105 of the Annual Report Form No. 1, voting trustee, associated company or known associate of any of these persons was a party or in which any such person had a material interest.
11. (Reserved.)
12. If the important changes during the year relating to the respondent company appearing in the annual report to stockholders are applicable in every respect and furnish the data required by Instructions 1 to 11 above, such notes may be included on this page.
13. Describe fully any changes in officers, directors, major security holders and voting powers of the respondent that may have occurred during the reporting period.
14. In the event that the respondent participates in a cash management program(s) and its proprietary capital ratio is less than 30 percent please describe the significant events or transactions causing the proprietary capital ratio to be less than 30 percent, and the extent to which the respondent has amounts loaned or money advanced to its parent, subsidiary, or affiliated companies through a cash management program(s). Additionally, please describe plans, if any to regain at least a 30 percent proprietary ratio.

PAGE 108 INTENTIONALLY LEFT BLANK  
SEE PAGE 109 FOR REQUIRED INFORMATION.

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El Paso Electric Company			
IMPORTANT CHANGES DURING THE QUARTER/YEAR (Continued)			

1. Changes in and Important Additions to Franchise Rights:

None.

2. Acquisition of Ownership in Other Companies:

On June 1, 2019, the Company entered into an Agreement and Plan of Merger (the "Merger Agreement"), by and among the Company, Sun Jupiter Holdings LLC, a Delaware limited liability company ("Parent"), and Sun Merger Sub Inc., a Texas corporation and wholly owned subsidiary of Parent ("Merger Sub"). Pursuant to the Merger Agreement, on and subject to the terms and conditions set forth therein, Merger Sub will merge with and into the Company (the "Merger"), with the Company continuing as the surviving corporation in the Merger and becoming a wholly owned subsidiary of Parent. Parent and Merger Sub are affiliates of the Infrastructure Investments Fund, an investment vehicle advised by J.P. Morgan Investment Management Inc. ("IIF"). Among other things, the Company, Parent and Merger Sub are required to obtain certain regulatory approvals of the proposed Merger.

On and subject to the terms and conditions set forth in the Merger Agreement, upon closing of the Merger, each share of common stock of the Company shall be cancelled and converted into the right to receive \$68.25 in cash, without interest.

Also, see Notes C and M of "Notes to the Financial Statements."

3. Purchase or Sale of an Operating Unit or System:

None.

4. Important Leaseholds That Have Been Acquired or Given, Assigned or Surrendered:

None.

5. Important Extension or Reduction of Transmission or Distribution System:

None.

6. Obligations Incurred as a Result of Issuance of Securities or Assumption of Liabilities or Guarantees:

On January 30, 2019, the Company submitted applications with the New Mexico Public Regulation Commission ("NMPRC") and the Federal Energy Regulatory Commission ("FERC") seeking approvals to issue shares of common stock, including the reissuance of treasury shares, in an amount up to \$200.0 million in one or more transactions. The application with the NMPRC was assigned Case No. 19-00033-UT, and the NMPRC issued a final order approving the Company's request on March 27, 2019. Included in the FERC application, which was assigned Docket No. ES19-15-000, the Company also requested various debt-related authorizations: to utilize the Revolving Credit Facility ("RCF") for short-term borrowing not to exceed \$400.0 million at any one time; to issue up to \$225.0 million in new long-term debt; and to remarket the \$63.5 million 2009 Series A 7.25% Pollution Control Bonds ("PCBs") and the \$37.1 million 2009 Series B 7.25% PCBs in the form of replacement bonds or senior notes of equivalent value, not to exceed \$100.6 million. On April 18, 2019, the FERC issued an order authorizing the Company's request through April 18, 2021.

On February 1, 2019, and April 1, 2019, the Company purchased in lieu of redemption all \$63.5 million aggregate principal amount of 2009 Series A 7.25% PCBs and \$37.1 million aggregate principal amount of 2009 Series B 7.25% PCBs, respectively. The bonds were purchased utilizing funds borrowed under the RCF. On May 22, 2019, the Company

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IMPORTANT CHANGES DURING THE QUARTER/YEAR (Continued)			

reoffered and sold \$63.5 million aggregate principal amount of 2009 Series A 7.25% PCBs and \$37.1 million aggregate principal amount of 2009 Series B 7.25% PCBs with a fixed interest rate of 3.60% per annum until the bonds mature on February 1, 2040 and April 1, 2040, respectively. The bonds are subject to optional redemption at a redemption price of par on or after June 1, 2029.

The Merger would constitute a "Change in Control" under the RCF and the consummation of the Merger would result in an event of default under the RCF. On and subject to the terms and conditions of the Merger Agreement, the Company requested that the lenders under the RCF consent to the Merger and waive any default or event of default that would occur as a result of the Merger. On August 9, 2019, the lenders agreed to such consent and waiver.

Under the Merger Agreement, the Company can incur additional indebtedness up to \$200 million (excluding borrowings up to the existing borrowing capacity of the RCF), without written consent from the Parent; however, the Company cannot issue shares of common stock without the prior written consent of Parent.

See Notes C, E and L of "Notes to Financial Statements."

7. Changes in Articles of Incorporation:

None.

8. Important Wage Scale Changes:

Base salaries for non-union employees were increased by an average of approximately 3% effective on December 24, 2018, through the annual merit award process. The annual effect of this increase was approximately \$1.8 million.

Base salaries for union employees under contract were increased by 3.25% effective in September 2019 compared to the previous level. The annual effect of this increase was approximately \$1.2 million.

9. Materially Important Legal Proceedings:

The Company is a party to various legal actions. In many of these matters, the Company has excess casualty liability insurance that covers the various claims, actions and complaints. Based upon a review of the matters and applicable insurance coverage, the Company believes that none of these matters will have a material adverse effect on the financial position, results of operations or cash flows of the Company.

Also, see Notes C, G, and I of "Notes to Financial Statements."

10. Materially Important Transactions:

None.

11. Reserved

12. Important changes during the year:

*Agreement and Plan of Merger.* On August 2, 2019, the Company filed a definitive proxy statement with the United States ("U.S.") Securities and Exchange Commission ("SEC") in connection with the Merger. On August 13, 2019, the Company, Parent and IIF US Holding 2 LP, an affiliate of IIF, as applicable, filed (1) the joint report and application for regulatory approvals with the Public Utility Commission of Texas (the "PUCT") requesting approval of the Merger

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IMPORTANT CHANGES DURING THE QUARTER/YEAR (Continued)			

pursuant to the Texas Public Utility Regulatory Act ("PURA"), (2) the joint application for regulatory approvals with the NMPRC requesting approval of the Merger pursuant to the New Mexico Public Utility Act ("NMPUA") and NMPRC Rule 450, (3) the joint application requesting approval of the Merger with the FERC under Section 203 of the Federal Power Act and (4) the joint application for regulatory approval for the indirect transfer of the Company's Nuclear Regulatory Commission ("NRC") licenses to Parent from the NRC under the Atomic Energy Act of 1954. In addition, on August 13, 2019, the Company and Parent sought the authorization of the Federal Communications Commission ("FCC") to assign or transfer control of the Company's FCC licenses.

On August 16, 2019, the Company and Parent filed the notification and report form with the Antitrust Division of the Department of Justice and the Federal Trade Commission ("FTC") under the Hart-Scott-Rodino Antitrust Improvements Act of 1976 (the "HSR Act"), as amended, and the rules and regulations promulgated thereunder. On September 3, 2019, the Company and Parent received notice from the FTC granting early termination of the waiting period under the HSR Act.

Under the Merger Agreement, the consent to the Merger by the City of El Paso under its franchise agreement with the Company is a condition to the closing of the Merger. Under the franchise agreement, if the City of El Paso does not grant its consent to the Merger, the franchise agreement would terminate upon the closing of the Merger. On September 20, 2019, the Company submitted the franchise agreement assignment application to the City of El Paso.

At a special meeting of the Company's shareholders held on September 19, 2019, the Company's shareholders approved the Merger Agreement and the transactions contemplated thereby, including the Merger, and the compensation that will or may become payable by the Company to its named executive officers in connection with the Merger.

*2017 Texas Retail Rate Case Filing.* On February 22, 2019, the Company filed with the PUCT and each of its Texas municipalities an application to modify the tax refund tariff authorized in the final order in the Company's 2017 Texas Retail Rate Case Filing in PUCT Docket No. 46831 to remove the portion of the base rate credit associated with the \$4.3 million of regulatory liability amortization, which expired March 31, 2019. The filing was assigned PUCT Docket No. 49251 and approved by final order on June 27, 2019.

*Fuel and Purchased Power Costs.* On April 29, 2019, the Company filed a petition with the PUCT, which was assigned PUCT Docket No. 49482, requesting authority to implement, beginning on June 1, 2019, a four-month, interim fuel refund of \$19.4 million in fuel cost over-recoveries, including interest, for the period from April 2016 through March 2019. On May 30, 2019, the Company's fuel refund credit was approved on an interim basis. The Company implemented the fuel refund in customer bills on June 1, 2019. On September 27, 2019, the PUCT issued a final order approving the fuel refund credits. The fuel refund was completed on September 30, 2019, with a total fuel refund of \$20.1 million, including interest, returned to Texas customers.

*Fuel Reconciliation Proceeding.* On September 27, 2019, the Company filed an application with the PUCT, which was assigned PUCT Docket No. 50058, to reconcile \$363.0 million of Texas fuel and purchased power expenses incurred during the period of April 1, 2016, through March 31, 2019. The Company cannot predict the outcome of this filing at this time.

*Transmission Cost Recovery Factor.* On January 25, 2019, the Company filed an application with the PUCT to establish its Transmission Cost Recovery Factor ("TCRF"), which was assigned PUCT Docket No. 49148 (the "2019 TCRF rate filing"). The 2019 TCRF rate filing is designed to recover a requested \$8.2 million of Texas jurisdictional transmission revenue requirement that is not currently being recovered in the Company's Texas base rates for transmission-related investments placed in service from October 1, 2016, through September 30, 2018, net of retirements. Pursuant to the procedural order issued on February 20, 2019, the Company's TCRF rate was approved on an interim basis effective July 30, 2019, subject to any refund or surcharge to the extent the PUCT's final order establishes a TCRF rate

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IMPORTANT CHANGES DURING THE QUARTER/YEAR (Continued)			

that differs from the interim rate. On September 12, 2019, the Company filed an unopposed settlement agreement and proposed order for a TCRF revenue requirement of \$7.5 million with a provision for recovery of revenue relating-back to the interim effective date of July 30, 2019. Such relate back revenue through September 30, 2019, is expected to approximate \$1.4 million. However, such amounts were not recorded in the three months ended September 30, 2019 pending PUCT final approval. The ALJ remanded the proceeding to the PUCT for consideration of a final order. The Company cannot predict the outcome of this pending matter at this time.

*Distribution Cost Recovery Factor.* On March 28, 2019, the Company filed an application with the PUCT and each of its Texas municipalities to establish its Distribution Cost Recovery Factor ("DCRF"), which was assigned PUCT Docket No. 49395 (the "2019 DCRF rate filing"). The 2019 DCRF rate filing is designed to recover a requested \$7.9 million of Texas jurisdictional distribution revenue requirement that is not currently being recovered in the Company's Texas base rates for distribution-related investments placed in service from October 1, 2016, through December 31, 2018, net of retirements. On August 13, 2019, the Company filed an unopposed settlement agreement and proposed order which resolved all issues in the proceeding and approved a DCRF revenue requirement of \$7.8 million. On September 27, 2019, the PUCT issued a final order reflecting the settlement agreement, and the Company's DCRF rates became effective in customer bills beginning October 1, 2019.

*Future New Mexico Rate Case Filing.* The Company was required to file its next New Mexico base rate case no later than July 31, 2019. On July 10, 2019, the NMPRC issued an order approving a joint request by the Company, NMPRC Staff, and the New Mexico Attorney General to delay filing of the Company's next base rate case until after the conclusion of a proceeding addressing the Merger. The NMPRC order requires the Company to file its next rate case application within three months of the conclusion of the proceeding addressing the Merger in New Mexico. The Company cannot predict the outcome of this filing at this time. See Note M of "Notes to Financial Statements" for further discussion.

*Amendments to the New Mexico Renewable Energy Act ("REA").* The REA requires electric utilities to meet an RPS of twenty percent of its total retail sales to New Mexico customers by 2020, reduced for sales to qualifying large non-governmental customers whose costs are capped under the REA ("Large Customer Adjustment") and subject to a reasonable cost threshold ("RCT") established by the NMPRC and currently set by the NMPRC at 3 percent of customers' bills. Effective June 14, 2019, the New Mexico Energy Transition Act amends the REA (the "Amended REA") to, among other amendments: (i) increase the RPS to forty percent by 2025, fifty percent by 2030, and eighty percent by 2040; (ii) impose a zero-carbon standard by 2045; (iii) eliminate the Large Customer Adjustment; (iv) set a statutory RCT; and (v) provide cost recovery for certain undepreciated investments and decommissioning costs (i.e., coal-fired generation) associated with generation required by the NMPRC to be discontinued and replaced with lower or zero-carbon generation. In administering the eighty percent RPS and zero-carbon standards, the Amended REA requires by Commission to consider certain factors, including safety, reliability and rate impact to customers. On October 10, 2019, the NMPRC initiated a rulemaking proceeding to implement the Amended REA in Case No. 19-00296-UT. The Company is currently evaluating the impact that the Amended REA may have on its operations. Further, the Company has not determined the costs associated with complying with the Amended REA including potential fines that could be associated with non-compliance.

*FERC Compliance Audit, Docket No. PA19-3-000.* On February 6, 2019, the FERC notified the Company that it is commencing an audit that is intended to evaluate the Company's compliance with: (1) the approved terms, conditions, and rates of its Open Access Transmission Tariff ("OATT"); (2) the accounting requirements of the Uniform System of Accounts; (3) the reporting requirements of the FERC Form No. 1 Annual Report and Supplemental Form 3-Q Quarterly Financial Reports; and (4) the regulations regarding Open Access Sametime Information Systems. The audit covers the period January 1, 2016 to the present. The Company cannot predict the outcome or findings, if any, of the FERC at this time.

Name of Respondent	This Report is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) / /	Year/Period of Report 2019/Q3
El Paso Electric Company			
IMPORTANT CHANGES DURING THE QUARTER/YEAR (Continued)			

Also, see response to items 1 to 11 and 13 to 14.

13. Changes in officers, directors, major security holders and voting powers of the respondent that may have occurred during the reporting period:

On January 21, 2019, Richard Turner was appointed Vice President, Business Development. Formerly, Mr. Turner served as Vice President, Renewables Development, from December 2015 to January 2019.

On February 1, 2019, William A. Stiller, Senior Vice President, retired from the Company.

On February 18, 2019, Victor Rueda, was appointed Vice President, Human Resources. Formerly, Mr. Rueda served as Vice President, Human Resources and Community Outreach, from March 2018 to February 2019. Mr. Rueda served as Vice President of Human Resources of Andeavor (formerly Western Refining, Inc.) from 2006 until 2017.

On May 23, 2019, Catherine A. Allen ceased being a member of the Board of Directors of the Company in accordance with the director retirement policy in the Company's Corporate Governance Guidelines.

On June 28, 2019, the Company's Board of Directors appointed Adrian J. Rodriguez as the Company's Interim Chief Executive Officer, making his title Interim Chief Executive Officer, General Counsel and Assistant Secretary effective August 1, 2019. On July 25, 2019, Mr. Rodriguez was appointed to the Board of Directors effective August 1, 2019. Formerly, Mr. Rodriguez served as Senior Vice President, General Counsel and Assistant Secretary from September 2017 through July 2019.

On June 28, 2019, Elaina L. Ball was appointed Senior Vice President and Interim Chief Operating Officer effective August 1, 2019. Formerly, Ms. Ball served as Senior Vice President and Chief Administrative Officer, from April 2018 through July 2019.

Effective on August 1, 2019, Mary E. Kipp, President and Chief Executive Officer, resigned from her positions at the Company and as a member of the Board of Directors of the Company.

On September 30, 2019, BlackRock, Inc. reported to the SEC on Form 13F that it owned 15.7% of the outstanding shares of El Paso Electric Company common stock as of September 30, 2019.

On November 14, 2019, Vanguard Group, Inc. reported to the SEC on Form 13F that it owned 11.4% of the outstanding shares of El Paso Electric Company common stock as of September 30, 2019.

As discussed in Item 2 above, on June 1, 2019, the Company entered into the Merger Agreement.

14. Cash management programs and events causing the proprietary capital to be less than 30 percent:

None.



**COMPARATIVE BALANCE SHEET (ASSETS AND OTHER DEBITS)**

Line No.	Title of Account (a)	Ref. Page No. (b)	Current Year End of Quarter/Year Balance (c)	Prior Year End Balance 12/31 (d)
<b>1</b>	<b>UTILITY PLANT</b>			
2	Utility Plant (101-106, 114)	200-201	5,261,296,068	5,112,940,123
3	Construction Work in Progress (107)	200-201	180,501,634	169,327,229
4	TOTAL Utility Plant (Enter Total of lines 2 and 3)		5,441,797,702	5,282,267,352
5	(Less) Accum. Prov. for Depr. Amort. Depl. (108, 110, 111, 115)	200-201	2,374,099,261	2,312,681,378
6	Net Utility Plant (Enter Total of line 4 less 5)		3,067,698,441	2,969,585,974
7	Nuclear Fuel in Process of Ref., Conv., Enrich., and Fab. (120.1)	202-203	0	0
8	Nuclear Fuel Materials and Assemblies-Stock Account (120.2)		0	0
9	Nuclear Fuel Assemblies in Reactor (120.3)		0	0
10	Spent Nuclear Fuel (120.4)		0	0
11	Nuclear Fuel Under Capital Leases (120.6)		200,434,025	199,843,869
12	(Less) Accum. Prov. for Amort. of Nucl. Fuel Assemblies (120.5)	202-203	82,222,803	73,742,663
13	Net Nuclear Fuel (Enter Total of lines 7-11 less 12)		118,211,222	126,101,206
14	Net Utility Plant (Enter Total of lines 6 and 13)		3,185,909,663	3,095,687,180
15	Utility Plant Adjustments (116)		0	0
16	Gas Stored Underground - Noncurrent (117)		0	0
<b>17</b>	<b>OTHER PROPERTY AND INVESTMENTS</b>			
18	Nonutility Property (121)		1,070,267	709,446
19	(Less) Accum. Prov. for Depr. and Amort. (122)		0	0
20	Investments in Associated Companies (123)		0	0
21	Investment in Subsidiary Companies (123.1)	224-225	0	0
22	(For Cost of Account 123.1, See Footnote Page 224, line 42)			
23	Noncurrent Portion of Allowances	228-229	0	0
24	Other Investments (124)		1,613,688	1,674,825
25	Sinking Funds (125)		0	0
26	Depreciation Fund (126)		0	0
27	Amortization Fund - Federal (127)		0	0
28	Other Special Funds (128)		317,140,854	282,609,818
29	Special Funds (Non Major Only) (129)		0	0
30	Long-Term Portion of Derivative Assets (175)		0	0
31	Long-Term Portion of Derivative Assets – Hedges (176)		0	0
32	TOTAL Other Property and Investments (Lines 18-21 and 23-31)		319,824,809	284,994,089
<b>33</b>	<b>CURRENT AND ACCRUED ASSETS</b>			
34	Cash and Working Funds (Non-major Only) (130)		0	0
35	Cash (131)		14,205,815	12,376,736
36	Special Deposits (132-134)		0	0
37	Working Fund (135)		1,044,112	235,646
38	Temporary Cash Investments (136)		347,198	287,686
39	Notes Receivable (141)		0	0
40	Customer Accounts Receivable (142)		75,866,276	52,718,629
41	Other Accounts Receivable (143)		7,332,765	5,548,422
42	(Less) Accum. Prov. for Uncollectible Acct.-Credit (144)		1,869,988	2,070,446
43	Notes Receivable from Associated Companies (145)		0	0
44	Accounts Receivable from Assoc. Companies (146)		0	0
45	Fuel Stock (151)	227	1,945,405	2,063,056
46	Fuel Stock Expenses Undistributed (152)	227	0	0
47	Residuals (Elec) and Extracted Products (153)	227	0	0
48	Plant Materials and Operating Supplies (154)	227	57,101,183	53,303,101
49	Merchandise (155)	227	0	0
50	Other Materials and Supplies (156)	227	0	0
51	Nuclear Materials Held for Sale (157)	202-203/227	0	0
52	Allowances (158.1 and 158.2)	228-229	11,253	56,642

**COMPARATIVE BALANCE SHEET (ASSETS AND OTHER DEBITS)**(Continued)

Line No.	Title of Account (a)	Ref. Page No. (b)	Current Year End of Quarter/Year Balance (c)	Prior Year End Balance 12/31 (d)
53	(Less) Noncurrent Portion of Allowances		0	0
54	Stores Expense Undistributed (163)	227	-10,885	8,692
55	Gas Stored Underground - Current (164.1)		0	0
56	Liquefied Natural Gas Stored and Held for Processing (164.2-164.3)		0	0
57	Prepayments (165)		27,226,365	20,325,683
58	Advances for Gas (166-167)		0	0
59	Interest and Dividends Receivable (171)		11,946	10,442
60	Rents Receivable (172)		0	0
61	Accrued Utility Revenues (173)		33,269,000	21,648,000
62	Miscellaneous Current and Accrued Assets (174)		77,244	29,654
63	Derivative Instrument Assets (175)		0	0
64	(Less) Long-Term Portion of Derivative Instrument Assets (175)		0	0
65	Derivative Instrument Assets - Hedges (176)		0	0
66	(Less) Long-Term Portion of Derivative Instrument Assets - Hedges (176)		0	0
67	Total Current and Accrued Assets (Lines 34 through 66)		216,557,689	166,541,943
68	<b>DEFERRED DEBITS</b>			
69	Unamortized Debt Expenses (181)		13,314,372	14,117,290
70	Extraordinary Property Losses (182.1)	230a	0	0
71	Unrecovered Plant and Regulatory Study Costs (182.2)	230b	0	0
72	Other Regulatory Assets (182.3)	232	79,613,615	82,334,508
73	Prelim. Survey and Investigation Charges (Electric) (183)		990,511	1,922,855
74	Preliminary Natural Gas Survey and Investigation Charges 183.1)		0	0
75	Other Preliminary Survey and Investigation Charges (183.2)		0	0
76	Clearing Accounts (184)		874	6,771
77	Temporary Facilities (185)		0	0
78	Miscellaneous Deferred Debits (186)	233	5,215,077	6,345,712
79	Def. Losses from Disposition of Utility Plt. (187)		0	0
80	Research, Devel. and Demonstration Expend. (188)	352-353	0	0
81	Unamortized Loss on Reaquired Debt (189)		15,449,315	14,801,314
82	Accumulated Deferred Income Taxes (190)	234	181,975,652	196,918,075
83	Unrecovered Purchased Gas Costs (191)		0	0
84	Total Deferred Debits (lines 69 through 83)		296,559,416	316,446,525
85	TOTAL ASSETS (lines 14-16, 32, 67, and 84)		4,018,851,577	3,863,669,737

**COMPARATIVE BALANCE SHEET (LIABILITIES AND OTHER CREDITS)**

Line No.	Title of Account (a)	Ref. Page No. (b)	Current Year End of Quarter/Year Balance (c)	Prior Year End Balance 12/31 (d)
1	PROPRIETARY CAPITAL			
2	Common Stock Issued (201)	250-251	64,428,688	65,828,688
3	Preferred Stock Issued (204)	250-251	0	0
4	Capital Stock Subscribed (202, 205)		0	0
5	Stock Liability for Conversion (203, 206)		0	0
6	Premium on Capital Stock (207)		309,669,870	309,669,870
7	Other Paid-In Capital (208-211)	253	3,267,382	8,780,977
8	Installments Received on Capital Stock (212)	252	0	0
9	(Less) Discount on Capital Stock (213)	254	0	0
10	(Less) Capital Stock Expense (214)	254b	340,939	340,939
11	Retained Earnings (215, 215.1, 216)	118-119	1,304,609,692	1,256,673,995
12	Unappropriated Undistributed Subsidiary Earnings (216.1)	118-119	0	0
13	(Less) Reaquired Capital Stock (217)	250-251	394,669,093	418,893,400
14	Noncorporate Proprietorship (Non-major only) (218)		0	0
15	Accumulated Other Comprehensive Income (219)	122(a)(b)	-38,225,742	-38,590,880
16	Total Proprietary Capital (lines 2 through 15)		1,248,739,858	1,183,128,311
17	LONG-TERM DEBT			
18	Bonds (221)	256-257	159,835,000	159,835,000
19	(Less) Reaquired Bonds (222)	256-257	0	0
20	Advances from Associated Companies (223)	256-257	0	0
21	Other Long-Term Debt (224)	256-257	1,125,000,000	1,125,000,000
22	Unamortized Premium on Long-Term Debt (225)		6,585,253	6,685,375
23	(Less) Unamortized Discount on Long-Term Debt-Debit (226)		3,401,054	3,498,999
24	Total Long-Term Debt (lines 18 through 23)		1,288,019,199	1,288,021,376
25	OTHER NONCURRENT LIABILITIES			
26	Obligations Under Capital Leases - Noncurrent (227)		70,275,590	110,000,000
27	Accumulated Provision for Property Insurance (228.1)		0	0
28	Accumulated Provision for Injuries and Damages (228.2)		0	0
29	Accumulated Provision for Pensions and Benefits (228.3)		106,781,099	111,834,117
30	Accumulated Miscellaneous Operating Provisions (228.4)		0	0
31	Accumulated Provision for Rate Refunds (229)		0	0
32	Long-Term Portion of Derivative Instrument Liabilities		0	0
33	Long-Term Portion of Derivative Instrument Liabilities - Hedges		0	0
34	Asset Retirement Obligations (230)		107,843,896	101,107,983
35	Total Other Noncurrent Liabilities (lines 26 through 34)		284,900,585	322,942,100
36	CURRENT AND ACCRUED LIABILITIES			
37	Notes Payable (231)		77,000,000	23,000,000
38	Accounts Payable (232)		61,226,119	58,149,845
39	Notes Payable to Associated Companies (233)		0	0
40	Accounts Payable to Associated Companies (234)		0	0
41	Customer Deposits (235)		9,750,017	11,749,096
42	Taxes Accrued (236)	262-263	39,970,256	33,791,152
43	Interest Accrued (237)		18,220,040	14,276,392
44	Dividends Declared (238)		0	0
45	Matured Long-Term Debt (239)		0	0

**COMPARATIVE BALANCE SHEET (LIABILITIES AND OTHER CREDITS)** (Continued)

Line No.	Title of Account (a)	Ref. Page No. (b)	Current Year End of Quarter/Year Balance (c)	Prior Year End Balance 12/31 (d)
46	Matured Interest (240)		0	0
47	Tax Collections Payable (241)		2,833,237	1,645,278
48	Miscellaneous Current and Accrued Liabilities (242)		26,133,788	25,502,259
49	Obligations Under Capital Leases-Current (243)		68,980,744	28,408,157
50	Derivative Instrument Liabilities (244)		0	0
51	(Less) Long-Term Portion of Derivative Instrument Liabilities		0	0
52	Derivative Instrument Liabilities - Hedges (245)		0	0
53	(Less) Long-Term Portion of Derivative Instrument Liabilities-Hedges		0	0
54	Total Current and Accrued Liabilities (lines 37 through 53)		304,114,201	196,522,179
55	DEFERRED CREDITS			
56	Customer Advances for Construction (252)		26,300,093	24,045,722
57	Accumulated Deferred Investment Tax Credits (255)	266-267	21,364,268	22,578,998
58	Deferred Gains from Disposition of Utility Plant (256)		0	0
59	Other Deferred Credits (253)	269	9,120,426	4,472,978
60	Other Regulatory Liabilities (254)	278	308,411,856	303,645,252
61	Unamortized Gain on Reaquired Debt (257)		0	0
62	Accum. Deferred Income Taxes-Accel. Amort.(281)	272-277	0	0
63	Accum. Deferred Income Taxes-Other Property (282)		496,225,798	500,140,517
64	Accum. Deferred Income Taxes-Other (283)		31,655,293	18,172,304
65	Total Deferred Credits (lines 56 through 64)		893,077,734	873,055,771
66	TOTAL LIABILITIES AND STOCKHOLDER EQUITY (lines 16, 24, 35, 54 and 65)		4,018,851,577	3,863,669,737

**STATEMENT OF INCOME**

**Quarterly**

1. Report in column (c) the current year to date balance. Column (c) equals the total of adding the data in column (g) plus the data in column (i) plus the data in column (k). Report in column (d) similar data for the previous year. This information is reported in the annual filing only.

2. Enter in column (e) the balance for the reporting quarter and in column (f) the balance for the same three month period for the prior year.

3. Report in column (g) the quarter to date amounts for electric utility function; in column (i) the quarter to date amounts for gas utility, and in column (k) the quarter to date amounts for other utility function for the current year quarter.

4. Report in column (h) the quarter to date amounts for electric utility function; in column (j) the quarter to date amounts for gas utility, and in column (l) the quarter to date amounts for other utility function for the prior year quarter.

5. If additional columns are needed, place them in a footnote.

**Annual or Quarterly if applicable**

5. Do not report fourth quarter data in columns (e) and (f)

6. Report amounts for accounts 412 and 413, Revenues and Expenses from Utility Plant Leased to Others, in another utility column in a similar manner to a utility department. Spread the amount(s) over lines 2 thru 26 as appropriate. Include these amounts in columns (c) and (d) totals.

7. Report amounts in account 414, Other Utility Operating Income, in the same manner as accounts 412 and 413 above.

Line No.	Title of Account (a)	(Ref.) Page No. (b)	Total Current Year to Date Balance for Quarter/Year (c)	Total Prior Year to Date Balance for Quarter/Year (d)	Current 3 Months Ended Quarterly Only No 4th Quarter (e)	Prior 3 Months Ended Quarterly Only No 4th Quarter (f)
1	UTILITY OPERATING INCOME					
2	Operating Revenues (400)	300-301	671,890,753	712,779,666	294,452,368	300,271,053
3	Operating Expenses					
4	Operation Expenses (401)	320-323	307,883,088	354,942,467	114,260,589	133,472,825
5	Maintenance Expenses (402)	320-323	51,349,407	59,301,305	13,269,808	16,139,968
6	Depreciation Expense (403)	336-337	70,153,727	66,596,094	23,645,817	22,374,392
7	Depreciation Expense for Asset Retirement Costs (403.1)	336-337	-995,688	-995,675	-331,896	-331,893
8	Amort. & Depl. of Utility Plant (404-405)	336-337	5,941,252	5,432,124	2,045,078	1,823,366
9	Amort. of Utility Plant Acq. Adj. (406)	336-337				
10	Amort. Property Losses, Unrecov Plant and Regulatory Study Costs (407)					
11	Amort. of Conversion Expenses (407)					
12	Regulatory Debits (407.3)		1,597,455	1,597,455	532,485	532,485
13	(Less) Regulatory Credits (407.4)		130,623	195,930		65,310
14	Taxes Other Than Income Taxes (408.1)	262-263	56,245,171	54,615,467	21,953,523	21,727,941
15	Income Taxes - Federal (409.1)	262-263	8,806,422	889,114	8,234,890	219,669
16	- Other (409.1)	262-263	2,544,761	1,704,273	1,949,582	1,005,013
17	Provision for Deferred Income Taxes (410.1)	234, 272-277	55,980,024	57,954,075	31,136,558	28,730,222
18	(Less) Provision for Deferred Income Taxes-Cr. (411.1)	234, 272-277	40,273,239	34,497,336	19,048,829	9,909,342
19	Investment Tax Credit Adj. - Net (411.4)	266	-1,214,730	-1,161,009	-404,910	-387,003
20	(Less) Gains from Disp. of Utility Plant (411.6)			124,968		
21	Losses from Disp. of Utility Plant (411.7)					
22	(Less) Gains from Disposition of Allowances (411.8)					
23	Losses from Disposition of Allowances (411.9)					
24	Accretion Expense (411.10)		6,836,533	6,255,181	2,278,258	2,087,835
25	TOTAL Utility Operating Expenses (Enter Total of lines 4 thru 24)		524,723,560	572,312,637	199,520,953	217,420,168
26	Net Util Oper Inc (Enter Tot line 2 less 25) Carry to Pg117,line 27		147,167,193	140,467,029	94,931,415	82,850,885

STATEMENT OF INCOME FOR THE YEAR (Continued)

- 9. Use page 122 for important notes regarding the statement of income for any account thereof.
- 10. Give concise explanations concerning unsettled rate proceedings where a contingency exists such that refunds of a material amount may need to be made to the utility's customers or which may result in material refund to the utility with respect to power or gas purchases. State for each year effected the gross revenues or costs to which the contingency relates and the tax effects together with an explanation of the major factors which affect the rights of the utility to retain such revenues or recover amounts paid with respect to power or gas purchases.
- 11 Give concise explanations concerning significant amounts of any refunds made or received during the year resulting from settlement of any rate proceeding affecting revenues received or costs incurred for power or gas purches, and a summary of the adjustments made to balance sheet, income, and expense accounts.
- 12. If any notes appearing in the report to stokholders are applicable to the Statement of Income, such notes may be included at page 122.
- 13. Enter on page 122 a concise explanation of only those changes in accounting methods made during the year which had an effect on net income, including the basis of allocations and apportionments from those used in the preceding year. Also, give the appropriate dollar effect of such changes.
- 14. Explain in a footnote if the previous year's/quarter's figures are different from that reported in prior reports.
- 15. If the columns are insufficient for reporting additional utility departments, supply the appropriate account titles report the information in a footnote to this schedule.

ELECTRIC UTILITY		GAS UTILITY		OTHER UTILITY		Line No.
Current Year to Date (in dollars) (g)	Previous Year to Date (in dollars) (h)	Current Year to Date (in dollars) (i)	Previous Year to Date (in dollars) (j)	Current Year to Date (in dollars) (k)	Previous Year to Date (in dollars) (l)	
						1
671,890,753	712,779,666					2
						3
307,883,088	354,942,467					4
51,349,407	59,301,305					5
70,153,727	66,596,094					6
-995,688	-995,675					7
5,941,252	5,432,124					8
						9
						10
						11
1,597,455	1,597,455					12
130,623	195,930					13
56,245,171	54,615,467					14
8,806,422	889,114					15
2,544,761	1,704,273					16
55,980,024	57,954,075					17
40,273,239	34,497,336					18
-1,214,730	-1,161,009					19
	124,968					20
						21
						22
						23
6,836,533	6,255,181					24
524,723,560	572,312,637					25
147,167,193	140,467,029					26

STATEMENT OF INCOME FOR THE YEAR (continued)

Line No.	Title of Account (a)	(Ref.) Page No. (b)	TOTAL		Current 3 Months Ended Quarterly Only No 4th Quarter (e)	Prior 3 Months Ended Quarterly Only No 4th Quarter (f)
			Current Year (c)	Previous Year (d)		
27	Net Utility Operating Income (Carried forward from page 114)		147,167,193	140,467,029	94,931,415	82,850,885
28	Other Income and Deductions					
29	Other Income					
30	Nonutility Operating Income					
31	Revenues From Merchandising, Jobbing and Contract Work (415)		901,373	255,548	351,630	46,465
32	(Less) Costs and Exp. of Merchandising, Job. & Contract Work (416)		887,321	513,081	333,496	172,176
33	Revenues From Nonutility Operations (417)					
34	(Less) Expenses of Nonutility Operations (417.1)					
35	Nonoperating Rental Income (418)					
36	Equity in Earnings of Subsidiary Companies (418.1)	119				
37	Interest and Dividend Income (419)		5,549,690	5,780,139	1,816,310	1,962,209
38	Allowance for Other Funds Used During Construction (419.1)		1,995,815	2,461,753	480,547	823,330
39	Miscellaneous Nonoperating Income (421)		32,774,616	15,109,792	7,480,055	8,324,814
40	Gain on Disposition of Property (421.1)					
41	TOTAL Other Income (Enter Total of lines 31 thru 40)		40,334,173	23,094,151	9,795,046	10,984,642
42	Other Income Deductions					
43	Loss on Disposition of Property (421.2)					
44	Miscellaneous Amortization (425)					
45	Donations (426.1)		1,318,981	896,212	553,879	269,695
46	Life Insurance (426.2)		392,153	388,565	412,478	378,355
47	Penalties (426.3)		24,916	-2,046		
48	Exp. for Certain Civic, Political & Related Activities (426.4)		624,517	501,051	176,411	195,351
49	Other Deductions (426.5)		12,451,689	1,331,176	5,612,074	-2,232,336
50	TOTAL Other Income Deductions (Total of lines 43 thru 49)		14,812,256	3,114,958	6,754,842	-1,388,935
51	Taxes Applicable to Other Income and Deductions					
52	Taxes Other Than Income Taxes (408.2)	262-263	10,338	7,920	1,886	2,123
53	Income Taxes-Federal (409.2)	262-263	827,801	2,868,433	854,310	1,130,596
54	Income Taxes-Other (409.2)	262-263	12,450	93,426	46,256	139,023
55	Provision for Deferred Inc. Taxes (410.2)	234, 272-277	7,555,299	12,318,671	860,842	1,853,258
56	(Less) Provision for Deferred Income Taxes-Cr. (411.2)	234, 272-277	3,066,782	11,460,149	676,111	530,518
57	Investment Tax Credit Adj.-Net (411.5)					
58	(Less) Investment Tax Credits (420)					
59	TOTAL Taxes on Other Income and Deductions (Total of lines 52-58)		5,339,106	3,828,301	1,087,183	2,594,482
60	Net Other Income and Deductions (Total of lines 41, 50, 59)		20,182,811	16,150,892	1,953,021	9,779,095
61	Interest Charges					
62	Interest on Long-Term Debt (427)		54,692,527	54,494,308	18,299,765	19,149,504
63	Amort. of Debt Disc. and Expense (428)		731,499	722,113	268,208	264,320
64	Amortization of Loss on Reacquired Debt (428.1)		699,859	664,443	237,564	221,481
65	(Less) Amort. of Premium on Debt-Credit (429)		100,122	95,505	33,900	32,337
66	(Less) Amortization of Gain on Reacquired Debt-Credit (429.1)					
67	Interest on Debt to Assoc. Companies (430)					
68	Other Interest Expense (431)		4,004,078	2,976,904	1,076,527	382,845
69	(Less) Allowance for Borrowed Funds Used During Construction-Cr. (432)		3,020,615	2,550,853	986,742	880,798
70	Net Interest Charges (Total of lines 62 thru 69)		57,007,226	56,211,410	18,861,422	19,105,015
71	Income Before Extraordinary Items (Total of lines 27, 60 and 70)		110,342,778	100,406,511	78,023,014	73,524,965
72	Extraordinary Items					
73	Extraordinary Income (434)					
74	(Less) Extraordinary Deductions (435)					
75	Net Extraordinary Items (Total of line 73 less line 74)					
76	Income Taxes-Federal and Other (409.3)	262-263				
77	Extraordinary Items After Taxes (line 75 less line 76)					
78	Net Income (Total of line 71 and 77)		110,342,778	100,406,511	78,023,014	73,524,965

STATEMENT OF RETAINED EARNINGS

1. Do not report Lines 49-53 on the quarterly version.
2. Report all changes in appropriated retained earnings, unappropriated retained earnings, year to date, and unappropriated undistributed subsidiary earnings for the year.
3. Each credit and debit during the year should be identified as to the retained earnings account in which recorded (Accounts 433, 436 - 439 inclusive). Show the contra primary account affected in column (b)
4. State the purpose and amount of each reservation or appropriation of retained earnings.
5. List first account 439, Adjustments to Retained Earnings, reflecting adjustments to the opening balance of retained earnings. Follow by credit, then debit items in that order.
6. Show dividends for each class and series of capital stock.
7. Show separately the State and Federal income tax effect of items shown in account 439, Adjustments to Retained Earnings.
8. Explain in a footnote the basis for determining the amount reserved or appropriated. If such reservation or appropriation is to be recurrent, state the number and annual amounts to be reserved or appropriated as well as the totals eventually to be accumulated.
9. If any notes appearing in the report to stockholders are applicable to this statement, include them on pages 122-123.

Line No.	Item (a)	Contra Primary Account Affected (b)	Current Quarter/Year Year to Date Balance (c)	Previous Quarter/Year Year to Date Balance (d)
	UNAPPROPRIATED RETAINED EARNINGS (Account 216)			
1	Balance-Beginning of Period		1,256,673,995	1,188,438,459
2	Changes			
3	Adjustments to Retained Earnings (Account 439)			
4	Cummulative Effect Retained Earnings Adjustments:			
5	(ASU) 2016-01 Financial Instruments-Overall (Subtopic 825-10):			
6	Recognition and Measurement of Financial Assets-Net of Income Taxes	219		40,724,356
7				
8				
9	TOTAL Credits to Retained Earnings (Acct. 439)			40,724,356
10	Retirement of Treasury Shares	217	-16,372,067	
11				
12				
13				
14				
15	TOTAL Debits to Retained Earnings (Acct. 439)		-16,372,067	
16	Balance Transferred from Income (Account 433 less Account 418.1)		110,342,778	85,050,298
17	Appropriations of Retained Earnings (Acct. 436)			
18				
19				
20				
21				
22	TOTAL Appropriations of Retained Earnings (Acct. 436)			
23	Dividends Declared-Preferred Stock (Account 437)			
24				
25				
26				
27				
28				
29	TOTAL Dividends Declared-Preferred Stock (Acct. 437)			
30	Dividends Declared-Common Stock (Account 438)			
31	Class Common Stock \$1 Par Value		-46,035,014	( 57,539,118)
32				
33				
34				
35				
36	TOTAL Dividends Declared-Common Stock (Acct. 438)		-46,035,014	( 57,539,118)
37	Transfers from Acct 216.1, Unapprop. Undistrib. Subsidiary Earnings			
38	Balance - End of Period (Total 1,9,15,16,22,29,36,37)		1,304,609,692	1,256,673,995
	APPROPRIATED RETAINED EARNINGS (Account 215)			
39				
40				



STATEMENT OF RETAINED EARNINGS

1. Do not report Lines 49-53 on the quarterly version.
2. Report all changes in appropriated retained earnings, unappropriated retained earnings, year to date, and unappropriated undistributed subsidiary earnings for the year.
3. Each credit and debit during the year should be identified as to the retained earnings account in which recorded (Accounts 433, 436 - 439 inclusive). Show the contra primary account affected in column (b)
4. State the purpose and amount of each reservation or appropriation of retained earnings.
5. List first account 439, Adjustments to Retained Earnings, reflecting adjustments to the opening balance of retained earnings. Follow by credit, then debit items in that order.
6. Show dividends for each class and series of capital stock.
7. Show separately the State and Federal income tax effect of items shown in account 439, Adjustments to Retained Earnings.
8. Explain in a footnote the basis for determining the amount reserved or appropriated. If such reservation or appropriation is to be recurrent, state the number and annual amounts to be reserved or appropriated as well as the totals eventually to be accumulated.
9. If any notes appearing in the report to stockholders are applicable to this statement, include them on pages 122-123.

Line No.	Item (a)	Contra Primary Account Affected (b)	Current Quarter/Year Year to Date Balance (c)	Previous Quarter/Year Year to Date Balance (d)
41				
42				
43				
44				
45	TOTAL Appropriated Retained Earnings (Account 215)			
	APPROP. RETAINED EARNINGS - AMORT. Reserve, Federal (Account 215.1)			
46	TOTAL Approp. Retained Earnings-Amort. Reserve, Federal (Acct. 215.1)			
47	TOTAL Approp. Retained Earnings (Acct. 215, 215.1) (Total 45,46)			
48	TOTAL Retained Earnings (Acct. 215, 215.1, 216) (Total 38, 47) (216.1)		1,304,609,692	1,256,673,995
	UNAPPROPRIATED UNDISTRIBUTED SUBSIDIARY EARNINGS (Account			
	Report only on an Annual Basis, no Quarterly			
49	Balance-Beginning of Year (Debit or Credit)			
50	Equity in Earnings for Year (Credit) (Account 418.1)			
51	(Less) Dividends Received (Debit)			
52				
53	Balance-End of Year (Total lines 49 thru 52)			

**STATEMENT OF CASH FLOWS**

(1) Codes to be used:(a) Net Proceeds or Payments;(b)Bonds, debentures and other long-term debt; (c) Include commercial paper; and (d) Identify separately such items as investments, fixed assets, intangibles, etc.  
(2) Information about noncash investing and financing activities must be provided in the Notes to the Financial statements. Also provide a reconciliation between "Cash and Cash Equivalents at End of Period" with related amounts on the Balance Sheet.  
(3) Operating Activities - Other: Include gains and losses pertaining to operating activities only. Gains and losses pertaining to investing and financing activities should be reported in those activities. Show in the Notes to the Financials the amounts of interest paid (net of amount capitalized) and income taxes paid.  
(4) Investing Activities: Include at Other (line 31) net cash outflow to acquire other companies. Provide a reconciliation of assets acquired with liabilities assumed in the Notes to the Financial Statements. Do not include on this statement the dollar amount of leases capitalized per the USofA General Instruction 20; instead provide a reconciliation of the dollar amount of leases capitalized with the plant cost.

Line No.	Description (See Instruction No. 1 for Explanation of Codes) (a)	Current Year to Date Quarter/Year (b)	Previous Year to Date Quarter/Year (c)
1	Net Cash Flow from Operating Activities:		
2	Net Income (Line 78(c) on page 117)	110,342,778	100,406,511
3	Noncash Charges (Credits) to Income:		
4	Depreciation and Depletion	70,153,727	66,596,094
5	Amortization of Other	18,325,599	17,358,138
6	Amortization of Nuclear Fuel	31,123,069	29,951,422
7			
8	Deferred Income Taxes (Net)	25,414,733	24,315,262
9	Investment Tax Credit Adjustment (Net)	-1,214,730	-1,161,009
10	Net (Increase) Decrease in Receivables	-34,896,571	-33,957,760
11	Net (Increase) Decrease in Inventory	-3,458,678	-1,529,644
12	Net (Increase) Decrease in Allowances Inventory	45,389	50,114
13	Net Increase (Decrease) in Payables and Accrued Expenses	12,562,343	28,678,450
14	Net (Increase) Decrease in Other Regulatory Assets	-1,853,364	10,023,660
15	Net Increase (Decrease) in Other Regulatory Liabilities	4,775,585	3,680,019
16	(Less) Allowance for Other Funds Used During Construction	1,995,815	2,461,753
17	(Less) Undistributed Earnings from Subsidiary Companies		
18	Other (provide details in footnote):	-24,339,970	-5,704,630
19			
20	Deferred Charges and Credits	-1,387,437	-8,880,565
21	Net (Increase) Decrease in Prepayments and Other	-11,160,805	-5,715,994
22	Net Cash Provided by (Used in) Operating Activities (Total 2 thru 21)	192,435,853	221,648,315
23			
24	Cash Flows from Investment Activities:		
25	Construction and Acquisition of Plant (including land):		
26	Gross Additions to Utility Plant (less nuclear fuel)	-166,302,175	-176,445,913
27	Gross Additions to Nuclear Fuel	-23,785,350	-33,005,629
28	Gross Additions to Common Utility Plant		
29	Gross Additions to Nonutility Plant		
30	(Less) Allowance for Other Funds Used During Construction	-1,995,815	-2,461,753
31	Other (provide details in footnote):		
32			
33			
34	Cash Outflows for Plant (Total of lines 26 thru 33)	-188,091,710	-206,989,789
35			
36	Acquisition of Other Noncurrent Assets (d)		
37	Proceeds from Disposal of Noncurrent Assets (d)	224,363	253,150
38			
39	Investments in and Advances to Assoc. and Subsidiary Companies		
40	Contributions and Advances from Assoc. and Subsidiary Companies		
41	Disposition of Investments in (and Advances to)		
42	Associated and Subsidiary Companies		
43			
44	Purchase of Investment Securities (a)		
45	Proceeds from Sales of Investment Securities (a)		

**STATEMENT OF CASH FLOWS**

(1) Codes to be used:(a) Net Proceeds or Payments;(b)Bonds, debentures and other long-term debt; (c) Include commercial paper; and (d) Identify separately such items as investments, fixed assets, intangibles, etc.  
 (2) Information about noncash investing and financing activities must be provided in the Notes to the Financial statements. Also provide a reconciliation between "Cash and Cash Equivalents at End of Period" with related amounts on the Balance Sheet.  
 (3) Operating Activities - Other: Include gains and losses pertaining to operating activities only. Gains and losses pertaining to investing and financing activities should be reported in those activities. Show in the Notes to the Financials the amounts of interest paid (net of amount capitalized) and income taxes paid.  
 (4) Investing Activities: Include at Other (line 31) net cash outflow to acquire other companies. Provide a reconciliation of assets acquired with liabilities assumed in the Notes to the Financial Statements. Do not include on this statement the dollar amount of leases capitalized per the USofA General Instruction 20; instead provide a reconciliation of the dollar amount of leases capitalized with the plant cost.

Line No.	Description (See Instruction No. 1 for Explanation of Codes) (a)	Current Year to Date Quarter/Year (b)	Previous Year to Date Quarter/Year (c)
46	Loans Made or Purchased		
47	Collections on Loans		
48	Insurance Proceeds Received for Equipment		5,350,789
49	Net (Increase) Decrease in Receivables		
50	Net (Increase ) Decrease in Inventory		
51	Net (Increase) Decrease in Allowances Held for Speculation		
52	Net Increase (Decrease) in Payables and Accrued Expenses		
53	Investment in Decommissioning Trust Fund (Purchases)	-361,576,841	-74,438,298
54	Investment in Decommissioning Trust Fund (Sales and Maturities)	356,008,977	70,156,131
55	Other: (provide details in footnote)	1,024,204	3,386,598
56	Net Cash Provided by (Used in) Investing Activities		
57	Total of lines 34 thru 55)	-192,411,007	-202,281,419
58			
59	Cash Flows from Financing Activities:		
60	Proceeds from Issuance of:		
61	Long-Term Debt (b)	100,600,000	125,000,000
62	Preferred Stock		
63	Common Stock		
64	Other: Financing and Other Capital Lease Obligations - Proceeds	430,484,161	569,707,700
65			
66	Net Increase in Short-Term Debt (c)		
67	Other (provide details in footnote):		
68			
69			
70	Cash Provided by Outside Sources (Total 61 thru 69)	531,084,161	694,707,700
71			
72	Payments for Retirement of:		
73	Long-term Debt (b)	-100,600,000	
74	Preferred Stock		
75	Common Stock		
76	Other (provide details in footnote):	-1,912,458	-3,323,166
77	Financing and Other Capital Lease Obligations - Payments	-379,864,478	-658,878,458
78	Net Decrease in Short-Term Debt (c)		
79			
80	Dividends on Preferred Stock		
81	Dividends on Common Stock	-46,035,014	-42,897,648
82	Net Cash Provided by (Used in) Financing Activities		
83	(Total of lines 70 thru 81)	2,672,211	-10,391,572
84			
85	Net Increase (Decrease) in Cash and Cash Equivalents		
86	(Total of lines 22,57 and 83)	2,697,057	8,975,324
87			
88	Cash and Cash Equivalents at Beginning of Period	12,900,068	6,989,845
89			
90	Cash and Cash Equivalents at End of period	15,597,125	15,965,169

Name of Respondent El Paso Electric Company	This Report is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) / /	Year/Period of Report 2019/Q3
FOOTNOTE DATA			

**Schedule Page: 120 Line No.: 18 Column: a**

	2019	2018
Other:		
Net Gains on Decommissioning Trust Funds	\$ (25,258,548)	\$ (9,654,886)
Amortization of Unearned Compensation	1,463,555	3,919,355
Unrealized Losses on Investments in Debt Securities	61,138	54,605
Other Operating Activities	(606,115)	(23,704)
Total	\$ (24,339,970)	\$ (5,704,630)

**Schedule Page: 120 Line No.: 55 Column: a**

	2019	2018
Other:		
Net Customer Advances for Construction	\$ 2,254,371	\$ 3,274,460
Net Salvage Value and Cost of Removal	(1,707,382)	112,138
Customer Revenue Agreements	477,215	0
Total	\$ 1,024,204	\$ 3,386,598

**Schedule Page: 120 Line No.: 76 Column: a**

	2019	2018
Other:		
Stock Awards Withheld for Taxes	\$ (636,658)	\$ (1,064,306)
Issuance Costs Related to Pollution Control Bonds	(1,225,820)	0
Issuance Costs Related to Senior Notes	(24,642)	(726,830)
Issuance Costs Related to RGRT Senior Notes	1,727	(390,448)
Costs Related to Revolving Credit Facilities Terms Modification	0	(1,116,582)
Other Financing Activities	(27,065)	(25,000)
Total	\$ (1,912,458)	\$ (3,323,166)

Name of Respondent El Paso Electric Company	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report / /	Year/Period of Report End of <u>2019/Q3</u>
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NOTES TO FINANCIAL STATEMENTS

1. Use the space below for important notes regarding the Balance Sheet, Statement of Income for the year, Statement of Retained Earnings for the year, and Statement of Cash Flows, or any account thereof. Classify the notes according to each basic statement, providing a subheading for each statement except where a note is applicable to more than one statement.
2. Furnish particulars (details) as to any significant contingent assets or liabilities existing at end of year, including a brief explanation of any action initiated by the Internal Revenue Service involving possible assessment of additional income taxes of material amount, or of a claim for refund of income taxes of a material amount initiated by the utility. Give also a brief explanation of any dividends in arrears on cumulative preferred stock.
3. For Account 116, Utility Plant Adjustments, explain the origin of such amount, debits and credits during the year, and plan of disposition contemplated, giving references to Commission orders or other authorizations respecting classification of amounts as plant adjustments and requirements as to disposition thereof.
4. Where Accounts 189, Unamortized Loss on Recquired Debt, and 257, Unamortized Gain on Recquired Debt, are not used, give an explanation, providing the rate treatment given these items. See General Instruction 17 of the Uniform System of Accounts.
5. Give a concise explanation of any retained earnings restrictions and state the amount of retained earnings affected by such restrictions.
6. If the notes to financial statements relating to the respondent company appearing in the annual report to the stockholders are applicable and furnish the data required by instructions above and on pages 114-121, such notes may be included herein.
7. For the 3Q disclosures, respondent must provide in the notes sufficient disclosures so as to make the interim information not misleading. Disclosures which would substantially duplicate the disclosures contained in the most recent FERC Annual Report may be omitted.
8. For the 3Q disclosures, the disclosures shall be provided where events subsequent to the end of the most recent year have occurred which have a material effect on the respondent. Respondent must include in the notes significant changes since the most recently completed year in such items as: accounting principles and practices; estimates inherent in the preparation of the financial statements; status of long-term contracts; capitalization including significant new borrowings or modifications of existing financing agreements; and changes resulting from business combinations or dispositions. However were material contingencies exist, the disclosure of such matters shall be provided even though a significant change since year end may not have occurred.
9. Finally, if the notes to the financial statements relating to the respondent appearing in the annual report to the stockholders are applicable and furnish the data required by the above instructions, such notes may be included herein.

PAGE 122 INTENTIONALLY LEFT BLANK  
SEE PAGE 123 FOR REQUIRED INFORMATION.

Name of Respondent	This Report is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) / /	Year/Period of Report 2019/Q3
El Paso Electric Company			
NOTES TO FINANCIAL STATEMENTS (Continued)			

### Note 1. Regulatory-Basis Financial Statements

The accompanying regulatory-basis financial statements are presented in accordance with the accounting requirements of the Federal Energy Regulatory Commission (the "FERC") as set forth in its applicable Uniform System of Accounts and published accounting releases which is a comprehensive basis of accounting other than United States ("U.S.") Generally Accepted Accounting Principles ("GAAP") used in the Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2019 (the "September 30, 2019 Form 10-Q") filed by El Paso Electric Company (the "Company") with the U.S. Securities and Exchange Commission ("SEC"). Notes A through M of the regulatory-basis financial statements are from the September 30, 2019 Form 10-Q and have been revised where the presentation of regulatory-basis financial statements, in accordance with requirements under the Uniform System of Accounts and published accounting releases of the FERC, result in different financial statement amounts or disclosures than under GAAP. Because many types of transactions are susceptible to varying interpretations, the amounts and classifications reported in the accompanying regulatory-basis financial statements may be subject to change at a later date upon final determination by the FERC. In the remainder of this Note 1, information contained in Notes A through M is supplemented for additional regulatory-basis disclosures.

#### Regulatory-Basis Financial Statements Compared to GAAP

The significant differences between the Company's regulatory-basis financial statements and those prepared in accordance with GAAP include the application of fresh-start reporting to the GAAP financial statements and the discontinuance and subsequent re-application of the provisions of Financial Accounting Standards Board (the "FASB") accounting guidance for regulated operations. In 1996, the Company adopted fresh-start reporting for its GAAP financial statements in accordance with the FASB guidance related to financial reporting by entities in reorganization under the U.S. Bankruptcy Code. The adoption of fresh-start reporting resulted in the creation of a new reporting entity having no retained earnings or accumulated deficit and significantly altered, compromised, or modified the Company's historical capital structure.

In addition, certain items in the accompanying regulatory-basis financial statements are classified differently under FERC requirements than in the Company's GAAP financial statements.

Name of Respondent	This Report is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) / /	Year/Period of Report 2019/Q3
El Paso Electric Company			
NOTES TO FINANCIAL STATEMENTS (Continued)			

## Statement of Cash Flows

Cash and cash equivalents and amortization of other presented on the statement of cash flows for the nine months ended September 30, 2019 and 2018 consist of the following (in thousands):

	<u>2019</u>	<u>2018</u>
<b>Cash and Cash Equivalents:</b>		
Cash (131)	\$ 14,206	\$ 9,129
Working funds (135)	1,044	566
Temporary cash investments (136)	347	6,270
Cash and cash equivalents at end of period	<u>\$ 15,597</u>	<u>\$ 15,965</u>
<b>Amortization of Other:</b>		
ARO depreciation (403.1)	\$ (996)	\$ (996)
Other utility plant (404)	5,941	5,432
Regulatory assets (407.3)	1,597	1,597
Regulatory liabilities (407.4)	(131)	(196)
ARO accretion expense (411.10)	6,837	6,255
Debt expense (428)	731	722
Loss on reacquired debt (428.1)	700	664
Debt premium (429)	(100)	(96)
Interest rate lock losses	451	423
Operating lease assets amortization	492	0
Nuclear fuel financing issuance costs	152	133
Dry cask storage amortization	816	1,460
Coal reclamation amortization	495	495
Texas rate case amortization	1,126	1,143
New Mexico rate case amortization	215	322
	<u>\$ 18,326</u>	<u>\$ 17,358</u>

### A. Principles of Preparation

These condensed regulatory-basis financial statements should be read in conjunction with the regulatory-basis financial statements and notes thereto in the Annual Report of El Paso Electric Company on FERC Form No. 1 for the fiscal year ended December 31, 2018 (the "2018 FERC Form No. 1"). Capitalized terms used in this report and not defined herein have the meaning ascribed to such terms in the 2018 FERC Form No. 1. In the opinion of the Company's management, the accompanying regulatory-basis financial statements contain all adjustments necessary to present fairly the financial position of the Company at September 30, 2019 and December 31, 2018; the results of its operations for the three and nine months ended September 30, 2019 and 2018; its comprehensive operations for the nine months ended September 30, 2019 and the year ended December 31, 2018; and its cash flows for the nine months ended September 30, 2019 and 2018. The results of operations for the three and nine months ended September 30, 2019, comprehensive operations, and the cash flows for the nine months ended September 30, 2019 are not necessarily indicative of the results to be expected for the full calendar year.

*Basis of Presentation:* The Company maintains its accounts in accordance with the accounting requirements of the FERC set forth in its applicable Uniform System of Accounts and published accounting releases, and applies such principles in its regulatory books of account to the rate treatment as ordered by each of the Company's three regulators (the Public Utility Commission of Texas (the "PUCT"), the New Mexico Public Regulation Commission (the "NMPRC"), and the FERC), which is a comprehensive basis of accounting other than GAAP.

Name of Respondent	This Report is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) / /	Year/Period of Report 2019/Q3
El Paso Electric Company			
NOTES TO FINANCIAL STATEMENTS (Continued)			

*Use of Estimates.* The preparation of regulatory-basis financial statements in conformity with regulatory accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the regulatory-basis financial statements and the reported amounts of revenues and expenses during the reporting period. The Company evaluates its estimates on an on-going basis, including those related to depreciation, unbilled revenue (or "Accrued Utility Revenues"), income taxes, fuel costs, pension and other post-retirement obligations and asset retirement obligations ("ARO"). Actual results could differ from those estimates.

*Operating Revenues.* The Company accrues revenues for services rendered, including unbilled electric service revenues. The Company recognizes revenue associated with contracts with customers when performance obligations under the terms of the contract with the customer are satisfied. Revenue is measured as the amount of consideration the Company receives in exchange for transferring goods or providing services to the customer. Taxes collected concurrently with revenue producing activities are excluded from revenue. Accrued Utility Revenues are recorded for estimated amounts of energy delivered in the period following the customer's last billing cycle to the end of the reporting period. Accrued Utility Revenues are estimated based on monthly generation volumes and by applying an average revenue/kilowatt-hour ("kWh") to the number of estimated kWhs delivered but not billed. The Company recorded \$33.3 million of Accrued Utility Revenues as of September 30, 2019 and \$21.6 million as of December 31, 2018.

The Company's Texas retail customers are billed under base rates and a fixed fuel factor approved by the PUCT. The Company's New Mexico retail customers are billed under base rates and a fuel adjustment clause that is adjusted monthly, as approved by the NMPRC. The Company's FERC sales for resale customers are billed under formula base rates and fuel factors and a fuel adjustment clause that is adjusted monthly. The Company's recovery of fuel and purchased power expenses is subject to periodic reconciliations of actual fuel and purchased power expenses incurred to actual fuel revenues collected. The difference between fuel and purchased power expenses incurred and fuel revenues charged to customers is reflected in the accompanying regulatory-basis balance sheet in Other Regulatory Assets and Other Regulatory Liabilities, as appropriate. See Note C of Notes to Financial Statements for further discussion.

*Leases.* The Company determines if an arrangement contains a lease and the classification of that lease at inception. Operating lease right-of-use ("ROU") assets represent the Company's right to use an underlying asset for the lease term and operating lease liabilities represent the obligation to make payments under the lease. ROU assets and lease liabilities are recognized at the lease commencement date based on the estimated present value of the minimum lease payments over the lease term. In determining lease terms, the Company considers any options to extend or terminate the lease that are reasonably certain of being exercised. As the Company's leases do not include an implicit rate, the Company uses an estimated incremental borrowing rate, at lease commencement, to determine the present value of the future lease payments. In calculating the incremental borrowing rate, the Company takes into consideration recent debt issuances and other data for instruments with similar characteristics. The Company's lease agreements do not contain residual value guarantees or restrictive covenants. For leases with lease and non-lease components, the Company has elected to account for the consideration as a single lease component. The Company has also elected not to record leases with a term of 12 months or less on the regulatory-basis balance sheet. The operating lease ROU assets are included as part of electric plant in service and lease liabilities are included as part of Current and Non-current Obligation Under Capital Lease in the Company's regulatory-basis balance sheet.

*Depreciation.* The Company routinely evaluates the depreciable service lives, cost of removal and salvage values of its property, plant and equipment. Depreciation is provided on a straight-line basis over the estimated remaining lives of the assets (ranging in average from 5 to 48 years). When property subject to composite depreciation is retired or otherwise disposed of in the normal course of business, its cost together with the cost of removal, less salvage is charged to accumulated depreciation. For other property dispositions, the applicable cost and accumulated depreciation is removed from the balance sheet accounts and a gain or loss is recognized.



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### Supplemental Cash Flow Disclosures (in thousands):

	Nine Months Ended September 30,	
	2019	2018
Cash paid for:		
Interest on long-term debt and borrowings under the revolving credit facility	\$ 47,871	\$ 47,479
Income tax paid, net	2,567	2,480
Non-cash investing and financing activities:		
Changes in accrued plant additions	1,721	9,347
Grants of restricted shares of common stock	1,393	1,030
Issuance of performance shares	2,143	1,499
Non-cash operating activities:		
Operating lease liabilities arising from obtaining ROU assets	5,889	—

### New Accounting Standards

The new accounting standards discussed below are issued by the FASB and are to be applied to financial statements prepared in accordance with GAAP. Differences may occur between financial statements prepared in accordance with GAAP and financial statements prepared in accordance with the Uniform System of Accounts when these standards are adopted.

### New Accounting Standards Adopted

In February 2016, the FASB issued Accounting Standards Update ("ASU") 2016-02, Leases (Topic 842), to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and requiring qualitative and quantitative disclosures on leasing agreements. ASU 2016-02 maintains a distinction between finance leases and operating leases similar to the distinction under previous lease guidance for capital leases and operating leases. Effective January 1, 2019, the Company adopted ASU 2016-02 using the modified retrospective method, applying the transition provisions to the beginning of the period of adoption rather than to the earliest comparative period presented, which continues to be reported in accordance with previous lease guidance, Accounting Standards Codification Topic 840. The Company adopted the package of practical expedients, which does not require the Company to reassess: (i) whether an arrangement contained a lease, (ii) lease classification for any expired or existing leases, and (iii) initial direct costs for any expired or existing leases. The Company also adopted the practical expedient related to land easements, which allowed carry forward accounting treatment for existing land easements. The most significant impact of adopting ASU 2016-02, as of January 1, 2019, was the recording of approximately \$6.3 million of operating lease liabilities and related ROU assets with no cumulative effect adjustment to retained earnings. The Company anticipates the ongoing impact of the new standard to be immaterial to net income and cash flows. See Note H of Notes to Financial Statements for further discussion.

In February 2018, the FASB issued ASU 2018-02, Income Statement - Reporting Comprehensive Income (Topic 220), as a result of concerns raised due to the federal law commonly referred to as the Tax Cuts and Jobs Act of 2017 ("TCJA"). More specifically, because the remeasurement of deferred taxes due to the change in the federal corporate income tax rate is required to be included in income from continuing operations, the tax effects of items within accumulated other comprehensive income ("AOCI") (referred to as stranded tax effects) do not reflect the appropriate tax rate. ASU 2018-02 allows companies an election to reclassify stranded taxes from AOCI to retained earnings. The amount of the reclassification would be the difference between the historical federal corporate income tax rate of 35% and the newly enacted 21% federal corporate income tax rate, which approximates \$7.2 million. The provisions of ASU 2018-02 are effective for fiscal years and interim periods within that reporting period beginning after December 15, 2018. The Company adopted ASU 2018-02 on January 1, 2019, and has elected to not reclassify stranded taxes from AOCI to retained earnings.

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### New Accounting Standards to be Adopted in the Future

In June 2016, the FASB issued ASU 2016-13, Financial Instruments - Credit Losses (Topic 326). ASU 2016-13 changes how companies measure and recognize credit impairment for many financial assets. The new expected credit loss model will require companies to immediately recognize an estimate of credit losses expected to occur over the remaining life of the financial assets that are in the scope of the standard. ASU 2016-13 will be required for reporting periods beginning after December 15, 2019. ASU 2016-13 will be applied in a modified retrospective approach through a cumulative-effect adjustment to retained earnings as of the beginning of the first reporting period in which the guidance is implemented. The Company is currently in the process of evaluating the impact of the new standard, which includes continuing to monitor activities of the FASB, including the impact of ASU 2019-04, Codification Improvements to Topic 326, Financial Instruments - Credit Losses, Topic 815, Derivatives and Hedging, and Topic 825, Financial Instruments and ASU 2019-05, Financial Instruments - Credit Losses (Topic 326): Targeted Transition Relief.

### B. Revenues

The Company adopted ASU 2014-09, Revenue from Contracts with Customers (Topic 606), on January 1, 2018, for all of its contracts using the modified retrospective method. There was no cumulative effect adjustment at the initial application of the new standard. In addition, comparative information has not been restated and continues to be reported under the accounting standards in effect for those periods.

The following table disaggregates revenue from contracts with customers, for the three and nine months ended September 30, 2019 and 2018 (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Retail	\$ 268,375	\$ 265,971	\$ 584,160	\$ 633,578
Wholesale	18,900	28,253	68,530	63,354
Wheeling (transmission)	5,883	5,145	16,739	13,578
Total revenues from contracts with customers	293,158	299,369	669,429	710,510
Other	1,295	902	2,462	2,270
Total operating revenues	<u>\$ 294,453</u>	<u>\$ 300,271</u>	<u>\$ 671,891</u>	<u>\$ 712,780</u>

*Accounts receivable.* Accounts receivable is principally comprised of revenue from contracts with customers. The Company recognizes expense for accounts that are deemed uncollectible in operating expense. The Company recognized \$0.8 million and \$1.5 million of uncollectible expense for the three and nine months ended September 30, 2019, respectively.

### C. Regulation

#### General

The rates and services of the Company are regulated by incorporated municipalities in Texas, the PUCT, the NMPRC and the FERC. Municipal orders, ordinances and other agreements regarding rates and services adopted by Texas municipalities are subject to review and approval by the PUCT. The FERC has jurisdiction over the Company's wholesale (sales for resale - full requirement customer) transactions, transmission service and compliance with federally-mandated reliability standards. The decisions of the PUCT, the NMPRC and the FERC are subject to judicial review.

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On June 1, 2019, the Company entered into an Agreement and Plan of Merger (the "Merger Agreement"), by and among the Company, Sun Jupiter Holdings LLC, a Delaware limited liability company ("Parent"), and Sun Merger Sub Inc., a Texas corporation and wholly owned subsidiary of Parent ("Merger Sub"). Pursuant to the Merger Agreement, on and subject to the terms and conditions set forth therein, Merger Sub will merge with and into the Company (the "Merger"), with the Company continuing as the surviving corporation in the Merger and becoming a wholly owned subsidiary of Parent. Parent and Merger Sub are affiliates of the Infrastructure Investments Fund, an investment vehicle advised by J.P. Morgan Investment Management Inc. ("IIF"). Among other things, the Company, Parent and Merger Sub are required to obtain certain regulatory approvals of the proposed Merger as discussed further in Note M of the Notes to the Financial Statements.

On August 13, 2019, the Company, Parent and IIF US Holding 2 LP, an affiliate of IIF, as applicable, filed (1) the joint report and application for regulatory approvals with the PUCT requesting approval of the Merger pursuant to the Texas Public Utility Regulatory Act ("PURA"), (2) the joint application for regulatory approvals with the NMPRC requesting approval of the Merger pursuant to the New Mexico Public Utility Act ("NMPUA") and NMPRC Rule 450, (3) the joint application requesting approval of the Merger with the FERC under Section 203 of the Federal Power Act and (4) the joint application for regulatory approval for the indirect transfer of the Company's Nuclear Regulatory Commission ("NRC") licenses to Parent from the NRC under the Atomic Energy Act of 1954. In addition, on August 13, 2019, the Company and Parent sought the authorization of the Federal Communications Commission ("FCC") to assign or transfer control of the Company's FCC licenses.

On August 16, 2019, the Company and Parent filed the notification and report form with the Antitrust Division of the Department of Justice and the Federal Trade Commission ("FTC") under the Hart-Scott-Rodino Antitrust Improvements Act of 1976 (the "HSR Act"), as amended, and the rules and regulations promulgated thereunder. On September 3, 2019, the Company and Parent received notice from the FTC granting early termination of the waiting period under the HSR Act.

### Texas Regulatory Matters

*2017 Texas Retail Rate Case Filing.* On February 13, 2017, the Company filed with the City of El Paso, other municipalities incorporated in the Company's Texas service territory and the PUCT in the 2017 Texas Retail Rate Case, a request for an increase in non-fuel base revenues. On November 2, 2017, the Company filed the Joint Motion to Implement Uncontested Stipulation and Agreement with the Administrative Law Judges ("ALJ") for the 2017 Texas Retail Rate Case.

On December 18, 2017, the PUCT issued the PUCT Final Order in Docket No. 46831 ("2017 PUCT Final Order"), which provides, among other things, for the following: (i) an annual non-fuel base rate increase of \$14.5 million; (ii) a return on equity of 9.65%; (iii) all new plant in service as filed in the Company's rate filing package was prudent and used and useful and therefore is included in rate base; (iv) recovery of the costs of decommissioning Four Corners Generating Station in the amount of \$5.5 million over a seven year period beginning August 1, 2017; (v) the Company to recover reasonable rate case expenses of approximately \$3.4 million through a separate surcharge over a three year period; and (vi) a requirement that the Company file a refund tariff if the federal statutory income tax rate, as it relates to the Company, is decreased before the Company files its next rate case. The 2017 PUCT Final Order also established baseline revenue requirements for recovery of future transmission and distribution investment costs (for which the Company could seek recovery after January 1, 2019) and includes a minimum monthly bill of \$30.00 for new residential customers with distributed generation, such as private rooftop solar. Additionally, the 2017 PUCT Final Order allowed for the annual recovery of \$2.1 million of nuclear decommissioning funding and establishes annual depreciation expense that is approximately \$1.9 million lower than the annual amount requested by the Company in its initial filing. Finally, the 2017 PUCT Final Order allowed for the Company to recover revenues associated with the relate back of rates to consumption on and after July 18, 2017, through a separate surcharge.

New base rates, including additional surcharges associated with rate case expenses and the relate back of rates to consumption on and after July 18, 2017, through December 31, 2017, were implemented in January 2018. The surcharge for the relate back of rates expired on January 9, 2019, with a net over-recovery balance of \$0.5 million that was addressed in the fuel reconciliation proceeding filed on September 27, 2019, which was assigned PUCT Docket No. 50058.

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For financial reporting purposes, the Company deferred any recognition of the Company's request in its 2017 Texas Retail Rate Case until it received the 2017 PUCT Final Order on December 18, 2017. Accordingly, it reported in the fourth quarter of 2017 the cumulative effect of the 2017 PUCT Final Order, which related back to July 18, 2017.

The 2017 PUCT Final Order required the Company to file a refund tariff if the federal statutory income tax rate, as it relates to the Company, was decreased before the Company files its next general rate case. Following the enactment of the TCJA on December 22, 2017, and in compliance with the 2017 PUCT Final Order, on March 1, 2018, the Company filed with the PUCT and each of its Texas municipalities a proposed refund tariff designed to reduce base charges for Texas customers equivalent to the expected annual decrease of \$22.7 million in federal income tax expense resulting from the TCJA changes and an additional refund of \$4.3 million for the amortization of a regulatory liability related to the reduced tax expense for the months of January through March of 2018. This filing was assigned PUCT Docket No. 48124. On March 27, 2018, the PUCT approved the Company's proposed refund tariff on an interim basis, subject to refund or surcharge, for customer billing effective April 1, 2018. Each of the Company's municipalities also implemented the Company's proposed tax credits on an interim basis effective April 1, 2018. The refund is reflected in rates over a period of one year beginning April 1, 2018, and will be updated annually until new base rates are implemented pursuant to the Company's next Texas rate case filing. The PUCT issued an order on December 10, 2018, approving the proposed refund tariff. On February 22, 2019, the Company filed with the PUCT and each of its Texas municipalities an application to modify the tax refund tariff to remove the portion of the base rate credit associated with the \$4.3 million of regulatory liability amortization, which expired March 31, 2019. The filing was assigned PUCT Docket No. 49251 and approved by final order on June 27, 2019.

*Texas Energy Efficiency Cost Recovery Factor ("EECRF").* On May 1, 2017, the Company filed its annual application with the PUCT, which was assigned PUCT Docket No. 47125, to establish its EECRF for 2018. In addition to projected energy efficiency costs for 2018 and a reconciliation of collections to prior year actual costs, the Company requested approval of an incentive bonus for the 2016 energy efficiency program results in accordance with PUCT rules. Interim rates were approved effective January 1, 2018. The Company, the PUCT Staff and the City of El Paso reached an agreement that includes an incentive bonus of \$0.8 million. The agreement was filed on January 25, 2018, and was approved by the PUCT on February 15, 2018.

On May 1, 2018, the Company filed its annual application with the PUCT, which was assigned PUCT Docket No. 48332, to establish its EECRF for 2019. In addition to projected energy efficiency costs for 2019 and a reconciliation of collections to actual costs for the prior year, the Company requested approval of a \$1.0 million incentive bonus for the 2017 energy efficiency program results in accordance with PUCT rules. Instead of convening a live hearing on the merits of this case, the parties agreed to enter into the record the pre-filed testimony of the parties and certain other exhibits and then file briefs on the contested issues. The ALJ issued a proposal for decision on November 15, 2018, including the Company's fully requested incentive bonus. On January 17, 2019, the PUCT issued a final order approving a modified bonus amount of \$0.9 million.

On May 1, 2019, the Company filed its annual application with the PUCT, which was assigned PUCT Docket No. 49496, to establish its EECRF for 2020. In addition to projected energy efficiency costs for 2020 and a reconciliation of collections to actual costs for the prior year, the Company requested approval of a \$0.8 million incentive bonus for the 2018 energy efficiency program results in accordance with PUCT rules. On July 1, 2019, the Company requested, and received approval for, a suspension of the procedural schedule in order to pursue settlement of the case. On July 12, 2019, the Company informed the ALJ in the case that all parties had agreed in principle on terms for settlement. On August 14, 2019, the Company filed an unopposed settlement agreement and proposed order which resolved all issues in the proceeding, including the requested incentive bonus. The case was remanded on August 16, 2019, to the PUCT for a final order approving the settlement agreement and the Company's EECRF rates. On November 14, 2019, the PUCT issued an order adopting the filed settlement.

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*Fuel and Purchased Power Costs.* The Company's actual fuel costs, including purchased power energy costs, net of the cost of off-system sales and related shared margins, are recovered from customers through a fixed fuel factor. The PUCT has adopted a fuel cost recovery rule ("Texas Fuel Rule") that allows the Company to seek periodic adjustments to its fixed fuel factor. The Company can seek to revise its fixed fuel factor based upon the approved formula at least four months after its last revision except in the month of December. The Texas Fuel Rule requires the Company to request to refund fuel costs in any month when the over-recovery balance exceeds a threshold material amount and it expects fuel costs to continue to be materially over-recovered. The Texas Fuel Rule also permits the Company to seek to surcharge fuel under-recoveries in any month the balance exceeds a threshold material amount and it expects fuel cost recovery to continue to be materially under-recovered. Fuel over- and under-recoveries are considered material when they exceed 4% of the previous twelve months' fuel costs. All such fuel revenue and expense activities are subject to periodic final review by the PUCT in periodic fuel reconciliation proceedings.

On October 13, 2017, the Company filed a request with the PUCT, which was assigned PUCT Docket No. 47692, to decrease the Texas fixed fuel factor by approximately 19% to reflect decreased fuel expenses primarily related to a decrease in the price of natural gas used to generate power. The decrease in the Texas fixed fuel factor became effective beginning with the November 2017 billing month.

On April 13, 2018, the Company filed a request with the PUCT, which was assigned PUCT Docket No. 48264, to decrease the Texas fixed fuel factor by approximately 29% to reflect decreased fuel expenses primarily related to a decrease in the price of natural gas used to generate power. On April 25, 2018, the Company's proposed fuel factors were approved on an interim basis effective for the first billing cycle of the May 2018 billing month. The revised factor was approved by the PUCT and the docket closed on May 22, 2018.

On October 15, 2018, the Company filed a request with the PUCT, which was assigned PUCT Docket No. 48781, to decrease the Texas fixed fuel factor by approximately 6.99% to reflect decreased fuel expenses primarily related to a decrease in the price of natural gas used to generate power. On October 25, 2018, the Company's fixed fuel factor was approved on an interim basis effective for the first billing cycle of the November 2018 billing month. The revised factor was approved by the PUCT and the docket closed on November 19, 2018.

On April 29, 2019, the Company filed a petition with the PUCT, which was assigned PUCT Docket No. 49482, requesting authority to implement, beginning on June 1, 2019, a four-month, interim fuel refund of \$19.4 million in fuel cost over-recoveries, including interest, for the period from April 2016 through March 2019. On May 30, 2019, the Company's fuel refund credit was approved on an interim basis. The Company implemented the fuel refund in customer bills on June 1, 2019. On September 27, 2019, the PUCT issued a final order approving the fuel refund credits. The fuel refund was completed on September 30, 2019, with a total fuel refund of \$20.1 million, including interest, returned to Texas customers.

On September 13, 2019, the Company filed a request with the PUCT, which was assigned PUCT Docket No. 49960, to decrease the Texas fixed fuel factor by approximately 12.2% to reflect decreased fuel expenses primarily related to a decrease in the price of natural gas used to generate power. On September 25, 2019, the Company's fixed fuel factor was approved by the PUCT on an interim basis effective for the first billing cycle of the October 2019 billing month. The Texas fixed fuel factor was determined to be final on October 15, 2019, and will continue until changed by the PUCT. As of September 30, 2019, the Company had a net fuel over-recovery balance of approximately \$14.1 million in Texas.

*Fuel Reconciliation Proceeding.* On September 27, 2019, the Company filed an application with the PUCT, which was assigned PUCT Docket No. 50058, to reconcile \$363.0 million of Texas fuel and purchased power expenses incurred during the period of April 1, 2016, through March 31, 2019. The Company cannot predict the outcome of this filing at this time. The April 1, 2019, through September 30, 2019, Texas jurisdictional fuel and purchased power costs subject to a future prudence review total approximately \$36.7 million.

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*Community Solar.* On June 8, 2015, the Company filed a petition with the PUCT to initiate a community solar program that includes the construction and ownership of a three-megawatt ("MW") solar photovoltaic system located at Montana Power Station ("MPS"). Participation is on a voluntary basis, and customers contract for a set capacity (kW) amount and receive all energy produced. This case was assigned PUCT Docket No. 44800. The Company filed a settlement agreement among all parties on July 1, 2016, approving the program, and the PUCT approved the settlement agreement and program on September 1, 2016. On April 19, 2017, the Company announced that the entire three-MW program was fully subscribed by approximately 1,500 Texas customers. The Community Solar facility began commercial operation on May 31, 2017.

On March 20, 2018, the Company filed a petition with the PUCT and each of its Texas municipalities to expand its community solar program in Texas to include two-MW of solar powered generation from the ten-MW solar photovoltaic facility located at Newman Power Station ("Newman") and to reduce rates under the community solar tariff. The case before the PUCT was assigned PUCT Docket No. 48181, and a hearing was held on December 4, 2018. The ALJ issued a proposal for decision on March 19, 2019, that approved the project as proposed by the Company. On May 9, 2019, the PUCT approved the Company's request to expand the program utilizing the two-MW of solar powered generation available from Newman. New subscriptions for the expanded program were accepted beginning in June 2019, and new rates for all existing and new customers were implemented in customer bills beginning July 1, 2019. As of June 30, 2019, the expanded program was fully subscribed.

*Transmission Cost Recovery Factor.* On January 25, 2019, the Company filed an application with the PUCT to establish its Transmission Cost Recovery Factor ("TCRF"), which was assigned PUCT Docket No. 49148 (the "2019 TCRF rate filing"). The 2019 TCRF rate filing is designed to recover a requested \$8.2 million of Texas jurisdictional transmission revenue requirement that is not currently being recovered in the Company's Texas base rates for transmission-related investments placed in service from October 1, 2016, through September 30, 2018, net of retirements. Pursuant to the procedural order issued on February 20, 2019, the Company's TCRF rate was approved on an interim basis effective July 30, 2019, subject to any refund or surcharge to the extent the PUCT's final order establishes a TCRF rate that differs from the interim rate. On September 12, 2019, the Company filed an unopposed settlement agreement and proposed order for a TCRF revenue requirement of \$7.5 million with a provision for recovery of revenue relating-back to the interim effective date of July 30, 2019. Such relate back revenue through September 30, 2019, is expected to approximate \$1.4 million. However, such amounts were not recorded in the three months ended September 30, 2019 pending PUCT final approval. The ALJ remanded the proceeding to the PUCT for consideration of a final order. The Company cannot predict the outcome of this pending matter at this time.

*Distribution Cost Recovery Factor.* On March 28, 2019, the Company filed an application with the PUCT and each of its Texas municipalities to establish its Distribution Cost Recovery Factor ("DCRF"), which was assigned PUCT Docket No. 49395 (the "2019 DCRF rate filing"). The 2019 DCRF rate filing is designed to recover a requested \$7.9 million of Texas jurisdictional distribution revenue requirement that is not currently being recovered in the Company's Texas base rates for distribution-related investments placed in service from October 1, 2016, through December 31, 2018, net of retirements. On August 13, 2019, the Company filed an unopposed settlement agreement and proposed order which resolved all issues in the proceeding and approved a DCRF revenue requirement of \$7.8 million. On September 27, 2019, the PUCT issued a final order reflecting the settlement agreement, and the Company's DCRF rates became effective in customer bills beginning October 1, 2019.

*Other Required Approvals.* The Company has obtained other required approvals for tariffs and other approvals required by the PURA and the PUCT.

## **New Mexico Regulatory Matters**

*Future New Mexico Rate Case Filing.* The Company was required to file its next New Mexico base rate case no later than July 31, 2019. On July 10, 2019, the NMRPC issued an order approving a joint request by the Company, NMPRC Staff, and the New Mexico Attorney General to delay filing of the Company's next base rate case until after the conclusion of a proceeding addressing the Merger. The NMRPC order requires the Company to file its next rate case application within three months of the conclusion of the proceeding addressing the Merger in New Mexico. The Company cannot predict the outcome of this filing at this time. See Note M of Notes to Financial Statements for further discussion.

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*New Mexico Order Commencing Review of the Effects of the TCJA on Regulated New Mexico Utilities.* On January 24, 2018, the NMPRC initiated a proceeding in Case No. 18-00016-UT on the impact of the TCJA on New Mexico regulated utilities. On April 4, 2018, the NMPRC issued an order requiring the Company to file a proposed interim rate rider to adjust the Company's New Mexico base revenues in amounts equivalent to the Company's reduced income tax expense for New Mexico customers resulting from the TCJA, to be implemented on or before May 1, 2018. The NMPRC order further requires that the Company record and track a regulatory liability for the excess accumulated deferred income taxes created by the change in the federal corporate income tax rate, consistent with the effective date of the TCJA, and subject to amortization determined by the NMPRC in the Company's next general rate case. The Company recorded such a regulatory liability during the three months ended December 31, 2017. On April 16, 2018, after consultation with the New Mexico Attorney General pursuant to the NMPRC order, the Company filed an interim rate rider with the NMPRC with a proposed effective date of May 1, 2018. The annualized credits expected to be refunded to New Mexico customers approximate \$4.9 million. The Company implemented the interim rate rider in customer bills beginning May 1, 2018 pursuant to the NMPRC order.

On September 5, 2018, the NMPRC issued an order in Case No. 17-00255-UT involving Southwestern Public Service Company's ("SPS's") request to change rates in which the NMPRC directed SPS to refund the difference in corporate tax rate from January 1, 2018, through the effective date of new rates. SPS appealed the NMPRC order to the New Mexico Supreme Court in *Southwestern Public Service Co. v. NMPRC, No. S-1-SC-37248 ("SPS Appeal No. 1")*, challenging the refund as prohibited retroactive ratemaking among other reasons. The New Mexico Supreme Court issued a partial and interim stay of the rates on September 26, 2018. On September 12, 2018, the NMPRC in Case No. 18-00016-UT issued an Order Regarding the Disposition of Tax Savings Under the Federal Tax Cuts and Jobs Act of 2017, which put public utilities on notice that all revenue collected through general rates for the purpose of payment of federal income taxes is and will continue to be subject to possible refund upon a subsequent determination to be made in the appropriate pending or future NMPRC adjudicatory hearing. On October 11, 2018, SPS filed a Notice of Appeal of that NMPRC order to the New Mexico Supreme Court in *Southwestern Public Service Co. v. NMPRC, No. S-1-SC-37308 ("SPS Appeal No. 2")*. On February 15, 2019, the NMPRC and SPS filed a joint motion for remand and stipulated dismissal of SPS appeals of NMPRC orders with the New Mexico Supreme Court, which among other things, reflected agreements between the NMPRC and SPS, which in part provide that the NMPRC will replace the order in Case No. 17-00255-UT with a new order that eliminates the retroactive TCJA refund and that SPS will request dismissal of SPS Appeals No. 1 and No. 2. On February 28, 2019, the New Mexico Supreme Court remanded *SPS Appeal No. 1* back to the NMPRC and dismissed the appeal. On March 6, 2019, the NMPRC issued a revised final order on remand in Case No. 17-00255-UT that, in part, eliminated the retroactive TCJA refund.

*Fuel and Purchased Power Costs.* Pursuant to NMPRC Rule 550, fuel and purchased power costs, net of the cost of off-system sales and related shared margins, are reconciled to actual costs on a monthly basis and recovered or refunded to customers the second succeeding month through the Fuel and Purchased Power Cost Adjustment Clause ("FPPCAC"). The Company must file an application for continued use of its FPPCAC no more than four years from the date its last FPPCAC was continued. As required, the Company filed a request to continue use of its FPPCAC with the NMPRC on January 5, 2018, which was assigned Case No. 18-00006-UT. The NMPRC issued a final order in the case on February 13, 2019, which authorized the Company to continue use of its FPPCAC without change and approved the Company's reconciliation of its fuel and purchased power costs for the period January 1, 2015, through December 31, 2016. New Mexico jurisdictional costs subject to prudence review are costs from January 1, 2017, through September 30, 2019, that total approximately \$107.3 million. At September 30, 2019, the Company had a net fuel under-recovery balance of approximately \$1.4 million related to the FPPCAC in New Mexico.

*New Mexico Renewable Portfolio Standard.* Effective January 1, 2018, pursuant to the final order in NMPRC Case No. 17-00090-UT, the Renewable Portfolio Standard ("RPS") costs for New Mexico are recovered through a separate RPS Cost Rider and not through the FPPCAC. At September 30, 2019, the Company had a net fuel over-recovery balance related to the RPS Cost Rider of approximately \$1.6 million. The RPS Cost Rider is updated in an annual NMPRC filing, including a reconciliation of the prior year's RPS costs and RPS Cost Rider revenue. On October 1, 2019, the Company filed its required application with the NMPRC for its 2019 Annual Renewable Plan in Case No. 19-0099-UT and for adjustment of its RPS Cost Rider for reconciliation of 2018 costs and revenues and to recover RPS costs for 2020. The application requests approvals of the Company's plan to meet requirements of the Renewable Energy Act, as amended in 2019. On November 18, 2019, following a second prehearing conference, the Hearing Examiner issued an order suspending the procedural schedule in order to allow the Company to amend its filed plan after the completion of an ongoing Request for Proposals to solicit possible new resources. The Company cannot predict the outcome of this filing at this time.

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*5-MW Holloman Air Force Base ("HAFB") Facility Certificate of Convenience and Necessity ("CCN").* On October 7, 2015, in Case No. 15-00185-UT, the NMPRC issued a final order approving a CCN for a five-MW solar power generation facility located on HAFB in the Company's service territory in New Mexico. The Company and HAFB negotiated a retail contract, which includes a power sales agreement for the facility, to replace the existing load retention agreement that was approved by NMPRC final order issued October 5, 2016, in Case No. 16-00224-UT. The solar generation facility began commercial operation on October 18, 2018.

*Expedited Approval for CCN (Solar/Storage Project at New Mexico State University ("NMSU")).* On November 20, 2019, the Company filed an application with the NMPRC requesting a certificate of public convenience and necessity to construct, own and operate a three-MW solar powered generation facility coupled with a one-MW battery storage system to be located on NMSU property in Arrowhead Park in the Company's service territory in New Mexico. The Company's application also seeks approval of a special retail rate contract between the Company and NMSU to recover the costs of the new facility and its operations from NMSU. The new facility will be a dedicated Company-owned resource serving NMSU. The Company has requested approval such that the project can begin construction in 2020 to maximize potential tax benefits. This case was assigned NMPRC Case No. 19-00350-UT.

*New Mexico Efficient Use of Energy Recovery Factor.* On July 1, 2016, the Company filed its annual application with the NMPRC requesting approval of its 2017 Energy Efficiency and Load Management Plan and to establish the Efficient Use of Energy Recovery Factor ("EUERF") for 2017. In addition to projected energy efficiency costs for 2017, the Company requested approval of a \$0.4 million incentive for 2017 energy efficiency programs in accordance with NMPRC rules. This application was assigned Case No. 16-00185-UT. On February 22, 2017, the NMPRC issued a final order approving the Company's 2017 Energy Efficiency and Load Management Plan. The Company's EUERF was approved and effective in customer bills beginning on March 1, 2017. NMPRC rules authorize continuation of the energy efficiency programs and incentive approved in Case No. 16-00185-UT through 2018. The Company recorded approved incentives in operating revenues of \$0.3 million and \$0.7 million in 2018 and 2017, respectively, related to its 2015 through 2017 Energy Efficiency and Load Management Plans. During the three months ended September 30, 2019, the Company recorded an incentive in operating revenues of \$0.4 million related to its 2018 Energy Efficiency Programs.

On July 2, 2018, the Company filed its required application with the NMPRC for approval of its 2019-2021 Energy Efficiency and Load Management Plan and EUERF. The application was assigned Case No. 18-00116-UT. On March 6, 2019, the NMPRC issued a final order approving: (i) the Company's 2019-2021 Energy Efficiency and Load Management Plan, with minor program modifications; (ii) the base incentive of 7.1% of program expenditures, or approximately \$0.4 million annually for 2019-2021; and (iii) the continuation of the Company's EUERF.

*Community Solar.* On April 24, 2018, the Company filed an application with the NMPRC to initiate a community solar program in New Mexico to include construction and ownership of a two-MW solar photovoltaic system located in Doña Ana County near the City of Las Cruces. Customer participation would have been on a voluntary basis, and customers would have contracted for a set capacity (kW) amount and would have received all energy produced by their subscribed capacity. The application was assigned Case No. 18-00099-UT and was dismissed without prejudice on October 31, 2018. The NMPRC set aside its October 31, 2018, order dismissing the application without prejudice, and on December 19, 2018, the NMPRC issued an Order Requiring El Paso Electric Company to Conduct Request for Proposals and to Amend Application; Order Extending Statutory Period and Appointing Hearing Examiner that would have required the Company to amend its initially-filed application on or before February 15, 2019. However, on January 10, 2019, the NMPRC with three new Commissioners reconsidered its December 19, 2018 order and dismissed the Community Solar application without prejudice. The case is now closed.

*Integrated Resource Plan ("IRP").* On September 17, 2018, the Company filed its IRP with the NMPRC for the period 2018-2037 ("2018 IRP") in Case No. 18-00293-UT as required by regulation and the Joint Stipulation in NMPRC Case No. 15-00241-UT, which was the Company's prior integrated resource plan filing. The triennial filing requires a public advisory process as part of the development of the plan to identify a cost-effective portfolio of resources. The filed plan is subject to written public comments filed with the NMPRC to which the Company responded on October 29, 2018. NMPRC Staff filed a written report on November 16, 2018, recommending that the NMPRC return the 2018 IRP to the Company with instructions for re-filing to correct 12 deficiencies identified by the NMPRC Staff report. On December 5, 2018, the NMPRC issued an Order Partially Accepting Integrated Resource Plan; Order Requiring Refiling for Deficiencies. Pursuant to that order, on January 3, 2019, the Company filed an amended 2018 IRP. On January 10, 2019, in light of a pending motion for reconsideration, the NMPRC ordered its Staff to provide additional information and respond to issues raised regarding the filed 2018 IRP. On March 15, 2019, NMPRC Staff filed the additional response and recommended that the Company correct one deficiency identified. On September 18, 2019, the NMPRC issued a variance from the IRP rule on commission review, acceptance and action, and closed the docket.



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*Issuance of Long-Term Debt, Securities Financing, and Guarantee of Debt.* On October 7, 2015, the Company received approval in NMPRC Case No. 15-00280-UT to guarantee the issuance of up to \$65.0 million of long-term debt by the Rio Grande Resources Trust II ("RGRT") to finance future purchases of nuclear fuel and to refinance existing nuclear fuel debt obligations, which remains effective. Under this authorization, on June 28, 2018, the RGRT issued \$65.0 million in aggregate principal amount of 4.07% Senior Guaranteed Notes due August 15, 2025. On October 4, 2017, the Company received additional approval in NMPRC Case No. 17-00217-UT to amend and extend the Company's Revolving Credit Facility ("RCF"), issue up to \$350.0 million in long-term debt and to redeem and refinance the \$63.5 million 2009 Series A 7.25% Pollution Control Bonds ("PCBs") and the \$37.1 million 2009 Series B 7.25% PCBs. The NMPRC approval to issue \$350.0 million in long-term debt supersedes its prior approval. Under this authorization, on June 28, 2018, the Company issued \$125.0 million in aggregate principal amount of the Company's 4.22% Senior Notes due August 15, 2028. Additionally, on September 13, 2018, the Company and the Bank of New York Mellon Trust Company, N.A., as trustee of the RGRT, entered into a \$350.0 million third amended and restated credit agreement.

On January 30, 2019, the Company submitted an application with the NMPRC seeking approval to issue shares of common stock, including the reissuance of treasury shares, in an amount up to \$200.0 million in one or more transactions. The application was assigned Case No. 19-00033-UT, and the NMPRC issued a final order approving the Company's request on March 27, 2019. On February 1, 2019 and April 1, 2019, the Company purchased in lieu of redemption all \$63.5 million aggregate principal amount of 2009 Series A 7.25% PCBs and \$37.1 million aggregate principal amount of 2009 Series B 7.25% PCBs, respectively. The bonds were purchased utilizing funds borrowed under the RCF. On May 22, 2019, the Company reoffered and sold \$63.5 million aggregate principal amount of 2009 Series A 7.25% PCBs and \$37.1 million aggregate principal amount of 2009 Series B 7.25% PCBs with a fixed interest rate of 3.60% per annum until the bonds mature on February 1, 2040 and April 1, 2040, respectively. The bonds are subject to optional redemption at a redemption price of par on or after June 1, 2029. See Note L of Notes to Financial Statements for further discussion.

*Amendments to the New Mexico Renewable Energy Act ("REA").* The REA requires electric utilities to meet an RPS of twenty percent of its total retail sales to New Mexico customers by 2020, reduced for sales to qualifying large non-governmental customers whose costs are capped under the REA ("Large Customer Adjustment") and subject to a reasonable cost threshold ("RCT") established by the NMPRC and currently set by the NMPRC at 3 percent of customers' bills. Effective June 14, 2019, the New Mexico Energy Transition Act amends the REA (the "Amended REA") to, among other amendments: (i) increase the RPS to forty percent by 2025, fifty percent by 2030, and eighty percent by 2040; (ii) impose a zero-carbon standard by 2045; (iii) eliminate the Large Customer Adjustment; (iv) set a statutory RCT; and (v) provide cost recovery for certain undepreciated investments and decommissioning costs (i.e., coal-fired generation) associated with generation required by the NMPRC to be discontinued and replaced with lower or zero-carbon generation. In administering the eighty percent RPS and zero-carbon standards, the Amended REA requires by Commission to consider certain factors, including safety, reliability and rate impact to customers. On October 10, 2019, the NMPRC initiated a rulemaking proceeding to implement the Amended REA in Case No. 19-00296-UT. The Company is currently evaluating the impact that the Amended REA may have on its operations. Further, the Company has not determined the costs associated with complying with the Amended REA including potential fines that could be associated with non-compliance.

*Certificate of Convenience and Necessity ("CCN") - Newman Unit 6.* On November 18, 2019, the Company filed an application with the NMPRC for a CCN to own and operate one new approximately 228 MW natural gas-fired unit to be constructed at the Company's existing Newman Power Station. The proposed unit is called Newman Unit 6. The new facility was selected through a competitive bidding process. The new unit is needed to serve growth in customer demand, to replace older and less efficient generators that the Company plans to retire in the next several years, and to help the Company meet its planning reserve margin.

*Long-Term Purchased Power Agreement Approval.* On November 18, 2019, the Company filed an application with the NMPRC to request prior approval for three Long-Term Purchased Power Agreements ("LTTPAs") pursuant to the Commissions Rule 17.9.551 NMAC ("Rule 551"). The three LTTPAs provide for the purchase of energy and capacity from: (1) a 100 MW solar plant to be constructed in Santa Teresa, New Mexico; (2) a 100 MW solar plant combined with a 50 MW of battery energy storage to be constructed in Otero County, New Mexico; and (3) a 50 MW battery energy storage facility to be constructed in Canutillo, Texas. Commission Rule 551 requires that no utility become irrevocably obligated under an LTTPA without first obtaining the Commission's written approval of the agreement.

*Other Required Approvals.* The Company has obtained other required approvals for tariffs and other approvals as required by the NMPUA and the NMPRC.

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## Federal Regulatory Matters

*Inquiry Regarding the Effect of the TCJA on Commission-Jurisdictional Rates and Order to Show Cause.* On March 15, 2018, the FERC issued two show cause orders under Section 206 of the Federal Power Act and Rule 209(a) of the FERC's Rules of Practice and Procedure, directing 48 individual public utilities with stated transmission rates or transmission formula rates with a fixed line item of 35% for the federal income tax component to, within 60 days of the date of the orders, either (1) propose revisions to their transmission rates under their open access transmission tariffs or transmission owner tariffs on file with the FERC, or (2) show cause why they should not be required to do so ("Show Cause Proceeding"). The Company was included in the list of public utilities impacted by the FERC orders. On May 14, 2018, the Company submitted its response, as required by the FERC order, which demonstrated that the reduced annual income tax does not cause the Company's total transmission revenues to become excessive and therefore no rate reduction was justified. Instead, the Company stated in its response that it will prepare for a future filing in which it will seek approval for revised Open Access Transmission Tariff ("OATT") rates that would include the recovery of an increased total transmission revenue requirement from OATT customers based on current circumstances and appropriate forward-looking adjustments. On November 15, 2018, FERC issued an order finding that the Company had demonstrated that no rate reduction was justified and terminating the Show Cause Proceeding. The Company expects to file its request for approval to revise OATT rates in the fourth quarter of 2019 or early 2020.

*Notice of Proposed Rulemaking on Public Utility Transmission Changes to Address Accumulated Deferred Income Taxes.* On November 15, 2018, the FERC issued a Notice of Proposed Rulemaking ("NOPR") that proposes to direct public utilities with transmission OATT rates, a transmission owner tariff or a rate schedule to determine the amount of excess or deficient accumulated deferred income taxes caused by the TCJA's reduction to the federal corporate income tax rate and return or recover this amount to or from customers. The NOPR has been assigned FERC Docket No. RM19-5-000. The Company is currently evaluating the impact of this proposed rulemaking.

*Issuance of Long-Term Debt, Securities Financing, and Guarantee of Debt.* On October 31, 2017, the FERC issued an order in Docket No. ES17-54-000 approving the Company's filing to (i) amend and extend the RCF; (ii) issue up to \$350.0 million in long-term debt; (iii) guarantee the issuance of up to \$65.0 million of long-term debt by the RGRT; and (iv) redeem, refinance, and/or replace the \$63.5 million 2009 Series A 7.25% PCBs and the \$37.1 million 2009 Series B 7.25% PCBs. The order also approved the Company's request to continue to utilize the Company's existing RCF with the ability to amend and extend at a future date. The authorization was effective from November 15, 2017, through November 14, 2019, and superseded prior FERC approvals. Under this authorization, on June 28, 2018, the Company issued \$125.0 million in aggregate principal amount of the Company's 4.22% Senior Notes due August 15, 2028, and the RGRT issued \$65.0 million in aggregate principal amount of its 4.07% Senior Guaranteed Notes due August 15, 2025. Also, on September 13, 2018, the Company and the Bank of New York Mellon Trust Company, N.A., as trustee of the RGRT, entered into a \$350.0 million third amended and restated credit agreement. On February 1, 2019 and April 1, 2019, the Company purchased in lieu of redemption all \$63.5 million aggregate principal amount of 2009 Series A 7.25% PCBs and \$37.1 million aggregate principal amount of 2009 Series B 7.25% PCBs, respectively. The bonds were purchased utilizing funds borrowed under the RCF.

On January 30, 2019, the Company submitted an application with the FERC seeking approval to issue shares of common stock, including the reissuance of treasury shares, in an amount up to \$200.0 million in one or more transactions. Included in the FERC application, which was assigned Docket No. ES19-15-000, the Company also requested various debt-related authorizations: approval to utilize the existing RCF for short-term borrowings not to exceed \$400.0 million at any one time; to issue up to \$225.0 million in new long-term debt; and to remarket the \$63.5 million 2009 Series A 7.25% PCBs and the \$37.1 million 2009 Series B 7.25% PCBs in the form of replacement bonds or senior notes of equivalent value, not to exceed \$100.6 million. On April 18, 2019, the FERC issued an order authorizing the issuances through April 18, 2021. On May 22, 2019, the Company reoffered and sold \$63.5 million aggregate principal amount of 2009 Series A 7.25% PCBs and \$37.1 million aggregate principal amount of 2009 Series B 7.25% PCBs with a fixed interest rate of 3.60% per annum until the bonds mature on February 1, 2040 and April 1, 2040, respectively. The bonds are subject to optional redemption at a redemption price of par on or after June 1, 2029. See Note L of Notes to Financial Statements for further discussion.

*FERC Compliance Audit, Docket No. PA19-3-000.* On February 6, 2019, the FERC notified the Company that it is commencing an audit that is intended to evaluate the Company's compliance with: (1) the approved terms, conditions, and rates of its OATT; (2) the accounting requirements of the Uniform System of Accounts; (3) the reporting requirements of the FERC Form No. 1 Annual Report and Supplemental Form 3-Q Quarterly Financial Reports; and (4) the regulations regarding Open Access Same-time Information Systems. The audit covers the period January 1, 2016 to the present. The Company cannot predict the outcome or findings, if any, of the FERC at this time.

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*Other Required Approvals.* The Company has obtained required approvals for rates, tariffs and other approvals as required by the Federal Power Act and the FERC.

#### D. Palo Verde

*Spent Fuel and Waste Disposal.* Pursuant to the Nuclear Waste Policy Act of 1982, as amended in 1987, the U.S. Department of Energy ("DOE") is legally obligated to accept and dispose of all spent nuclear fuel and other high-level radioactive waste generated by all domestic power reactors by 1998. The DOE's obligations are reflected in a contract for Disposal of Spent Nuclear Fuel and/or High Level Radioactive Waste with each nuclear power plant. The DOE failed to begin accepting spent nuclear fuel by 1998. Pursuant to the terms of the August 18, 2014 settlement agreement, and as amended with the DOE, Arizona Public Service Company ("APS") files annual claims for the period July 1 of the then-previous year to June 30 of the then-current year on behalf of itself and those utilities that share in power and energy entitlements, and bear certain allocated costs, with respect to Palo Verde Generating Station ("Palo Verde") pursuant to the Arizona Nuclear Power Project Participation Agreement dated August 23, 1973, as amended ("ANPP Participation Agreement"). The settlement agreement, as amended, provides APS with a method for submitting claims and receiving recovery for costs incurred through December 31, 2016, which has been extended to December 31, 2019.

On October 31, 2019, APS filed a \$16.0 million claim for the period July 1, 2018 through June 30, 2019. The Company's share of this claim is approximately \$2.5 million. This claim is pending DOE review. The majority of the reimbursement received by the Company is expected to be credited to customers through the applicable fuel adjustment clauses.

*Palo Verde Operations and Maintenance Expense.* Included in "Operations and Maintenance" in the Company's Regulatory-Basis Statement of Income are expenses associated with Palo Verde as follows (in thousands):

	<u>2019</u>	<u>2018</u>
Three months ended September 30,	\$ 20,713	\$ 20,277
Nine months ended September 30,	66,294	67,429

#### E. Common Stock

*Dividends.* The Company paid \$15.7 million and \$14.6 million in quarterly cash dividends during the three months ended September 30, 2019 and 2018, respectively. The Company paid a total of \$46.0 million and \$42.9 million in quarterly cash dividends during the nine months ended September 30, 2019 and 2018, respectively. On October 17, 2019 the Board of Directors declared a quarterly cash dividend of \$0.385 per share payable on December 27, 2019 to shareholders of record as of the close of business on December 13, 2019.

Under the Merger Agreement, the Company cannot issue shares of common stock without the prior written consent of Parent and may not declare or pay dividends or distributions on shares of common stock in an amount in excess of \$0.385 per share for quarterly dividends declared before June 1, 2020 and \$0.41 per share for quarterly dividends declared on or after June 1, 2020. See Note M of Notes to Financial Statements for further discussion.

#### F. Income Taxes

The Company files income tax returns in the U.S. federal jurisdiction and in the states of Texas, New Mexico and Arizona. The Company is no longer subject to tax examination by the taxing authorities in the federal, Texas, Arizona and New Mexico jurisdictions for years prior to 2014.

For the three months ended September 30, 2019 and 2018, the Company's regulatory-basis effective tax rate was 22.7% and 23.2%, respectively. For the nine months ended September 30, 2019 and 2018, the Company's regulatory-basis effective tax rate was 22.0% and 22.2%, respectively. The federal statutory tax rate is 21%. The Company's regulatory-basis effective tax rate for all periods in 2019 and 2018 differ from the federal statutory tax rate due to state income taxes, capital gains in the decommissioning trusts which are taxed at the federal rate of 20%, the tax benefit of stock incentive plans, the allowance for equity funds used during construction and other permanent differences.

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## G. Commitments, Contingencies and Uncertainties

For a full discussion of commitments and contingencies, see Note K of the Notes to Financial Statements in the 2018 FERC Form No. 1. In addition, see Notes C and D of Notes to Financial Statements above and Notes D and F of the Notes to Financial Statements in the 2018 FERC Form No. 1 regarding matters related to wholesale power sales contracts and transmission contracts subject to regulation and Palo Verde, including decommissioning, spent nuclear fuel and waste disposal, and liability and insurance matters.

### Power Purchase and Sale Contracts

To supplement its own generation and operating reserve requirements and to meet its RPS requirements, the Company engages in power purchase arrangements that may vary in duration and amount based on an evaluation of the Company's resource needs, the economics of the transactions and specific RPS requirements. On November 18, 2019, the Company filed for regulatory approval with the NMPRC for three power purchase agreements relating to both solar and battery storage resources as a result of the Company's 2017 All Source Request for Proposal for Electric Power Supply and Load Management Resources. See Note C of Notes to Financial Statements for further discussion. For a discussion of power purchase and sale contracts that the Company has entered into with various counterparties, see Note K of the Notes to Financial Statements in the 2018 FERC Form No. 1.

### Environmental Matters

The Company is subject to extensive laws, regulations and permit requirements with respect to air and greenhouse gas emissions, water discharges, soil and water quality, waste management and disposal, natural resources and other environmental matters by federal, state, regional, tribal and local authorities. Failure to comply with such laws, regulations and requirements can result in actions by authorities or other third parties that might seek to impose on the Company administrative, civil and/or criminal penalties or other sanctions. In addition, releases of pollutants or contaminants into the environment can result in costly cleanup liabilities. These laws, regulations and requirements are subject to change through modification or reinterpretation, or the introduction of new laws and regulations and, as a result, the Company may face additional capital and operating costs to comply.

### Union Matters

The Company employs approximately 1,100 individuals, 37% of which are covered by a collective bargaining agreement. The International Brotherhood of Electrical Workers Local 960 ("Local 960") represents the Company's employees working primarily in power generation, transmission and distribution, communications, material services, fleet services, facilities services, customer services and meter reading, and field services. On October 15, 2019, the Company reached agreement on the terms of a new collective bargaining agreement with Local 960, to be effective September 3, 2019, for a four-year term ending September 3, 2023. The agreement provides for pay increases for bargaining unit employees of 3.25% on September 3, 2019, 3.00% on September 3, 2020, 3.00% on September 3, 2021, and 3.20% on September 3, 2022.

## H. Leases

The Company's lease population is composed of operating leases. The Company leases land in El Paso, Texas, adjacent to Newman under a lease that expires in June 2033 with a renewal option of 25 years. The Company also has several other leases for offices, parking facilities and equipment that expire within the next 5 years. The Company has transmission and distribution lines that are operated under various land rights agreements, including easements, leases, permits and franchises. The components of lease expense are as follows:

	<u>Three Months Ended</u> <u>September 30, 2019</u>	<u>Nine Months Ended</u> <u>September 30, 2019</u>
<b>Lease cost (in thousands):</b>		
Operating lease cost	\$ 253	\$ 759
Short-term lease cost	153	616
Variable lease cost	9	57
Total lease cost	<u>\$ 415</u>	<u>\$ 1,432</u>

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Supplemental balance sheet information related to leases was as follows (in thousands, except lease term and discount rate):

	<u>September 30, 2019</u>
<b>Operating leases:</b>	
Operating lease ROU assets (included in Utility Plant)	\$ 5,889
Operating lease liabilities (current included in Obligation Under Capital Leases-Current)	527
Operating lease liabilities (net of current included in Obligation Under Capital Leases-Noncurrent)	5,275
Total lease liabilities	\$ 5,802
Weighted average remaining lease terms (in years)	12.03
Weighted average discount rate	4.65%

Supplemental cash flow information related to leases was as follows (in thousands):

	<u>Three Months Ended</u> <u>September 30, 2019</u>	<u>Nine Months Ended</u> <u>September 30, 2019</u>
<b>Cash paid for amounts included in the measurement of lease liabilities:</b>		
Operating cash flows used for operating leases	\$ 103	\$ 786

ROU assets obtained in exchange for lease obligations (in thousands):

	<u>Nine Months Ended</u> <u>September 30, 2019</u>
Operating leases	\$ 5,889

Maturities of operating lease liabilities at September 30, 2019 were as follows (in thousands):

Year ending December 31,	
2019	\$ 86
2020	770
2021	696
2022	639
2023	590
Thereafter	4,829
Total lease payments	7,610
Less imputed interest	(1,808)
Total	\$ 5,802

#### Disclosures related to periods prior to adoption of the new lease standard

The Company's total rental expense related to operating leases was \$1.7 million for the twelve months ended December 31, 2018. As of December 31, 2018, the Company's minimum future rental payments for the next five years were as follows (in thousands):

Year ending December 31,	
2019	\$ 923
2020	820
2021	700
2022	544
2023	526

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## I. Litigation

The Company is involved in various legal, environmental, tax and regulatory proceedings before various courts, regulatory commissions and governmental agencies regarding matters arising in the ordinary course of business. In many of these matters, the Company has excess casualty liability insurance that covers the various claims, actions and complaints. The Company regularly analyzes current information and, as necessary, makes provisions in its financial statements for probable liabilities for the eventual disposition of these matters. While the outcome of these matters cannot be predicted with certainty, based upon a review of the matters and applicable insurance coverage, the Company believes that none of these matters will have a material adverse effect on the financial position, results of operations or cash flows of the Company. The Company expenses legal costs, including expenses related to loss contingencies, as they are incurred.

See Notes C and G of Notes to Financial Statements above and Notes D and K of the Notes to Financial Statements in the 2018 FERC Form No. 1 for discussion of the effects of government legislation and regulation on the Company.

*Litigation Related to the Merger.* As of November 7, 2019, three purported Company shareholders have filed lawsuits under the federal securities laws, two in the U.S. District Court for the Southern District of New York and one in the U.S. District Court for the District of Delaware, challenging the adequacy of the disclosures made in the Company's preliminary proxy statement in connection with the Merger. These cases are captioned *Stein v. El Paso Electric Company, et al.*, Case No. 1:19-cv-06703 (the "Stein Action"), *Rosenblatt v. El Paso Electric Company, et al.*, Case No. 1:19-cv-01367-UNA (the "Rosenblatt Action"), and *Gorski v. El Paso Electric Company, et al.*, Case No. 1:19-cv-07211 (the "Gorski Action"), respectively. The Stein Action, filed on July 18, 2019, the Rosenblatt Action, filed on July 23, 2019, and the Gorski Action, filed on August 1, 2019, are asserted on behalf of putative classes of Company shareholders.

All three actions allege violations of Sections 14(a) and 20(a) of the Securities and Exchange Act of 1934, as amended (the "Exchange Act") and Rule 14a-9 promulgated thereunder based on various alleged omissions of material information from the preliminary proxy statement. The Stein Action names as defendants the Company and each of our directors, individually, and seeks to enjoin the Merger (or, in the alternative, rescission or an award of rescissory damages in the event the Merger is completed), damages, and an award of costs and attorneys' and expert fees. The Rosenblatt Action names as defendants the Company and each of our directors, individually, and seeks to enjoin the Merger (or, in the alternative, rescission or an award of rescissory damages in the event the Merger is completed), to compel our directors to issue a revised proxy statement, a declaration that the defendants violated Sections 14(a) and 20(a) of the Exchange Act and Rule 14a-9 promulgated thereunder, and an award of costs and attorneys' and expert fees. The Gorski Action also names as defendants the Company and each of our directors, individually, and seeks to enjoin the Merger (or, in the alternative, rescission or an award of rescissory damages in the event the Merger is completed), to compel our directors to issue a revised proxy statement, a declaration that the defendants violated Sections 14(a) and 20(a) of the Exchange Act and Rule 14a-9 promulgated thereunder, and an award of costs and attorneys' and expert fees.

The Company believes that these complaints are without merit, and while the Company believes that the disclosures set forth in the proxy statement complied fully with applicable law, to moot plaintiffs' disclosure claims, to avoid nuisance, potential expense and delay, and to provide additional information to the Company's shareholders, the Company voluntarily supplemented the proxy statement with additional disclosure in a Current Report on Form 8-K filed by the Company with the SEC on September 9, 2019. While the outcome of these matters cannot be predicted with certainty, based upon a review of the matters and applicable insurance coverage, the Company believes that none of these matters will have a material adverse effect on the financial position, results of operations or cash flows of the Company. The Company expenses legal costs, including expenses related to loss contingencies, as they are incurred.

## J. Employee Benefits

The Company adopted ASU 2017-07, Compensation-Retirement Benefits, effective January 1, 2018 for GAAP purposes. The Company records all components of net periodic pension cost as an operating expense in its regulatory-basis financial statements and has elected to conform to the GAAP capitalization policy, which is that only the service cost component is eligible for capitalization.

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The cumulative impact of the change in capitalization policy, effective January 1, 2018, resulted in additional capitalized benefits cost of \$4.9 million as of September 30, 2019. This will increase rate base in the future, while lowering cost of service by an offsetting amount. As the assets impacted by the change in rate base are depreciated over their useful life, rate base will decrease, offset by an increase in cost of service due to higher depreciation expense. While the Company believes that its Texas and New Mexico regulators are likely to accept the change in policy allowed by the FERC, the outcome of future rate proceedings in the Company's Texas and New Mexico jurisdictions relative to this change cannot be predicted at this time. In the event that one or both of the Company's regulatory jurisdictions reject the new capitalization policy in the next rate case proceeding, the Company would likely be required to record a regulatory liability and reconcile the capitalized differences between GAAP and regulatory-basis financial statements.

### Retirement Plans

The net periodic benefit cost recognized for the three and nine months ended September 30, 2019 and 2018, is made up of the components listed below as determined using the projected unit credit actuarial cost method (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
<b>Components of net periodic benefit cost:</b>				
Service cost	\$ 2,476	\$ 2,801	\$ 7,429	\$ 8,316
Interest cost	3,614	3,214	10,841	9,659
Expected return on plan assets	(5,373)	(5,176)	(16,119)	(15,806)
Amortization of:				
Net loss	1,449	2,214	4,345	6,414
Prior service benefit	(877)	(875)	(2,630)	(2,630)
Net periodic benefit cost	<u>\$ 1,289</u>	<u>\$ 2,178</u>	<u>\$ 3,866</u>	<u>\$ 5,953</u>

During the nine months ended September 30, 2019, the Company contributed \$8.8 million of its projected \$9.5 million 2019 annual contribution to its retirement plans.

### Other Postretirement Benefits

The net periodic benefit recognized for the three and nine months ended September 30, 2019 and 2018, is made up of the components listed below (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
<b>Components of net periodic benefit:</b>				
Service cost	\$ 606	\$ 696	\$ 1,817	\$ 2,096
Interest cost	614	559	1,842	1,689
Expected return on plan assets	(530)	(602)	(1,590)	(1,827)
Amortization of:				
Prior service benefit	(1,308)	(1,538)	(3,925)	(4,613)
Net gain	(595)	(574)	(1,783)	(1,624)
Net periodic benefit	<u>\$ (1,213)</u>	<u>\$ (1,459)</u>	<u>\$ (3,639)</u>	<u>\$ (4,279)</u>

During the nine months ended September 30, 2019, the Company contributed \$0.5 million of its projected \$0.6 million 2019 annual contribution to its other postretirement benefits plan.

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NOTES TO FINANCIAL STATEMENTS (Continued)			

## K. Financial Instruments and Investments

The FASB guidance requires the Company to disclose estimated fair values for its financial instruments. The Company has determined that cash and temporary investments, investment in debt securities, accounts receivable, decommissioning trust funds, long-term debt, financial obligations, capital lease obligations, short-term borrowings under the RCF, accounts payable and customer deposits meet the definition of financial instruments. The carrying amounts of cash and temporary investments, accounts receivable, accounts payable and customer deposits approximate fair value because of the short maturity of these items. Investments in debt securities and decommissioning trust funds are carried at estimated fair value.

*Long-Term Debt, Financing Obligations, Capital Lease Obligations, and Short-Term Borrowings Under the RCF.* The fair values of the Company's long-term debt, financial obligations, capital lease obligations, including the current portion thereof, and short-term borrowings under the RCF are based on estimated market prices for similar issues and are presented below (in thousands):

	September 30, 2019		December 31, 2018	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
Pollution Control Bonds (1)	\$ 159,835	\$ 167,977	\$ 159,835	\$ 161,917
Senior Notes	1,128,184	1,393,650	1,128,186	1,244,310
RGRT Senior Notes (2)	110,000	114,925	110,000	111,440
RCF (2)	100,454	100,454	51,408	51,408
Capitalized Operating Leases	5,802	5,802	—	—
Total	\$ 1,504,275	\$ 1,782,808	\$ 1,449,429	\$ 1,569,075

(1) On February 1, 2019 and April 1, 2019, the Company purchased in lieu of redemption the 2009 Series A 7.25% PCBs with an aggregate principal amount of \$63.5 million and the 2009 Series B 7.25% PCBs with an aggregate principal amount of \$37.1 million, respectively, utilizing funds borrowed under the RCF. On May 22, 2019, the Company reoffered and sold \$63.5 million aggregate principal amount of 2009 Series A 7.25% PCBs and \$37.1 million aggregate principal amount of 2009 Series B 7.25% PCBs with a fixed interest rate of 3.60% per annum until the bonds mature on February 1, 2040 and April 1, 2040, respectively. See Note L of Notes to Financial Statements for further discussion.

(2) Nuclear fuel capital lease obligations, as of September 30, 2019 and December 31, 2018, is funded through \$110 million RGRT Senior Notes and \$23.5 million and \$28.4 million, respectively, under the RCF. As of September 30, 2019, \$77.0 million was outstanding under the RCF for working capital and general corporate purposes. As of December 31, 2018, \$23.0 million, was outstanding under the RCF for working capital or general corporate purposes. The interest rate on the Company's borrowings under the RCF is reset throughout the quarter reflecting current market rates. Consequently, the carrying value approximates fair value. See Note L of Notes to Financial Statements for further discussion.

*Marketable Securities.* The Company's marketable securities, included in decommissioning trust funds in the Regulatory-Basis Balance Sheet, are reported at fair value which was \$311.7 million and \$276.9 million at September 30, 2019 and December 31, 2018, respectively. The investments in the Company's Palo Verde nuclear decommissioning trust funds ("NDT") are classified as equity securities and temporary cash and cash equivalents restricted solely for investment in the NDT. These investments are recorded at their estimated fair value in accordance with FASB guidance for certain investments in equity securities. On January 1, 2018, the Company adopted ASU 2016-01, Financial Instruments - Overall, which eliminates the requirements to classify investments in equity securities with readily determinable fair values as trading or available for sale and requires entities to recognize changes in fair value for these securities in net income as reported in the Regulatory-Basis Statement of Income. ASU 2016-01 requires a modified-retrospective approach and therefore, comparative information has not been restated and continues to be reported under the accounting standards in effect for those periods.

During September 2019, the Company sold all of the fixed income securities classified as available for sale held in the NDT which approximated 450 individual securities. The proceeds were reinvested in three exchange traded funds that hold similar securities. The exchange traded funds meet the definition of equity securities with readily determinable fair values and therefore are not classified as available for sale as of September 30, 2019. Furthermore, changes in the fair value of these exchange traded funds will be recorded in net income as reported in the Regulatory-Basis Statement of Income in accordance with ASU 2016-01.



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Prior to September 30, 2019, the reported fair values included gross unrealized losses on securities classified as available for sale whose impairment the Company had deemed to be temporary. The table below presents the gross unrealized losses and the fair value of these securities as of December 31, 2018, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position (in thousands):

Description of Securities (1):	December 31, 2018					
	Less than 12 Months		12 Months or Longer		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Federal Agency Mortgage Backed Securities	\$ 6,187	\$ (36)	\$ 14,567	\$ (510)	\$ 20,754	\$ (546)
U.S. Government Bonds	4,005	(9)	36,615	(1,663)	40,620	(1,672)
Municipal Debt Obligations	3,100	(74)	9,037	(723)	12,137	(797)
Corporate Debt Obligations	<u>22,259</u>	<u>(763)</u>	<u>11,231</u>	<u>(731)</u>	<u>33,490</u>	<u>(1,494)</u>
<b>Total</b>	<b>\$ 35,551</b>	<b>\$ (882)</b>	<b>\$ 71,450</b>	<b>\$ (3,627)</b>	<b>\$ 107,001</b>	<b>\$ (4,509)</b>

(1) Includes 156 securities.

Prior to the sale of all the Company's fixed income securities classified as available for sale, the Company monitored the length of time such securities traded below their cost basis along with the amount and percentage of the unrealized loss in determining if a decline in fair value below recorded cost was considered to be other than temporary. In accordance with the FASB guidance, such impairment losses were recognized in net income, and a lower cost basis was established for these securities. For the three and nine months ended September 30, 2019 and 2018, the Company did not recognize any other than temporary impairment losses on its available for sale securities.

Investments categorized as available for sale securities also included gross unrealized gains which had not been recognized in the Company's net income prior to September 30, 2019. The table below presents the unrecognized gross unrealized gains and the fair value of these securities, aggregated by investment category as of December 31, 2018 (in thousands):

Description of Securities:	December 31, 2018	
	Fair Value	Unrealized Gains
Federal Agency Mortgage Backed Securities	\$ 9,959	\$ 176
U.S. Government Bonds	6,987	149
Municipal Debt Obligations	1,952	120
Corporate Debt Obligations	<u>8,283</u>	<u>222</u>
<b>Total Debt Securities</b>	<b>\$ 27,181</b>	<b>\$ 667</b>

The Company's available for sale securities in the NDT were sold from time to time and the Company used the specific identification basis to determine the amount to reclassify from AOCI into net income. The proceeds from the sale of these securities during the three and nine months ended September 30, 2019 and 2018, and the related effects on pre-tax income are as follows (in thousands):

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2019	2018	2019	2018
Proceeds from sales or maturities of available for sale securities	<u>\$ 145,290</u>	<u>\$ 7,451</u>	<u>\$ 168,177</u>	<u>\$ 21,816</u>
Gross realized gains included in pre-tax income	\$ 4,702	\$ —	\$ 4,815	\$ 9
Gross realized losses included in pre-tax income	<u>(1,500)</u>	<u>(443)</u>	<u>(2,583)</u>	<u>(1,117)</u>
Net gain (losses) included in pre-tax income	<u>\$ 3,202</u>	<u>\$ (443)</u>	<u>\$ 2,232</u>	<u>\$ (1,108)</u>

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Upon the adoption of ASU 2016-01, Financial Instruments - Overall, on January 1, 2018, the Company records, on a modified-retrospective basis, changes in fair market value for equity securities held in the NDT in the Regulatory-Basis Statement of Income. The unrealized gains and losses recognized during the three and nine months ended September 30, 2019 and 2018, and related effects on pre-tax income are as follows (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Net gains recognized on equity securities	\$ 1,003	\$ 9,533	\$ 23,026	\$ 10,791
Less: Net gains recognized on equity securities sold	136	3,005	422	7,061
Unrealized gains recognized on equity securities still held at reporting date	\$ 867	\$ 6,528	\$ 22,604	\$ 3,730

*Fair Value Measurements.* The FASB guidance requires the Company to provide expanded quantitative disclosures for financial assets and liabilities recorded on the regulatory-basis balance sheet at fair value. Financial assets carried at fair value include the Company's decommissioning trust investments and investments in debt securities which are included in Other Special Funds and Other Investments, respectively, in the regulatory-basis balance sheet. The Company has no liabilities that are measured at fair value on a recurring basis. The FASB guidance establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three levels as follows:

- Level 1 – Observable inputs that reflect quoted market prices for identical assets and liabilities in active markets. Financial assets utilizing Level 1 inputs include the NDT investments in active exchange-traded equity securities, mutual funds and U.S. Treasury securities that are in a highly liquid and active market. The Institutional Funds - International Equity investments are valued using the Net Asset Value ("NAV") provided by the administrator of the fund. The NAV price is quoted on a restrictive market although the underlying investments are traded on active markets. The NAV used for determining the fair value of the Institutional Funds-International Equity investments have readily determinable fair values. Accordingly, such fund values are categorized as Level 1.
- Level 2 – Inputs other than quoted market prices included in Level 1 that are observable for the asset or liability either directly or indirectly. Financial assets utilizing Level 2 inputs included the NDT investments in fixed income securities that were sold by the Company on September 30, 2019, and reinvested in similar fixed income securities held in three exchange traded funds. The fair value of these financial instruments is based on evaluated prices that reflect observable market information, such as actual trade information of similar securities, adjusted for observable differences.
- Level 3 – Unobservable inputs using data that is not corroborated by market data and primarily based on internal Company analysis using models and various other analysis. Financial assets utilizing Level 3 inputs are the Company's investment in debt securities.

The securities in the NDT are valued using prices and other relevant information generated by market transactions involving identical or comparable securities. The FASB guidance identifies this valuation technique as the "market approach" with observable inputs. Prior to the sale of all the Company's fixed income securities classified as available for sale in September 2019, the Company analyzed available for sale securities to determine if losses were other than temporary.

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The fair value of the NDT and investments in debt securities at September 30, 2019 and December 31, 2018, and the level within the three levels of the fair value hierarchy defined by the FASB guidance are presented in the table below (in thousands):

Description of Securities	Fair Value as of September 30, 2019	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>Trading Securities:</b>				
Investments in Debt Securities	\$ 1,595	\$ —	\$ —	\$ 1,595
<b>Equity Securities:</b>				
Domestic (1)	\$ 274,517	\$ 274,517	\$ —	\$ —
International	27,104	27,104	—	—
Total Equity Securities	301,621	301,621	—	—
<b>Cash and Cash Equivalents</b>	<b>10,121</b>	<b>10,121</b>	<b>—</b>	<b>—</b>
<b>Total</b>	<b>\$ 311,742</b>	<b>\$ 311,742</b>	<b>\$ —</b>	<b>\$ —</b>

(1) Includes \$140.9 million held in three exchange traded funds with underlying investments in debt securities. The exchange traded funds were purchased in September 2019, and meet the definition of equity securities with readily determinable fair values.

Description of Securities	Fair Value as of December 31, 2018	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>Trading Securities:</b>				
Investments in Debt Securities	\$ 1,656	\$ —	\$ —	\$ 1,656
<b>Equity Securities:</b>				
Domestic	\$ 111,325	\$ 111,325	\$ —	\$ —
International	24,540	24,540	—	—
Total Equity Securities	135,865	135,865	—	—
<b>Available for Sale Debt Securities:</b>				
Federal Agency Mortgage Backed Securities	\$ 30,713	\$ —	\$ 30,713	\$ —
U.S. Government Bonds	47,607	47,607	—	—
Municipal Debt Obligations	14,089	—	14,089	—
Corporate Debt Obligations	41,773	—	41,773	—
Total Available for Sale Debt Securities	134,182	47,607	86,575	—
<b>Cash and Cash Equivalents</b>	<b>6,858</b>	<b>6,858</b>	<b>—</b>	<b>—</b>
<b>Total</b>	<b>\$ 276,905</b>	<b>\$ 190,330</b>	<b>\$ 86,575</b>	<b>\$ —</b>

There were no transfers in or out of Level 1 and Level 2 fair value measurements categories due to changes in observable inputs during the three and nine months ended September 30, 2019 and 2018. There were no purchases, sales, issuances and settlements related to the assets in the Level 3 fair value measurement category during the three and nine months ended September 30, 2019 and 2018.

#### L. Long-Term Debt and Financing Obligations

*Pollution Control Bonds.* The Company had three series of tax-exempt unsecured PCBs in aggregate principal amount of \$159.8 million as of December 31, 2018. The 2009 Series A 7.25% PCBs and the 2009 Series B 7.25% PCBs with an aggregate principal amount, together, of \$100.6 million had optional redemptions beginning in February 2019 and April 2019, respectively.

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The Company purchased in lieu of redemption all of the 2009 Series A 7.25% PCBs with an aggregate principal amount of \$63.5 million, and all of the 2009 Series B 7.25% PCBs with an aggregate principal amount of \$37.1 million, on February 1, 2019 and April 1, 2019, respectively, utilizing funds borrowed under the RCF.

On May 22, 2019, the Company reoffered and sold \$63.5 million aggregate principal amount of 2009 Series A 7.25% PCBs and \$37.1 million aggregate principal amount of 2009 Series B 7.25% PCBs with a fixed interest rate of 3.60% per annum until the bonds mature on February 1, 2040 and April 1, 2040, respectively. The bonds are subject to optional redemption at a redemption price of par on or after June 1, 2029. Proceeds from the remarketing were primarily used to repay outstanding short-term borrowings under the RCF.

*Revolving Credit Facility.* The Company has a \$350 million RCF for working capital and general corporate purposes and financing nuclear fuel through the RGRT with a term ending on September 13, 2023. The Merger would constitute a "Change in Control" under the RCF and the consummation of the Merger would result in an event of default under the RCF. On and subject to the terms and conditions of the Merger Agreement, the Company requested that the lenders under the RCF consent to the Merger and waive any default or event of default that would occur as a result of the Merger. On August 9, 2019, the lenders agreed to such consent and waiver.

Under the Merger Agreement, subject to certain exceptions, the Company cannot incur additional indebtedness over \$200 million (excluding borrowings up to the existing borrowing capacity of the RCF), without the prior written consent of Parent.

#### **M. Agreement and Plan of Merger**

On June 1, 2019, the Company entered into the Merger Agreement, by and among the Company, Parent, and Merger Sub. Pursuant to the Merger Agreement, on and subject to the terms and conditions set forth therein, Merger Sub will merge with and into the Company, with the Company continuing as the surviving corporation in the Merger and becoming a wholly owned subsidiary of Parent. Parent and Merger Sub are affiliates of IIF.

On and subject to the terms and conditions set forth in the Merger Agreement, upon the closing of the Merger, each share of common stock of the Company shall be cancelled and converted into the right to receive \$68.25 in cash, without interest (the "Merger Consideration").

The Company, Parent and Merger Sub each have made various representations, warranties and covenants in the Merger Agreement. Among other things, the Company has agreed, subject to certain exceptions, to conduct its business in the ordinary course, consistent with past practice, from the date of the Merger Agreement until the closing of the Merger, and not to take certain actions prior to the closing of the Merger without the prior written consent of Parent (which consent shall not be unreasonably withheld, conditioned or delayed). The Company has made certain additional customary covenants, including, subject to certain exceptions: (1) to cause a meeting of the Company's shareholders to be held to consider approval of the Merger Agreement, (2) not to solicit proposals relating to alternative business combination transactions and not to participate in discussions concerning, or furnish information in connection with, alternative business combination transactions and (3) not to withdraw its recommendation to the Company's shareholders regarding the Merger. In addition, subject to the terms of the Merger Agreement, the Company, Parent and Merger Sub are required to use reasonable best efforts to obtain all required regulatory approvals, which will include clearance under federal antitrust laws and certain approvals by federal and state regulatory bodies, subject to certain exceptions, including that such efforts not result in a Burdensome Condition (as defined in the Merger Agreement). Parent has obtained equity and debt financing commitments for the transactions contemplated by the Merger Agreement, the aggregate proceeds of which will be sufficient to consummate the Merger and the other transactions contemplated by the Merger Agreement, including payment of the aggregate Merger Consideration.

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Consummation of the Merger is subject to various conditions, including: (1) approval of the shareholders of the Company, (2) expiration or termination of the applicable HSR Act waiting period, (3) receipt of all required regulatory and statutory approvals without the imposition of a Burdensome Condition, (4) absence of any law or order prohibiting the consummation of the Merger and (5) other customary closing conditions, including (a) subject to materiality qualifiers, the accuracy of each party's representations and warranties, (b) each party's compliance in all material respects with its obligations and covenants under the Merger Agreement and (c) the absence of a material adverse effect with respect to the Company.

The Merger Agreement contains certain termination rights for both the Company and Parent, including if the Merger is not consummated by June 1, 2020 (subject to extension for an additional three months if all of the conditions to closing, other than the conditions related to obtaining regulatory approvals, have been satisfied). The Merger Agreement also provides for certain termination rights for each of the Company and Parent, and provides that, upon termination of the Merger Agreement under certain specified circumstances, Parent would be required to pay a termination fee of \$170 million to the Company, and under other specified circumstances, the Company would be required to pay Parent a termination fee of \$85 million.

On August 2, 2019, the Company filed a definitive proxy statement with the SEC in connection with the Merger. As of November 7, 2019, three purported Company shareholders have filed lawsuits alleging violations under the federal securities laws, two in the U.S. District Court for the Southern District of New York and one in the U.S. District Court for the District of Delaware, challenging the adequacy of the disclosures made in the Company's proxy statement in connection with the Merger as discussed in Note I of Notes to Financial Statements.

On August 13, 2019, the Company, Parent and IIF US Holdings 2 LP, an affiliate of IIF, as applicable, filed (1) the joint report and application for regulatory approvals with the PUCT requesting approval of the Merger pursuant to the PURA, (2) the joint application for regulatory approvals with the NMPRC requesting approval of the Merger pursuant to the NMPUA and NMPRC Rule 450, (3) the joint application requesting approval of the Merger with the FERC under Section 203 of the Federal Power Act and (4) the joint application for regulatory approval for the indirect transfer of the Company's NRC licenses to Parent from the NRC under the Atomic Energy Act of 1954. In addition, on August 13, 2019, the Company and Parent sought the authorization of the FCC to assign or transfer control of the Company's FCC licenses.

On August 16, 2019, the Company and Parent filed the notification and report form with the Antitrust Division of the Department of Justice and the FTC under the HSR Act. On September 3, 2019, the Company and Parent received notice from the FTC granting early termination of the waiting period under the HSR Act.

Under the Merger Agreement, the consent to the Merger by the City of El Paso under its franchise agreement with the Company is a condition to the closing of the Merger. Under the franchise agreement, if the City of El Paso does not grant its consent to the Merger, the franchise agreement would terminate upon the closing of the Merger. On September 20, 2019, the Company submitted the franchise agreement assignment application to the City of El Paso.

At a special meeting of the Company's shareholders held on September 19, 2019, the Company's shareholders approved the Merger Agreement and the transactions contemplated thereby, including the Merger, and the compensation that will or may become payable by the Company to its named executive officers in connection with the Merger.

Subject to receipt of remaining approvals and satisfaction of the other closing conditions, the Company anticipates that the closing of the Merger will occur in the first half of 2020.

For more information regarding the terms of the Merger, including a copy of the Merger Agreement, see the Company's Current Report on Form 8-K filed with the SEC on June 3, 2019, and its definitive proxy statement relating to the special meeting of shareholders filed with the SEC on August 2, 2019.



STATEMENTS OF ACCUMULATED COMPREHENSIVE INCOME, COMPREHENSIVE INCOME, AND HEDGING ACTIVITIES

Line No.	Other Cash Flow Hedges Interest Rate Swaps (f)	Other Cash Flow Hedges [Insert Footnote at Line 1 to specify] (g)	Totals for each category of items recorded in Account 219 (h)	Net Income (Carried Forward from Page 117, Line 78) (i)	Total Comprehensive Income (j)
1		( 11,341,514)	( 29,665,996)		
2		422,631	( 985,936)		
3			( 7,938,948)		
4		422,631	( 8,924,884)	85,050,298	76,125,414
5		( 10,918,883)	( 38,590,880)		
6		( 10,918,883)	( 38,590,880)		
7		336,791	( 4,508,004)		
8			4,873,142		
9		336,791	365,138	110,342,778	110,707,916
10		( 10,582,092)	( 38,225,742)		

Name of Respondent	This Report is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) / /	Year/Period of Report 2019/Q3
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FOOTNOTE DATA			

**Schedule Page: 122(a)(b) Line No.: 1 Column: b**

Effective January 1, 2018, upon adoption of ASU 2016-01, Financial Instruments-Overall, the Company no longer classifies equity securities as available for sale securities and, as a result, any changes in the fair value are recognized in net income and not in Accumulated Other Comprehensive Income ("AOCI"). Additionally, upon adoption of ASU 2016-01, the Company recorded a cumulative effect adjustment, net of income taxes, to increase retained earnings by \$40.7 million with a reduction to AOCI.

**Schedule Page: 122(a)(b) Line No.: 1 Column: e**

In accordance with the FERC Accounting Guidance, Docket No. AI18-1-000, on Accounting and Financial Reporting for Pensions and Post-retirement Benefits other than Pensions, this amount includes reclassification adjustments of accumulated other comprehensive income as a result of gains or losses, prior service costs or credits and transition assets or obligations related to pension and other postretirement benefit plans.

**Schedule Page: 122(a)(b) Line No.: 1 Column: g**

During the first quarter of 2005, the Company entered into treasury rate lock agreements to hedge against potential movements in the treasury reference interest rate pending the issuance of 6% Senior Notes. These treasury rate locks were terminated on May 11, 2005. The treasury rate lock agreements met the criteria for hedge accounting and were designated as a cash flow hedge. In accordance with cash flow hedge accounting, the Company recorded the loss associated with the fair value of the cash flow hedge of approximately \$14.5 million, net of tax, as a component of accumulated other comprehensive income. In May 2005, the Company began to recognize in earnings (as additional interest expense) the accumulated other comprehensive income associated with the cash flow hedge. During the next twelve-month period, approximately \$0.6 million pre-tax of this accumulated other comprehensive income item will be reclassified to interest expense.



**SUMMARY OF UTILITY PLANT AND ACCUMULATED PROVISIONS  
FOR DEPRECIATION, AMORTIZATION AND DEPLETION**

Report in Column (c) the amount for electric function, in column (d) the amount for gas function, in column (e), (f), and (g) report other (specify) and in column (h) common function.

Line No.	Classification (a)	Total Company for the Current Year/Quarter Ended (b)	Electric (c)
1	Utility Plant		
2	In Service		
3	Plant in Service (Classified)	4,474,356,946	4,474,356,946
4	Property Under Capital Leases	5,889,267	5,889,267
5	Plant Purchased or Sold		
6	Completed Construction not Classified	781,049,855	781,049,855
7	Experimental Plant Unclassified		
8	Total (3 thru 7)	5,261,296,068	5,261,296,068
9	Leased to Others		
10	Held for Future Use		
11	Construction Work in Progress	180,501,634	180,501,634
12	Acquisition Adjustments		
13	Total Utility Plant (8 thru 12)	5,441,797,702	5,441,797,702
14	Accum Prov for Depr, Amort, & Depl	2,374,099,261	2,374,099,261
15	Net Utility Plant (13 less 14)	3,067,698,441	3,067,698,441
16	Detail of Accum Prov for Depr, Amort & Depl		
17	In Service:		
18	Depreciation	2,306,903,372	2,306,903,372
19	Amort & Depl of Producing Nat Gas Land/Land Right		
20	Amort of Underground Storage Land/Land Rights		
21	Amort of Other Utility Plant	67,195,889	67,195,889
22	Total In Service (18 thru 21)	2,374,099,261	2,374,099,261
23	Leased to Others		
24	Depreciation		
25	Amortization and Depletion		
26	Total Leased to Others (24 & 25)		
27	Held for Future Use		
28	Depreciation		
29	Amortization		
30	Total Held for Future Use (28 & 29)		
31	Abandonment of Leases (Natural Gas)		
32	Amort of Plant Acquisition Adj		
33	Total Accum Prov (equals 14) (22,26,30,31,32)	2,374,099,261	2,374,099,261

Name of Respondent  
El Paso Electric Company

This Report Is:  
(1)  An Original  
(2)  A Resubmission

Date of Report  
(Mo, Da, Yr)  
/ /

Year/Period of Report  
End of 2019/Q3

SUMMARY OF UTILITY PLANT AND ACCUMULATED PROVISIONS  
FOR DEPRECIATION, AMORTIZATION AND DEPLETION

Gas (d)	Other (Specify) (e)	Other (Specify) (f)	Other (Specify) (g)	Common (h)	Line No.
					1
					2
					3
					4
					5
					6
					7
					8
					9
					10
					11
					12
					13
					14
					15
					16
					17
					18
					19
					20
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					28
					29
					30
					31
					32
					33

Name of Respondent El Paso Electric Company	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) / /	Year/Period of Report End of <u>2019/Q3</u>
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**ELECTRIC PLANT IN SERVICE AND ACCUMULATED PROVISION FOR DEPRECIATION BY FUNCTION**

1. Report below the original cost of plant in service by function. In addition to Account 101, include Account 102, and Account 106. Report in column (b) the original cost of plant in service and in column(c) the accumulated provision for depreciation and amortization by function.

Line No.	Item (a)	Plant in Service Balance at End of Quarter (b)	Accumulated Depreciation and Amortization Balance at End of Quarter (c)
1	Intangible Plant	164,344,069	67,195,891
2	Steam Production Plant	573,147,291	260,536,677
3	Nuclear Production Plant	1,875,468,833	1,274,902,191
4	Hydraulic Production - Conventional		
5	Hydraulic Production - Pumped Storage		
6	Other Production	539,712,811	61,717,656
7	Transmission	543,323,669	236,576,936
8	Distribution	1,311,854,395	390,154,907
9	Regional Transmission and Market Operation		
10	General	253,445,000	83,015,003
11	TOTAL (Total of lines 1 through 10)	5,261,296,068	2,374,099,261

Transmission Service and Generation Interconnection Study Costs

1. Report the particulars (details) called for concerning the costs incurred and the reimbursements received for performing transmission service and generator interconnection studies.
2. List each study separately.
3. In column (a) provide the name of the study.
4. In column (b) report the cost incurred to perform the study at the end of period.
5. In column (c) report the account charged with the cost of the study.
6. In column (d) report the amounts received for reimbursement of the study costs at end of period.
7. In column (e) report the account credited with the reimbursement received for performing the study.

Line No.	Description (a)	Costs Incurred During Period (b)	Account Charged (c)	Reimbursements Received During the Period (d)	Account Credited With Reimbursement (e)
1	<b>Transmission Studies</b>				
2	TSR 88624350	5,718	186-000	( 5,718)	186-000
3	TSR 87952110	53,307	186-000	( 53,307)	186-000
4	TSR 86504365	1,792	186-000	( 1,792)	186-000
5					
6					
7					
8					
9					
10					
11					
12					
13					
14					
15					
16					
17					
18					
19					
20					
21	<b>Generation Studies</b>				
22	Fall 2017 Cluster Study	( 17,156)	186-000	17,156	186-000
23	Spring 2019 Cluster Study	20,811	186-000	( 20,811)	186-000
24	EC500W	86,572	186-000	( 86,571)	186-000
25	Spring 2018 Cluster Study	60,000	186-000	( 60,000)	186-000
26	H252W	31,446	186-000	( 31,446)	186-000
27					
28					
29					
30					
31					
32					
33					
34					
35					
36					
37					
38					
39					
40					

**OTHER REGULATORY ASSETS (Account 182.3)**

1. Report below the particulars (details) called for concerning other regulatory assets, including rate order docket number, if applicable.  
 2. Minor items (5% of the Balance in Account 182.3 at end of period, or amounts less than \$100,000 which ever is less), may be grouped by classes.  
 3. For Regulatory Assets being amortized, show period of amortization.

Line No.	Description and Purpose of Other Regulatory Assets  (a)	Balance at Beginning of Current Quarter/Year (b)	Debits (c)	CREDITS		Balance at end of Current Quarter/Year (f)
				Written off During the Quarter /Year Account Charged (d)	Written off During the Period Amount (e)	
1	Taxes - Regulatory Assets	53,326,724	154,404	various	739,662	52,741,466
2						
3	Rio Grande Resources Trust:					
4	Nuclear Fuel Postload Daily Finance Charge	4,200,557	971,516	518	761,256	4,410,817
5						
6	Coal Reclamation	3,734,878		501	165,133	3,569,745
7						
8	Four Corners Decommissioning	5,418,002		407.3	197,586	5,220,416
9						
10	Net Undercollection of Fuel Revenues:					
11	New Mexico		1,448,616			1,448,616
12						
13	Texas:					
14	2015 Texas Rate Case Costs	562,596		928	92,280	470,316
15	2017 Texas Rate Case Costs	2,069,043		928	282,549	1,786,494
16	Demand Response Program	246,443	15,920			262,363
17	Texas Tax Credit Refund	263,488	8			263,496
18	Texas Corporate Tax Compliance Reform	106,837				106,837
19	Texas Energy Efficiency Program	39,143		254.3	39,143	
20	Texas TCRF Filing	252,929	15,217			268,146
21	Texas DCRF Filing	92,775	31,693			124,468
22						
23	New Mexico Renewable Energy:					
24	Credits and Related Costs	4,145,114		407.3	278,760	3,866,354
25						
26	New Mexico:					
27	2010 FPPCAC Audit	217,143		407.3	18,093	199,050
28	New Mexico Rate Case Costs	364,208	68,815			433,023
29	Demand Response Program	185,498	4,180			189,678
30						
31	FERC Cost of Service General	202,270	53,165			255,435
32						
33	Palo Verde Deferred Depreciation	4,034,941		407.3	38,046	3,996,895
34						
35						
36						
37						
38						
39						
40						
41						
42						
43						
<b>44</b>	<b>TOTAL :</b>	79,462,589	2,763,534		2,612,508	79,613,615

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**Schedule Page: 232 Line No.: 1 Column: f**

Amortization period ranges from 5 to 40 years.

**Schedule Page: 232 Line No.: 4 Column: a**

Amortization is based on a pro rata relationship with nuclear fuel amortization.

**Schedule Page: 232 Line No.: 6 Column: a**

Final coal mine reclamation costs are related to the Company's previous ownership interest in the Four Corners Generation Station ("Four Corners"), and represent the cost to reclaim the land disturbed during the coal mining that was not previously reclaimed while the mine was in operation.

Pursuant to the final order in the 2016 Fuel Reconciliation, PUCT Docket No. 46308, the Texas jurisdiction portion of the final coal reclamation costs are to be recovered through fuel costs over a seven-year period beginning July 2016.

Pursuant to the final order in NMPRC Case No. 15-00109-UT, the New Mexico jurisdiction portion of the final coal reclamation costs are to be recovered through the Fuel and Purchased Power Cost Adjustment Clause ("FPPPCAC") over a seven-year period beginning with the rate case to be filed after closing the sale of the Company's interest in Four Corners on July 6, 2016.

**Schedule Page: 232 Line No.: 8 Column: a**

The 2017 PUCT Final Order in Docket No. 46831 approved the recovery of approximately \$5.5 million representing the Texas portion to decommission Four Corners, over a seven year period beginning August 2017.

The NMPRC in Case No. 15-00109-UT also approved the Company's request for an accounting order establishing \$1.4 million of costs related to the decommissioning of Four Corners as a regulatory asset to be recovered over a seven-year period beginning in a rate case to be filed after closing the sale of the Company's interest in Four Corners on July 6, 2016.

**Schedule Page: 232 Line No.: 14 Column: a**

On August 25, 2016, the PUCT issued the 2016 PUCT Final Order in Docket No. 44941 approving the recovery of rate case expenses through a separate surcharge beginning October 1, 2016 and ending September 30, 2018. Subsequently, in the 2017 PUCT Final Order, the remaining 2015 rate case costs were combined with the 2017 rate case costs into one surcharge over three years beginning in January 2018.

**Schedule Page: 232 Line No.: 15 Column: a**

On December 18, 2017, the PUCT issued the 2017 PUCT Final Order in the Company's rate case in Docket No. 46831 approving the recovery of rate case expenses through a surcharge over three years beginning in January 2018.

**Schedule Page: 232 Line No.: 16 Column: a**

Represents costs associated with the Company's Demand Response Pilot Program. This program provides an incentive for customers to switch to eSmart Thermostats, giving the Company the ability to slightly modify the eSmart Thermostats during peak times. These program costs will be requested for recovery in a future rate making proceeding.

**Schedule Page: 232 Line No.: 17 Column: a**

This item is related to the refund tariff ordered in PUCT Docket No. 48124. The tariff is designed to reduce Texas base rate charges for the decrease in federal income tax expense resulting from the TCJA. The over-refunded amount is expected to be recovered through the Company's 2019 Texas fuel reconciliation filing, PUCT Docket No. 50058.

**Schedule Page: 232 Line No.: 18 Column: a**

Represents costs associated with the Company's filing of a proposed refund tariff with the PUCT in Docket No. 48124. The tariff is designed to reduce Texas base rate charges for the decrease in federal income tax expense resulting from the TCJA. The Company will request recovery of these costs in the Company's next Texas rate case filing.

**Schedule Page: 232 Line No.: 19 Column: a**

In accordance with the Final Order in Docket No. 37690, the Company began recovering

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Energy Efficiency Program costs effective July 2010, through a tariff rider approved by the PUCT via Texas Rate 97. The rate is updated annually.

**Schedule Page: 232 Line No.: 20 Column: a**

Represents costs associated with the Company's filing to establish its Transmission Cost Recovery Factor ("TCRF") with the PUCT in Docket No. 49148. These costs will be requested in the next Texas base rate case filing.

**Schedule Page: 232 Line No.: 21 Column: a**

Represents costs associated with the Company's filing to establish its Distribution Cost Recovery Factor ("DCRF") with the PUCT in Docket No. 49395. These costs will be requested in the next Texas base rate case filing.

**Schedule Page: 232 Line No.: 24 Column: a**

In NMPRC Case No.15-00127-UT, the NMPRC approved the Company's request to recover costs related to renewable energy certificates and procurement plan costs over a six-year period beginning July 1, 2016. The Company will request costs incurred after December 31, 2014 as a component of base rates in the Company's next New Mexico rate case filing.

**Schedule Page: 232 Line No.: 27 Column: a**

Represents costs incurred for a FPPCAC audit. The Company requested such amounts in NMPRC Case No. 15-00127-UT and they are being amortized over a six-year period which began when new rates became effective on July 1, 2016.

**Schedule Page: 232 Line No.: 28 Column: a**

The Company will request recovery of these costs in the Company's next New Mexico rate case filing.

**Schedule Page: 232 Line No.: 29 Column: a**

On February 22, 2017, the NMPRC approved, in Case No. 17-00016-UT, the Company's request to implement a Demand Response Pilot Program pursuant to its proposed Original Rate No. 37. This program provides an incentive for customers to switch to eSmart Thermostats, giving the Company the ability to slightly modify the eSmart Thermostats during peak times. These program costs will be requested for recovery in a future New Mexico rate making proceeding.

**Schedule Page: 232 Line No.: 31 Column: a**

Represents costs incurred for the FERC rate case expected to be filed in 2020. The Company will request these costs in the Company's FERC rate case filing.

**Schedule Page: 232 Line No.: 33 Column: a**

In NMPRC Case No. 09-00171-UT, the NMPRC extended the depreciable life of Palo Verde an additional 20 years for New Mexico ratemaking purposes, reducing the depreciation expense collected from New Mexico customers in rates, effective January 2010. In April 2011, the NRC renewed the operating license for all three units at Palo Verde for an additional 20 years; therefore, the incremental difference in Palo Verde depreciation for the New Mexico jurisdiction is being amortized to account 407.3 over the remaining life of Palo Verde.

**OTHER REGULATORY LIABILITIES (Account 254)**

1. Report below the particulars (details) called for concerning other regulatory liabilities, including rate order docket number, if applicable.
2. Minor items (5% of the Balance in Account 254 at end of period, or amounts less than \$100,000 which ever is less), may be grouped by classes.
3. For Regulatory Liabilities being amortized, show period of amortization.

Line No.	Description and Purpose of Other Regulatory Liabilities  (a)	Balance at Beginning of Current Quarter/Year  (b)	DEBITS		Credits  (e)	Balance at End of Current Quarter/Year  (f)
			Account Credited  (c)	Amount  (d)		
1	Regulatory Tax Liabilities	289,653,124	various	208,512	141,512	289,586,124
2						
3	Net Overcollection of:					
4	Texas Fuel Revenues	20,285,677	440s	6,186,481		14,099,196
5	New Mexico Fuel Revenues	730,954	440s	730,954		
6	New Mexico Renewable Procurement Standard Revenue	639,496	440s		973,973	1,613,469
7	FERC Fuel Revenues	89,940	440s		19,524	109,464
8						
9	New Mexico Energy Efficiency Program	1,673,475	451,928	330,807		1,342,668
10						
11	Texas Energy Efficiency Program		451,928		942,822	942,822
12						
13	Texas Relate Back Surcharge	484,463	131		2,382	486,845
14						
15	New Mexico Gain on Sale of Assets	174,889	407.4			174,889
16						
17	Texas Military Base Discount and Recovery	20,516	142		35,863	56,379
18						
19						
20						
21						
22						
23						
24						
25						
26						
27						
28						
29						
30						
31						
32						
33						
34						
35						
36						
37						
38						
39						
40						
41	<b>TOTAL</b>	313,752,534		7,456,754	2,116,076	308,411,856



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**Schedule Page: 278 Line No.: 1 Column: f**

Amortization period ranges from 5 to 40 years for items not related to the reduction in the federal tax rate in 2017. The recovery period for the regulatory liability in the amount of \$256.8 million related to the reduction in the federal tax rate in 2017 will be addressed in the next base rate filings in all jurisdictions.

**Schedule Page: 278 Line No.: 9 Column: a**

In accordance with the final order in NMPRC Case No. 06-0065-UT, the Company started collecting Energy Efficiency costs, effective May 2009, through a tariff rider approved by the NMPRC via New Mexico Rate No. 17. The rate is updated annually.

**Schedule Page: 278 Line No.: 11 Column: a**

In accordance with the Final Order in Docket No. 37690, the Company began recovering Energy Efficiency Program costs effective July 2010, through a tariff rider approved by the PUCT via Texas Rate 97. The rate is updated annually.

**Schedule Page: 278 Line No.: 13 Column: a**

This item relates to the recovery of revenues through two separate surcharges; one for the 2015 Texas Retail Rate Case relate back revenues beginning October 1, 2016, and ending September 30, 2017, and a second surcharge for the 2017 Texas Retail Rate Case relate back revenues beginning January 10, 2018, and ending January 9, 2019. The over-recovery through these surcharges was addressed in the 2019 Texas Fuel Reconciliation, PUCT Docket No. 50058.

**Schedule Page: 278 Line No.: 15 Column: a**

The balance represents gains on sale of assets that will be included in the Company's next New Mexico base rate case.

**Schedule Page: 278 Line No.: 17 Column: a**

PURA Section 36.354 requires that each electric utility provide Military Base Rate discounts to military bases in areas where customers choice is not available. In accordance with the Final Order in Docket No. 37690, the Military Base Discount Recovery Factor allows the Company to recover the total base rate discount provided to military base facilities from non-military base customers through a recovery factor. The rate is updated annually.

**ELECTRIC OPERATING REVENUES (Account 400)**

1. The following instructions generally apply to the annual version of these pages. Do not report quarterly data in columns (c), (e), (f), and (g). Unbilled revenues and MWH related to unbilled revenues need not be reported separately as required in the annual version of these pages.
2. Report below operating revenues for each prescribed account, and manufactured gas revenues in total.
3. Report number of customers, columns (f) and (g), on the basis of meters, in addition to the number of flat rate accounts; except that where separate meter readings are added for billing purposes, one customer should be counted for each group of meters added. The -average number of customers means the average of twelve figures at the close of each month.
4. If increases or decreases from previous period (columns (c),(e), and (g)), are not derived from previously reported figures, explain any inconsistencies in a footnote.
5. Disclose amounts of \$250,000 or greater in a footnote for accounts 451, 456, and 457.2.

Line No.	Title of Account (a)	Operating Revenues Year to Date Quarterly/Annual (b)	Operating Revenues Previous year (no Quarterly) (c)
1	Sales of Electricity		
2	(440) Residential Sales	272,240,813	290,121,623
3	(442) Commercial and Industrial Sales		
4	Small (or Comm.) (See Instr. 4)	175,544,482	193,634,836
5	Large (or Ind.) (See Instr. 4)	34,009,435	41,343,332
6	(444) Public Street and Highway Lighting	3,254,319	3,552,009
7	(445) Other Sales to Public Authorities	87,080,128	97,314,050
8	(446) Sales to Railroads and Railways		
9	(448) Interdepartmental Sales		
10	TOTAL Sales to Ultimate Consumers	572,129,177	625,965,850
11	(447) Sales for Resale	68,092,824	62,956,820
12	TOTAL Sales of Electricity	640,222,001	688,922,670
13	(Less) (449.1) Provision for Rate Refunds		4,181,297
14	TOTAL Revenues Net of Prov. for Refunds	640,222,001	684,741,373
15	Other Operating Revenues		
16	(450) Forfeited Discounts	748,596	892,237
17	(451) Miscellaneous Service Revenues	10,990,980	10,530,644
18	(453) Sales of Water and Water Power		
19	(454) Rent from Electric Property	2,387,280	2,265,562
20	(455) Interdepartmental Rents		
21	(456) Other Electric Revenues	803,132	771,556
22	(456.1) Revenues from Transmission of Electricity of Others	16,738,764	13,578,294
23	(457.1) Regional Control Service Revenues		
24	(457.2) Miscellaneous Revenues		
25			
26	TOTAL Other Operating Revenues	31,668,752	28,038,293
27	TOTAL Electric Operating Revenues	671,890,753	712,779,666

**ELECTRIC OPERATING REVENUES (Account 400)**

6. Commercial and industrial Sales, Account 442, may be classified according to the basis of classification (Small or Commercial, and Large or Industrial) regularly used by the respondent if such basis of classification is not generally greater than 1000 Kw of demand. (See Account 442 of the Uniform System of Accounts. Explain basis of classification in a footnote.)

7. See pages 108-109, Important Changes During Period, for important new territory added and important rate increase or decreases.

8. For Lines 2,4,5,and 6, see Page 304 for amounts relating to unbilled revenue by accounts.

9. Include unmetered sales. Provide details of such Sales in a footnote.

MEGAWATT HOURS SOLD		AVG.NO. CUSTOMERS PER MONTH		Line No.
Year to Date Quarterly/Annual (d)	Amount Previous year (no Quarterly) (e)	Current Year (no Quarterly) (f)	Previous Year (no Quarterly) (g)	
				1
2,415,525	2,402,400			2
				3
1,860,790	1,886,552			4
773,170	792,845			5
27,209	27,150			6
1,171,327	1,182,811			7
				8
				9
6,248,021	6,291,758			10
2,843,455	2,701,020			11
9,091,476	8,992,778			12
				13
9,091,476	8,992,778			14

Line 12, column (b) includes \$ 11,621,000 of unbilled revenues.

Line 12, column (d) includes 68,700 MWH relating to unbilled revenues

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**Schedule Page: 300 Line No.: 11 Column: d**

Includes 607,127 MWhs related to the Company's Power Purchase and Sales Agreement with Freeport-McMoRan dated December 16, 2005.

**Schedule Page: 300 Line No.: 11 Column: e**

Includes 732,953 MWhs related to the Company's Power Purchase and Sales Agreement with Freeport-McMoRan dated December 16, 2005.

**Schedule Page: 300 Line No.: 12 Column: d**

Includes 607,127 MWhs related to the Company's Power Purchase and Sales Agreement with Freeport-McMoRan dated December 16, 2005.

**Schedule Page: 300 Line No.: 12 Column: e**

Includes 732,953 MWhs related to the Company's Power Purchase and Sales Agreement with Freeport-McMoRan dated December 16, 2005.

**Schedule Page: 300 Line No.: 14 Column: d**

Includes 607,127 MWhs related to the Company's Power Purchase and Sales Agreement with Freeport-McMoRan dated December 16, 2005.

**Schedule Page: 300 Line No.: 14 Column: e**

Includes 732,953 MWhs related to the Company's Power Purchase and Sales Agreement with Freeport-McMoRan dated December 16, 2005.

**Schedule Page: 300 Line No.: 17 Column: b**

Below is the detail of Miscellaneous Service Revenues recorded in account 451:

	<u>September 2019</u>
Non Pay Reconnect Charges	\$ 1,269,803
Name Change/Cut in Charge	1,724,002
New Service Charges	279,911
Overhead/Underground Connection Charges	573,523
New Mexico Energy Efficiency Incentive	388,368
Texas and New Mexico Energy Efficiency Cost Recovery	6,163,831
Misc Other	591,542
Total	<u>\$ 10,990,980</u>

**Schedule Page: 300 Line No.: 17 Column: c**

Below is the detail of Miscellaneous Service Revenues recorded in account 451:

	<u>September 2018</u>
Non Pay Reconnect Charges	\$ 1,672,168
Name Change/Cut in Charge	1,777,107
New Service Charges	285,054
Overhead/Underground Connection Charges	546,275
Texas Energy Efficiency Bonus	50,000
Texas and New Mexico Energy Efficiency Cost Recovery	5,877,340
Misc Other	322,700
Total	<u>\$ 10,530,644</u>

**Schedule Page: 300 Line No.: 21 Column: b**

Includes \$366,132 related to the Company's 15.8% share of Palo Verde other electric revenues from APS.

Includes \$437,000 related to the sale of renewable energy certificates.

**Schedule Page: 300 Line No.: 21 Column: c**

Includes \$375,306 related to the Company's 15.8% share of Palo Verde other electric revenues from APS.

Includes \$396,250 related to the sale of renewable energy certificates.

ELECTRIC PRODUCTION, OTHER POWER SUPPLY EXPENSES, TRANSMISSION AND DISTRIBUTION EXPENSES

Report Electric production, other power supply expenses, transmission, regional control and market operation, and distribution expenses through the reporting period.

Line No.	Account (a)	Year to Date Quarter (b)
1	1. POWER PRODUCTION AND OTHER SUPPLY EXPENSES	
2	Steam Power Generation - Operation (500-509)	51,378,122
3	Steam Power Generation - Maintenance (510-515)	18,789,818
4	Total Power Production Expenses - Steam Power	70,167,940
5	Nuclear Power Generation - Operation (517-525)	68,693,687
6	Nuclear Power Generation - Maintenance (528-532)	13,047,548
7	Total Power Production Expenses - Nuclear Power	81,741,235
8	Hydraulic Power Generation - Operation (535-540.1)	
9	Hydraulic Power Generation - Maintenance (541-545.1)	
10	Total Power Production Expenses - Hydraulic Power	
11	Other Power Generation - Operation (546-550.1)	17,266,934
12	Other Power Generation - Maintenance (551-554.1)	4,495,237
13	Total Power Production Expenses - Other Power	21,762,171
14	Other Power Supply Expenses	
15	Purchased Power (555)	44,010,215
16	System Control and Load Dispatching (556)	728,452
17	Other Expenses (557)	325,000
18	Total Other Power Supply Expenses (line 15-17)	45,063,667
19	Total Power Production Expenses (Total of lines 4, 7, 10, 13 and 18)	218,735,013
20	2. TRANSMISSION EXPENSES	
21	Transmission Operation Expenses	
22	(560) Operation Supervision and Engineering	1,441,823
23		
24	(561.1) Load Dispatch-Reliability	92,220
25	(561.2) Load Dispatch-Monitor and Operate Transmission System	676,273
26	(561.3) Load Dispatch-Transmission Service and Scheduling	741,442
27	(561.4) Scheduling, System Control and Dispatch Services	435,800
28	(561.5) Reliability, Planning and Standards Development	565,902
29	(561.6) Transmission Service Studies	
30	(561.7) Generation Interconnection Studies	
31	(561.8) Reliability, Planning and Standards Development Services	
32	(562) Station Expenses	196,693
33	(563) Overhead Line Expenses	286,585
34	(564) Underground Line Expenses	
35	(565) Transmission of Electricity by Others	4,566,640
36	(566) Miscellaneous Transmission Expenses	5,488,841
37	(567) Rents	161,253
38	(567.1) Operation Supplies and Expenses (Non-Major)	

## ELECTRIC PRODUCTION, OTHER POWER SUPPLY EXPENSES, TRANSMISSION AND DISTRIBUTION EXPENSES

Report Electric production, other power supply expenses, transmission, regional control and market operation, and distribution expenses through the reporting period.

Line No.	Account (a)	Year to Date Quarter (b)
39	TOTAL Transmission Operation Expenses (Lines 22 - 38)	14,653,472
40	Transmission Maintenance Expenses	
41	(568) Maintenance Supervision and Engineering	16,702
42	(569) Maintenance of Structures	15,285
43	(569.1) Maintenance of Computer Hardware	
44	(569.2) Maintenance of Computer Software	
45	(569.3) Maintenance of Communication Equipment	
46	(569.4) Maintenance of Miscellaneous Regional Transmission Plant	
47	(570) Maintenance of Station Equipment	295,818
48	(571) Maintenance Overhead Lines	1,383,700
49	(572) Maintenance of Underground Lines	
50	(573) Maintenance of Miscellaneous Transmission Plant	14,063
51	(574) Maintenance of Transmission Plant	
52	TOTAL Transmission Maintenance Expenses (Lines 41 - 51)	1,725,568
53	Total Transmission Expenses (Lines 39 and 52)	16,379,040
54	3. REGIONAL MARKET EXPENSES	
55	Regional Market Operation Expenses	
56	(575.1) Operation Supervision	
57	(575.2) Day-Ahead and Real-Time Market Facilitation	
58	(575.3) Transmission Rights Market Facilitation	
59	(575.4) Capacity Market Facilitation	
60	(575.5) Ancillary Services Market Facilitation	
61	(575.6) Market Monitoring and Compliance	
62	(575.7) Market Facilitation, Monitoring and Compliance Services	
63	Regional Market Operation Expenses (Lines 55 - 62)	
64	Regional Market Maintenance Expenses	
65	(576.1) Maintenance of Structures and Improvements	
66	(576.2) Maintenance of Computer Hardware	
67	(576.3) Maintenance of Computer Software	
68	(576.4) Maintenance of Communication Equipment	
69	(576.5) Maintenance of Miscellaneous Market Operation Plant	
70	Regional Market Maintenance Expenses (Lines 65-69)	
71	TOTAL Regional Control and Market Operation Expenses (Lines 63,70)	
72	4. DISTRIBUTION EXPENSES	
73	Distribution Operation Expenses (580-589)	12,183,344
74	Distribution Maintenance Expenses (590-598)	7,192,859
75	Total Distribution Expenses (Lines 73 and 74)	19,376,203

Name of Respondent  
El Paso Electric Company

This Report Is:  
(1)  An Original  
(2)  A Resubmission

Date of Report  
(Mo, Da, Yr)  
/ /

Year/Period of Report  
End of 2019/Q3

ELECTRIC CUSTOMER ACCOUNTS, SERVICE, SALES, ADMINISTRATIVE AND GENERAL EXPENSES

Report the amount of expenses for customer accounts, service, sales, and administrative and general expenses year to date.

Line No.	Account (a)	Year to Date Quarter (b)
1	(901-905) Customer Accounts Expenses	13,933,783
2	(907-910) Customer Service and Information Expenses	96,297
3	(911-917) Sales Expenses	
4	8. ADMINISTRATIVE AND GENERAL EXPENSES	
5	Operations	
6	920 Administrative and General Salaries	25,501,689
7	921 Office Supplies and Expenses	3,784,349
8	(Less) 922 Administrative Expenses Transferred-Credit	
9	923 Outside Services Employed	12,082,493
10	924 Property Insurance	3,243,953
11	925 Injuries and Damages	2,927,338
12	926 Employee Pensions and Benefits	14,023,233
13	927 Franchise Requirements	
14	928 Regulatory Commission Expenses	10,553,871
15	(Less) 929 Duplicate Charges-Credit	
16	930.1 General Advertising Expenses	730,822
17	930.2 Miscellaneous General Expenses	11,465,158
18	931 Rents	300,876
19	TOTAL Operation (Total of lines 6 thru 18)	84,613,782
20	Maintenance	
21	935 Maintenance of General Plant	6,098,377
22	TOTAL Administrative and General Expenses (Total of lines 19 and 21)	90,712,159

**TRANSMISSION OF ELECTRICITY FOR OTHERS (Account 456.1)**  
(Including transactions referred to as 'wheeling')

1. Report all transmission of electricity, i.e., wheeling, provided for other electric utilities, cooperatives, other public authorities, qualifying facilities, non-traditional utility suppliers and ultimate customers for the quarter.

2. Use a separate line of data for each distinct type of transmission service involving the entities listed in column (a), (b) and (c).

3. Report in column (a) the company or public authority that paid for the transmission service. Report in column (b) the company or public authority that the energy was received from and in column (c) the company or public authority that the energy was delivered to. Provide the full name of each company or public authority. Do not abbreviate or truncate name or use acronyms. Explain in a footnote any ownership interest in or affiliation the respondent has with the entities listed in columns (a), (b) or (c)

4. In column (d) enter a Statistical Classification code based on the original contractual terms and conditions of the service as follows: FNO - Firm Network Service for Others, FNS - Firm Network Transmission Service for Self, LFP - "Long-Term Firm Point to Point Transmission Service, OLF - Other Long-Term Firm Transmission Service, SFP - Short-Term Firm Point to Point Transmission Reservation, NF - non-firm transmission service, OS - Other Transmission Service and AD - Out-of-Period Adjustments. Use this code for any accounting adjustments or "true-ups" for service provided in prior reporting periods. Provide an explanation in a footnote for each adjustment. See General Instruction for definitions of codes.

Line No.	Payment By (Company of Public Authority) (Footnote Affiliation) (a)	Energy Received From (Company of Public Authority) (Footnote Affiliation) (b)	Energy Delivered To (Company of Public Authority) (Footnote Affiliation) (c)	Statistical Classification (d)
1	El Paso Electric Marketing	Tucson Electric Power Company	El Paso Electric Marketing	NF
2	Rio Grande Electric Co-Op	El Paso Electric Marketing	El Paso Electric Marketing	FNO
3	Arizona Electric Power Cooperative	Salt River Project	Arizona Public Service Company	LFP
4	Arizona Electric Power Cooperative	Salt River Project	Arizona Public Service Company	SFP
5	Arizona Electric Power Cooperative	Tucson Electric Power Company	Tucson Electric Power Company	NF
6	Arizona Electric Power Cooperative	Arizona Public Service Company	Salt River Project	NF
7	Arizona Electric Power Cooperative	Arizona Public Service Company	Salt River Project	SFP
8	Brookfield Energy Marketing LP	Salt River Project	Arizona Public Service Company	SFP
9	Brookfield Energy Marketing LP	Arizona Public Service Company	Salt River Project	SFP
10	Coral Power	Southwestern Public Service Compa	Tucson Electric Power Company	NF
11	Coral Power	Salt River Project	Arizona Public Service Company	LFP
12	Coral Power	Salt River Project	Arizona Public Service Company	SFP
13	Coral Power	Arizona Public Service Company	Salt River Project	SFP
14	Eagle Energy Partners	Salt River Project	Arizona Public Service Company	NF
15	Eagle Energy Partners	Salt River Project	Arizona Public Service Company	SFP
16	Eagle Energy Partners	Arizona Public Service Company	Salt River Project	NF
17	Eagle Energy Partners	Arizona Public Service Company	Salt River Project	SFP
18	Imperial Irrigation District	Salt River Project	Arizona Public Service Company	NF
19	Imperial Irrigation District	Salt River Project	Arizona Public Service Company	SFP
20	Macquarie Cook Power	Public Service Company of New Mex	Tucson Electric Power Company	NF
21	Macquarie Cook Power	Public Service Company of New Mex	Tucson Electric Power Company	SFP
22	Macquarie Cook Power	Public Service Company of New Mex	Tucson Electric Power Company	SFP
23	Macquarie Cook Power	Public Service Company of New Mex	Tucson Electric Power Company	SFP
24	Macquarie Cook Power	Salt River Project	Arizona Public Service Company	NF
25	Macquarie Cook Power	Salt River Project	Arizona Public Service Company	SFP
26	Macquarie Cook Power	Salt River Project	Arizona Public Service Company	SFP
27	Macquarie Cook Power	Arizona Public Service Company	Salt River Project	SFP
28	MAG Energy Solutions	Public Service Company of New Mex	Public Service Company of New Mex	SFP
29	MAG Energy Solutions	Public Service Company of New Mex	Tucson Electric Power Company	SFP
30	MAG Energy Solutions	Southwestern Public Service Compa	Public Service Company of New Mex	NF
31	MAG Energy Solutions	Southwestern Public Service Compa	Tucson Electric Power Company	NF
32	Morgan Stanley	Salt River Project	Arizona Public Service Company	NF
33	Morgan Stanley	Salt River Project	Arizona Public Service Company	SFP
34	Morgan Stanley	Arizona Public Service Company	Salt River Project	SFP
	<b>TOTAL</b>			



TRANSMISSION OF ELECTRICITY FOR OTHERS (Account 456)(Continued)  
(Including transactions referred to as 'wheeling')

5. In column (e), identify the FERC Rate Schedule or Tariff Number, On separate lines, list all FERC rate schedules or contract designations under which service, as identified in column (d), is provided.
6. Report receipt and delivery locations for all single contract path, "point to point" transmission service. In column (f), report the designation for the substation, or other appropriate identification for where energy was received as specified in the contract. In column (g) report the designation for the substation, or other appropriate identification for where energy was delivered as specified in the contract.
7. Report in column (h) the number of megawatts of billing demand that is specified in the firm transmission service contract. Demand reported in column (h) must be in megawatts. Footnote any demand not stated on a megawatts basis and explain.
8. Report in column (i) and (j) the total megawatthours received and delivered.

FERC Rate Schedule of Tariff Number (e)	Point of Receipt (Substation or Other Designation) (f)	Point of Delivery (Substation or Other Designation) (g)	Billing Demand (MW) (h)	TRANSFER OF ENERGY		Line No.
				MegaWatt Hours Received (i)	MegaWatt Hours Delivered (j)	
OATT	Springerville	EPE System		24	24	1
OATT	EPE System	Coyote/Farmer	13	22,496	22,496	2
OATT	Palo Verde	Westwing	125	40,013	40,013	3
OATT	Palo Verde	Westwing		118	118	4
OATT	Springerville	Greenlee		16	16	5
OATT	Westwing	Palo Verde		200	200	6
OATT	Westwing	Palo Verde		1,257	1,257	7
OATT	Palo Verde	Westwing		1,309	1,309	8
OATT	Westwing	Palo Verde		200	200	9
OATT	Eddy	Springerville		2,052	2,052	10
OATT	Palo Verde	Westwing	125	23,471	23,471	11
OATT	Palo Verde	Westwing		72	72	12
OATT	Westwing	Palo Verde		8	8	13
OATT	Palo Verde	Westwing		476	476	14
OATT	Palo Verde	Westwing		292	292	15
OATT	Westwing	Palo Verde		251	251	16
OATT	Westwing	Palo Verde		1,694	1,694	17
OATT	Palo Verde	Westwing		166	166	18
OATT	Palo Verde	Westwing		603	603	19
OATT	Amrad	Springerville		1,219	1,219	20
OATT	Amrad	Springerville	65	9,465	9,465	21
OATT	Amrad	Springerville		1,560	1,560	22
OATT	Amrad	Springerville		466	466	23
OATT	Palo Verde	Westwing		737	737	24
OATT	Palo Verde	Westwing		7,064	7,064	25
OATT	Palo Verde	Westwing		2,569	2,569	26
OATT	Westwing	Palo Verde		200	200	27
OATT	Amrad	Amrad		172	172	28
OATT	Amrad	Springerville		172	172	29
OATT	Eddy	Amrad		172	172	30
OATT	Eddy	Springerville		369	369	31
OATT	Palo Verde	Westwing		132	132	32
OATT	Palo Verde	Westwing		168	168	33
OATT	Westwing	Palo Verde		802	802	34
			900	1,601,695	1,601,695	

TRANSMISSION OF ELECTRICITY FOR OTHERS (Account 456) (Continued)  
(Including transactions referred to as 'wheeling')

9. In column (k) through (n), report the revenue amounts as shown on bills or vouchers. In column (k), provide revenues from demand charges related to the billing demand reported in column (h). In column (l), provide revenues from energy charges related to the amount of energy transferred. In column (m), provide the total revenues from all other charges on bills or vouchers rendered, including out of period adjustments. Explain in a footnote all components of the amount shown in column (m). Report in column (n) the total charge shown on bills rendered to the entity Listed in column (a). If no monetary settlement was made, enter zero (11011) in column (n). Provide a footnote explaining the nature of the non-monetary settlement, including the amount and type of energy or service rendered.

10. The total amounts in columns (i) and (j) must be reported as Transmission Received and Transmission Delivered for annual report purposes only on Page 401, Lines 16 and 17, respectively.

11. Footnote entries and provide explanations following all required data.

REVENUE FROM TRANSMISSION OF ELECTRICITY FOR OTHERS

Demand Charges (\$) (k)	Energy Charges (\$) (l)	(Other Charges) (\$) (m)	Total Revenues (\$) (k+l+m) (n)	Line No.
				1
53,637			53,637	2
152,388			152,388	3
				4
	86		86	5
	181		181	6
	1,091		1,091	7
	1,086		1,086	8
	186		186	9
	48,702		48,702	10
147,384			147,384	11
				12
	45		45	13
	1,002		1,002	14
	544		544	15
	226		226	16
	1,553		1,553	17
	138		138	18
	540		540	19
	7,021		7,021	20
315,120			315,120	21
	12,038		12,038	22
	4,195		4,195	23
	893		893	24
	6,890		6,890	25
	2,763		2,763	26
	112		112	27
	1,034		1,034	28
	1,034		1,034	29
	1,034		1,034	30
	2,050		2,050	31
	75		75	32
	96		96	33
	743		743	34
<b>3,609,979</b>	<b>2,272,212</b>	<b>0</b>	<b>5,882,191</b>	

**TRANSMISSION OF ELECTRICITY FOR OTHERS (Account 456.1)**  
(Including transactions referred to as 'wheeling')

1. Report all transmission of electricity, i.e., wheeling, provided for other electric utilities, cooperatives, other public authorities, qualifying facilities, non-traditional utility suppliers and ultimate customers for the quarter.
2. Use a separate line of data for each distinct type of transmission service involving the entities listed in column (a), (b) and (c).
3. Report in column (a) the company or public authority that paid for the transmission service. Report in column (b) the company or public authority that the energy was received from and in column (c) the company or public authority that the energy was delivered to. Provide the full name of each company or public authority. Do not abbreviate or truncate name or use acronyms. Explain in a footnote any ownership interest in or affiliation the respondent has with the entities listed in columns (a), (b) or (c)
4. In column (d) enter a Statistical Classification code based on the original contractual terms and conditions of the service as follows: FNO - Firm Network Service for Others, FNS - Firm Network Transmission Service for Self, LFP - "Long-Term Firm Point to Point Transmission Service, OLF - Other Long-Term Firm Transmission Service, SFP - Short-Term Firm Point to Point Transmission Reservation, NF - non-firm transmission service, OS - Other Transmission Service and AD - Out-of-Period Adjustments. Use this code for any accounting adjustments or "true-ups" for service provided in prior reporting periods. Provide an explanation in a footnote for each adjustment. See General Instruction for definitions of codes.

Line No.	Payment By (Company of Public Authority) (Footnote Affiliation) (a)	Energy Received From (Company of Public Authority) (Footnote Affiliation) (b)	Energy Delivered To (Company of Public Authority) (Footnote Affiliation) (c)	Statistical Classification (d)
1	Open Access Technology International, Inc.	Public Service Company of New Mex	Tucson Electric Power Company	NF
2	Open Access Technology International, Inc.	Southwestern Public Service Compa	Tucson Electric Power Company	NF
3	Open Access Technology International, Inc.	Tucson Electric Power Company	Southwestern Public Service Compa	NF
4	Open Access Technology International, Inc.	Tucson Electric Power Company	Public Service Company of New Mex	NF
5	Powerex	Salt River Project	Arizona Public Service Company	NF
6	Powerex	Salt River Project	Arizona Public Service Company	SFP
7	Public Service Company of Colorado	Southwestern Public Service Compa	Tucson Electric Power Company	NF
8	Public Service Company of New Mexico	Public Service Company of New Mex	Public Service Company of New Mex	SFP
9	Public Service Company of New Mexico	Public Service Company of New Mex	Public Service Company of New Mex	SFP
10	Public Service Company of New Mexico	Public Service Company of New Mex	Public Service Company of New Mex	SFP
11	Public Service Company of New Mexico	Public Service Company of New Mex	Public Service Company of New Mex	SFP
12	Public Service Company of New Mexico	Public Service Company of New Mex	Tucson Electric Power Company	LFP
13	Public Service Company of New Mexico	Public Service Company of New Mex	Tucson Electric Power Company	SFP
14	Public Service Company of New Mexico	Public Service Company of New Mex	Tucson Electric Power Company	SFP
15	Public Service Company of New Mexico	Public Service Company of New Mex	Public Service Company of New Mex	LFP
16	Public Service Company of New Mexico	Public Service Company of New Mex	Public Service Company of New Mex	NF
17	Public Service Company of New Mexico	Public Service Company of New Mex	Public Service Company of New Mex	SFP
18	Public Service Company of New Mexico	Tucson Electric Power Company	Public Service Company of New Mex	SFP
19	Public Service Company of New Mexico	Public Service Company of New Mex	Tucson Electric Power Company	LFP
20	Public Service Company of New Mexico	Public Service Company of New Mex	Tucson Electric Power Company	SFP
21	Public Service Company of New Mexico	Public Service Company of New Mex	Tucson Electric Power Company	SFP
22	Public Service Company of New Mexico	Public Service Company of New Mex	Public Service Company of New Mex	LFP
23	Public Service Company of New Mexico	Public Service Company of New Mex	Public Service Company of New Mex	NF
24	Public Service Company of New Mexico	Public Service Company of New Mex	Public Service Company of New Mex	SFP
25	Public Service Company of New Mexico	Public Service Company of New Mex	Public Service Company of New Mex	SFP
26	Public Service Company of New Mexico	Public Service Company of New Mex	Public Service Company of New Mex	SFP
27	Rainbow Energy Marketing Corp	Southwestern Public Service Compa	Tucson Electric Power Company	NF
28	Tenaska Power Services Company	Salt River Project	Arizona Public Service Company	SFP
29	The Energy Authority	Salt River Project	Arizona Public Service Company	SFP
30	Transalta	Southwestern Public Service Compa	Tucson Electric Power Company	NF
31	Transalta	Salt River Project	Arizona Public Service Company	NF
32	Transalta	Salt River Project	Arizona Public Service Company	SFP
33	Transalta	Tucson Electric Power Company	Southwestern Public Service Compa	NF
34	Transalta	Arizona Public Service Company	Salt River Project	SFP
	<b>TOTAL</b>			

TRANSMISSION OF ELECTRICITY FOR OTHERS (Account 456)(Continued)  
(Including transactions referred to as 'wheeling')

5. In column (e), identify the FERC Rate Schedule or Tariff Number, On separate lines, list all FERC rate schedules or contract designations under which service, as identified in column (d), is provided.
6. Report receipt and delivery locations for all single contract path, "point to point" transmission service. In column (f), report the designation for the substation, or other appropriate identification for where energy was received as specified in the contract. In column (g) report the designation for the substation, or other appropriate identification for where energy was delivered as specified in the contract.
7. Report in column (h) the number of megawatts of billing demand that is specified in the firm transmission service contract. Demand reported in column (h) must be in megawatts. Footnote any demand not stated on a megawatts basis and explain.
8. Report in column (i) and (j) the total megawatthours received and delivered.

FERC Rate Schedule of Tariff Number (e)	Point of Receipt (Substation or Other Designation) (f)	Point of Delivery (Substation or Other Designation) (g)	Billing Demand (MW) (h)	TRANSFER OF ENERGY		Line No.
				MegaWatt Hours Received (i)	MegaWatt Hours Delivered (j)	
OATT	Amrad	Springerville		496	496	1
OATT	Eddy	Springerville		1,075	1,075	2
OATT	Springerville	Eddy		183	183	3
OATT	Springerville	Hidalgo				4
OATT	Palo Verde	Westwing		3,541	3,541	5
OATT	Palo Verde	Westwing		328	328	6
OATT	Eddy	Springerville		61	61	7
OATT	Afton	Amrad		38,188	38,188	8
OATT	Afton	Amrad		7,663	7,663	9
OATT	Afton	Luna		42,389	42,389	10
OATT	Afton	Luna		9,011	9,011	11
OATT	Afton	Springerville	94	83,939	83,939	12
OATT	Afton	Springerville		1,368	1,368	13
OATT	Afton	Springerville		3,551	3,551	14
OATT	Afton	Westmesa	141	134,108	134,108	15
OATT	Afton	Westmesa		123	123	16
OATT	Afton	Westmesa		5,673	5,673	17
OATT	Greenlee	Luna		279	279	18
OATT	Luna	Springerville	60	68,006	68,006	19
OATT	Luna	Springerville		2,876	2,876	20
OATT	Luna	Springerville		12,542	12,542	21
OATT	Westmesa	Amrad	25	21,339	21,339	22
OATT	Westmesa	Amrad		1	1	23
OATT	Westmesa	Amrad		902	902	24
OATT	Westmesa	Amrad		264	264	25
OATT	Westmesa	Las Cruces		334	334	26
OATT	Eddy	Springerville		175	175	27
OATT	Palo Verde	Westwing		50	50	28
OATT	Palo Verde	Westwing		5	5	29
OATT	Eddy	Springerville		1,828	1,828	30
OATT	Palo Verde	Westwing		1,739	1,739	31
OATT	Palo Verde	Westwing		333	333	32
OATT	Springerville	Eddy		327	327	33
OATT	Westwing	Palo Verde		39	39	34
			900	1,601,695	1,601,695	

TRANSMISSION OF ELECTRICITY FOR OTHERS (Account 456) (Continued)  
(Including transactions referred to as 'wheeling')

9. In column (k) through (n), report the revenue amounts as shown on bills or vouchers. In column (k), provide revenues from demand charges related to the billing demand reported in column (h). In column (l), provide revenues from energy charges related to the amount of energy transferred. In column (m), provide the total revenues from all other charges on bills or vouchers rendered, including out of period adjustments. Explain in a footnote all components of the amount shown in column (m). Report in column (n) the total charge shown on bills rendered to the entity Listed in column (a). If no monetary settlement was made, enter zero (11011) in column (n). Provide a footnote explaining the nature of the non-monetary settlement, including the amount and type of energy or service rendered.

10. The total amounts in columns (i) and (j) must be reported as Transmission Received and Transmission Delivered for annual report purposes only on Page 401, Lines 16 and 17, respectively.

11. Footnote entries and provide explanations following all required data.

REVENUE FROM TRANSMISSION OF ELECTRICITY FOR OTHERS

Demand Charges (\$) (k)	Energy Charges (\$) (l)	(Other Charges) (\$) (m)	Total Revenues (\$) (k+l+m) (n)	Line No.
	1,712		1,712	1
	4,163		4,163	2
	785		785	3
	117		117	4
	3,400		3,400	5
	309		309	6
	6,970		6,970	7
	149,748		149,748	8
	29,456		29,456	9
	176,906		176,906	10
	35,245		35,245	11
683,639			683,639	12
	5,692		5,692	13
				14
569,151			569,151	15
	523		523	16
				17
	2,448		2,448	18
436,365			436,365	19
				20
	617,526		617,526	21
181,819			181,819	22
	6		6	23
				24
	2,034		2,034	25
	2,387		2,387	26
	1,035		1,035	27
	47		47	28
	5		5	29
	10,141		10,141	30
	1,609		1,609	31
	376		376	32
	2,063		2,063	33
	86		86	34
<b>3,609,979</b>	<b>2,272,212</b>	<b>0</b>	<b>5,882,191</b>	

**TRANSMISSION OF ELECTRICITY FOR OTHERS (Account 456.1)**  
(Including transactions referred to as 'wheeling')

1. Report all transmission of electricity, i.e., wheeling, provided for other electric utilities, cooperatives, other public authorities, qualifying facilities, non-traditional utility suppliers and ultimate customers for the quarter.

2. Use a separate line of data for each distinct type of transmission service involving the entities listed in column (a), (b) and (c).

3. Report in column (a) the company or public authority that paid for the transmission service. Report in column (b) the company or public authority that the energy was received from and in column (c) the company or public authority that the energy was delivered to. Provide the full name of each company or public authority. Do not abbreviate or truncate name or use acronyms. Explain in a footnote any ownership interest in or affiliation the respondent has with the entities listed in columns (a), (b) or (c)

4. In column (d) enter a Statistical Classification code based on the original contractual terms and conditions of the service as follows: FNO - Firm Network Service for Others, FNS - Firm Network Transmission Service for Self, LFP - "Long-Term Firm Point to Point Transmission Service, OLF - Other Long-Term Firm Transmission Service, SFP - Short-Term Firm Point to Point Transmission Reservation, NF - non-firm transmission service, OS - Other Transmission Service and AD - Out-of-Period Adjustments. Use this code for any accounting adjustments or "true-ups" for service provided in prior reporting periods. Provide an explanation in a footnote for each adjustment. See General Instruction for definitions of codes.

Line No.	Payment By (Company of Public Authority) (Footnote Affiliation) (a)	Energy Received From (Company of Public Authority) (Footnote Affiliation) (b)	Energy Delivered To (Company of Public Authority) (Footnote Affiliation) (c)	Statistical Classification (d)
1	Tristate Generating and Transmission Coop	Tucson Electric Power Company	Public Service Company of New Mex	LFP
2	Tristate Generating and Transmission Coop	Tucson Electric Power Company	Public Service Company of New Mex	SFP
3	Tucson Electric Power Company	Salt River Project	Salt River Project	LFP
4	Tucson Electric Power Company	Salt River Project	Salt River Project	SFP
5	Tucson Electric Power Company	Salt River Project	Salt River Project	NF
6	Tucson Electric Power Company	Salt River Project	Salt River Project	SFP
7	Tucson Electric Power Company	Salt River Project	Arizona Public Service Company	NF
8	Tucson Electric Power Company	Salt River Project	Arizona Public Service Company	SFP
9	Tucson Electric Power Company	Public Service Company of New Mex	Tucson Electric Power Company	LFP
10	Tucson Electric Power Company	Public Service Company of New Mex	Tucson Electric Power Company	NF
11	Tucson Electric Power Company	Public Service Company of New Mex	Tucson Electric Power Company	NF
12	Tucson Electric Power Company	Public Service Company of New Mex	Tucson Electric Power Company	SFP
13	Tucson Electric Power Company	Public Service Company of New Mex	Tucson Electric Power Company	LFP
14	Tucson Electric Power Company	Tucson Electric Power Company	Tucson Electric Power Company	NF
15	Tucson Electric Power Company	Tucson Electric Power Company	Tucson Electric Power Company	SFP
16	Tucson Electric Power Company	Tucson Electric Power Company	Tucson Electric Power Company	SFP
17	Tucson Electric Power Company	Tucson Electric Power Company	Tucson Electric Power Company	SFP
18	Tucson Electric Power Company	Salt River Project	Arizona Public Service Company	NF
19	Tucson Electric Power Company	Salt River Project	Arizona Public Service Company	SFP
20	Tucson Electric Power Company	Tucson Electric Power Company	Tucson Electric Power Company	NF
21	Tucson Electric Power Company	Arizona Public Service Company	Salt River Project	NF
22	UniSource Energy Services	Salt River Project	Arizona Public Service Company	NF
23	UniSource Energy Services	Salt River Project	Arizona Public Service Company	NF
24	Western Area Power Admin	Tucson Electric Power Company	El Paso Electric Company	NF
25	Western Area Power Admin	Public Service Company of New Mex	El Paso Electric Company	LFP
26	Western Area Power Admin	Public Service Company of New Mex	El Paso Electric Company	SFP
27	Western Area Power Admin - DSW	Salt River Project	Arizona Public Service Company	NF
28				
29				
30				
31				
32				
33				
34				
	<b>TOTAL</b>			

TRANSMISSION OF ELECTRICITY FOR OTHERS (Account 456)(Continued)  
(Including transactions referred to as 'wheeling')

5. In column (e), identify the FERC Rate Schedule or Tariff Number, On separate lines, list all FERC rate schedules or contract designations under which service, as identified in column (d), is provided.
6. Report receipt and delivery locations for all single contract path, "point to point" transmission service. In column (f), report the designation for the substation, or other appropriate identification for where energy was received as specified in the contract. In column (g) report the designation for the substation, or other appropriate identification for where energy was delivered as specified in the contract.
7. Report in column (h) the number of megawatts of billing demand that is specified in the firm transmission service contract. Demand reported in column (h) must be in megawatts. Footnote any demand not stated on a megawatts basis and explain.
8. Report in column (i) and (j) the total megawatthours received and delivered.

FERC Rate Schedule of Tariff Number (e)	Point of Receipt (Substation or Other Designation) (f)	Point of Delivery (Substation or Other Designation) (g)	Billing Demand (MW) (h)	TRANSFER OF ENERGY		Line No.
				MegaWatt Hours Received (i)	MegaWatt Hours Delivered (j)	
80	Springerville	Las Cruces/Orogrande	50	100,591	100,591	1
OATT	Springerville	Las Cruces/Orogrande		4,255	4,255	2
OATT	Jojoba	Kyrene	142	192,707	192,707	3
OATT	Jojoba	Kyrene		829	829	4
OATT	Jojoba	Palo Verde		2,022	2,022	5
OATT	Jojoba	Palo Verde		491,610	491,610	6
OATT	Jojoba	Westwing		3,556	3,556	7
OATT	Jojoba	Westwing		80	80	8
OATT	Luna	Greenlee	30	58,739	58,739	9
OATT	Luna	Greenlee	8	1,206	1,206	10
OATT	Luna	Greenlee		3,442	3,442	11
OATT	Luna	Greenlee		2,484	2,484	12
OATT	Luna	Springerville	10			13
OATT	Macho Springs	Springerville		648	648	14
OATT	Macho Springs	Springerville		2,437	2,437	15
OATT	Macho Springs	Springerville		851	851	16
OATT	Macho Springs	Springerville	10	8,882	8,882	17
OATT	Palo Verde	Westwing		15,559	15,559	18
OATT	Palo Verde	Westwing		15,596	15,596	19
OATT	Springerville	Greenlee				20
OATT	Westwing	Palo Verde		526	526	21
OATT	Jojoba	Westwing		8	8	22
OATT	Palo Verde	Westwing		130,878	130,878	23
OATT	Springerville	Holloman				24
OATT	Westmesa	Holloman	2	1,913	1,913	25
OATT	Westmesa	Holloman		80	80	26
OATT	Palo Verde	Westwing		75	75	27
						28
						29
						30
						31
						32
						33
						34
			900	1,601,695	1,601,695	

TRANSMISSION OF ELECTRICITY FOR OTHERS (Account 456) (Continued)  
(Including transactions referred to as 'wheeling')

9. In column (k) through (n), report the revenue amounts as shown on bills or vouchers. In column (k), provide revenues from demand charges related to the billing demand reported in column (h). In column (l), provide revenues from energy charges related to the amount of energy transferred. In column (m), provide the total revenues from all other charges on bills or vouchers rendered, including out of period adjustments. Explain in a footnote all components of the amount shown in column (m). Report in column (n) the total charge shown on bills rendered to the entity Listed in column (a). If no monetary settlement was made, enter zero (11011) in column (n). Provide a footnote explaining the nature of the non-monetary settlement, including the amount and type of energy or service rendered.

10. The total amounts in columns (i) and (j) must be reported as Transmission Received and Transmission Delivered for annual report purposes only on Page 401, Lines 16 and 17, respectively.

11. Footnote entries and provide explanations following all required data.

REVENUE FROM TRANSMISSION OF ELECTRICITY FOR OTHERS

Demand Charges (\$) (k)	Energy Charges (\$) (l)	(Other Charges) (\$) (m)	Total Revenues (\$) (k+l+m) (n)	Line No.
346,500			346,500	1
				2
399,127			399,127	3
				4
	4,045		4,045	5
	793,190		793,190	6
	13,492		13,492	7
	271		271	8
218,183			218,183	9
19,392			19,392	10
	101,989		101,989	11
				12
				13
	3,626		3,626	14
	62,770		62,770	15
	2,238		2,238	16
72,728			72,728	17
	12,605		12,605	18
	12,890		12,890	19
	68		68	20
	292		292	21
	25		25	22
	114,469		114,469	23
	23		23	24
14,546			14,546	25
				26
	72		72	27
				28
				29
				30
				31
				32
				33
				34
<b>3,609,979</b>	<b>2,272,212</b>	<b>0</b>	<b>5,882,191</b>	



Name of Respondent El Paso Electric Company	This Report is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) / /	Year/Period of Report 2019/Q3
FOOTNOTE DATA			

**Schedule Page: 328 Line No.: 1 Column: a**

El Paso Electric Marketing refers to El Paso Electric Company's Resource Management Department.

**Schedule Page: 328 Line No.: 1 Column: c**

El Paso Electric Marketing refers to El Paso Electric Company's Resource Management Department.

**Schedule Page: 328 Line No.: 1 Column: e**

OATT = Open Access Transmission Tariff.

**Schedule Page: 328 Line No.: 2 Column: b**

El Paso Electric Marketing refers to El Paso Electric Company's Resource Management Department.

**Schedule Page: 328 Line No.: 2 Column: c**

El Paso Electric Marketing refers to El Paso Electric Company's Resource Management Department.

**Schedule Page: 328 Line No.: 2 Column: d**

Network Integration Transmission Service. Evergreen contract may expire on March 31st of the applicable year with a prior two year notice.

**Schedule Page: 328 Line No.: 3 Column: d**

Firm transmission contracts of 17, 23, 35 and 50 MW, expiration January 1, 2021. Service was partially redirected to hourly services.

**Schedule Page: 328 Line No.: 4 Column: i**

Losses associated with the energy wheeled on transmission purchases that are paid back in kind.

**Schedule Page: 328 Line No.: 11 Column: d**

Firm transmission contracts of 25 and 100 MW, expiration January 1, 2021. Service was partially redirected to hourly services.

**Schedule Page: 328 Line No.: 12 Column: i**

Losses associated with the energy wheeled on transmission purchases that are paid back in kind.

**Schedule Page: 328.1 Line No.: 12 Column: d**

Firm transmission contract, expiration August 1, 2024.

**Schedule Page: 328.1 Line No.: 14 Column: i**

Losses associated with the energy wheeled on transmission purchases that are paid back in kind.

**Schedule Page: 328.1 Line No.: 15 Column: d**

Firm transmission contracts of 111 and 30 MW, expiration January 1, 2024. Includes 111 MW generation dependent firm transmission service per executed service agreement. Service was partially redirected to daily and hourly services.

**Schedule Page: 328.1 Line No.: 17 Column: i**

Losses associated with the energy wheeled on transmission purchases that are paid back in kind.

**Schedule Page: 328.1 Line No.: 18 Column: i**

Losses billed to PNM under the FERC approved Operating Procedure 10.

**Schedule Page: 328.1 Line No.: 19 Column: d**

Firm transmission contract, expiration January 1, 2025. Service was partially redirected to daily services.

**Schedule Page: 328.1 Line No.: 20 Column: i**

Losses associated with the energy wheeled on transmission purchases that are paid back in kind.

**Schedule Page: 328.1 Line No.: 22 Column: d**

Firm transmission contract, expiration July 1, 2023. Service was partially redirected to daily services.

**Schedule Page: 328.1 Line No.: 24 Column: i**

Losses associated with the energy wheeled on transmission purchases that are paid back in kind.

Name of Respondent El Paso Electric Company	This Report is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) / /	Year/Period of Report 2019/Q3
FOOTNOTE DATA			

kind.

**Schedule Page: 328.2 Line No.: 1 Column: d**

Firm grandfathered transmission contract, expiration January 1, 2026.

**Schedule Page: 328.2 Line No.: 2 Column: i**

Losses associated with the energy wheeled on transmission purchases that are paid back in kind.

**Schedule Page: 328.2 Line No.: 3 Column: d**

Firm transmission contract, expiration January 1, 2025.

**Schedule Page: 328.2 Line No.: 4 Column: i**

Losses associated with the energy wheeled on transmission purchases that are paid back in kind.

**Schedule Page: 328.2 Line No.: 9 Column: d**

Firm transmission contract, expiration November 1, 2029.

**Schedule Page: 328.2 Line No.: 12 Column: i**

Losses associated with the energy wheeled on transmission purchases that are paid back in kind.

**Schedule Page: 328.2 Line No.: 13 Column: d**

Firm transmission contract, expiration November 1, 2029. Service was redirected to monthly services.

**Schedule Page: 328.2 Line No.: 25 Column: d**

Firm transmission contract, expiration October 1, 2024.

**Schedule Page: 328.2 Line No.: 26 Column: i**

Losses associated with the energy wheeled on transmission purchases that are paid back in kind.

TRANSMISSION OF ELECTRICITY BY OTHERS (Account 565)  
(Including transactions referred to as "wheeling")

1. Report all transmission, i.e. wheeling or electricity provided by other electric utilities, cooperatives, municipalities, other public authorities, qualifying facilities, and others for the quarter.
2. In column (a) report each company or public authority that provided transmission service. Provide the full name of the company, abbreviate if necessary, but do not truncate name or use acronyms. Explain in a footnote any ownership interest in or affiliation with the transmission service provider. Use additional columns as necessary to report all companies or public authorities that provided transmission service for the quarter reported.
3. In column (b) enter a Statistical Classification code based on the original contractual terms and conditions of the service as follows: FNS - Firm Network Transmission Service for Self, LFP - Long-Term Firm Point-to-Point Transmission Reservations. OLF - Other Long-Term Firm Transmission Service, SFP - Short-Term Firm Point-to-Point Transmission Reservations, NF - Non-Firm Transmission Service, and OS - Other Transmission Service. See General Instructions for definitions of statistical classifications.
4. Report in column (c) and (d) the total megawatt hours received and delivered by the provider of the transmission service.
5. Report in column (e), (f) and (g) expenses as shown on bills or vouchers rendered to the respondent. In column (e) report the demand charges and in column (f) energy charges related to the amount of energy transferred. On column (g) report the total of all other charges on bills or vouchers rendered to the respondent, including any out of period adjustments. Explain in a footnote all components of the amount shown in column (g). Report in column (h) the total charge shown on bills rendered to the respondent. If no monetary settlement was made, enter zero in column (h). Provide a footnote explaining the nature of the non-monetary settlement, including the amount and type of energy or service rendered.
6. Enter "TOTAL" in column (a) as the last line.
7. Footnote entries and provide explanations following all required data.

Line No.	Name of Company or Public Authority (Footnote Affiliations) (a)	Statistical Classification (b)	TRANSFER OF ENERGY		EXPENSES FOR TRANSMISSION OF ELECTRICITY BY OTHERS			
			Magawatt-hours Received (c)	Magawatt-hours Delivered (d)	Demand Charges (\$) (e)	Energy Charges (\$) (f)	Other Charges (\$) (g)	Total Cost of Transmission (\$) (h)
1	Public Serv. Co. of NM	LFP	202,786	202,786	929,331			929,331
2	Public Serv. Co. of NM	LFP	6,081	6,081	178,718			178,718
3	Public Serv. Co. of NM	SFP	13,380	13,380				
4	Public Serv. Co. of NM	NF	1,471	1,471		12,370		12,370
5	Public Serv. Co. of NM	AD				-151,342		-151,342
6	Public Serv. Co. of NM	AD				-114,208		-114,208
7	Public Serv. Co. of NM	AD				-819		-819
8	Salt River Project	OLF	61,313	61,313	434,599			434,599
9	Salt River Project	SFP	305	305		2,614		2,614
10	Salt River Project	NF	300	300		2,593		2,593
11	Tucson Electric Power	OLF	91,650	91,650				
12	Tucson Electric Power	SFP	80	80		702		702
13	Tucson Electric Power	NF	232	232		1,838		1,838
14								
15								
16								
	TOTAL		377,598	377,598	1,542,648	-246,252		1,296,396

Name of Respondent El Paso Electric Company	This Report is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) / /	Year/Period of Report 2019/Q3
FOOTNOTE DATA			

<b>Schedule Page: 332 Line No.: 1 Column: b</b> Contract terminates July 1, 2020.
<b>Schedule Page: 332 Line No.: 1 Column: c</b> Amounts shown based on actual energy flows.
<b>Schedule Page: 332 Line No.: 1 Column: d</b> Amounts shown based on actual energy flows.
<b>Schedule Page: 332 Line No.: 2 Column: b</b> Contract terminated June 1, 2019, and was extended through June 1, 2024.
<b>Schedule Page: 332 Line No.: 2 Column: c</b> Amounts shown based on actual energy flows.
<b>Schedule Page: 332 Line No.: 2 Column: d</b> Amounts shown based on actual energy flows.
<b>Schedule Page: 332 Line No.: 3 Column: c</b> Amounts shown based on actual energy flows.
<b>Schedule Page: 332 Line No.: 3 Column: d</b> Amounts shown based on actual energy flows.
<b>Schedule Page: 332 Line No.: 4 Column: c</b> Amounts shown based on transmission reservations.
<b>Schedule Page: 332 Line No.: 4 Column: d</b> Amounts shown based on transmission reservations.
<b>Schedule Page: 332 Line No.: 4 Column: f</b> Amounts shown include short term transmission reservations, related ancillary and losses.
<b>Schedule Page: 332 Line No.: 5 Column: b</b> Prior year adjustment related to PNM Annual Transmission Revenue Requirement recalculation for June 2018 - December 2018.
<b>Schedule Page: 332 Line No.: 5 Column: f</b> Prior year adjustment related to PNM Annual Transmission Revenue Requirement recalculation for June 2018 - December 2018.
<b>Schedule Page: 332 Line No.: 6 Column: b</b> Prior period adjustment for Long-Term Firm Point-to-Point Transmission related to PNM Annual Transmission Revenue Requirement recalculation for January 2019 - May 2019.
<b>Schedule Page: 332 Line No.: 6 Column: f</b> Prior period adjustment for Long-Term Firm Point-to-Point Transmission related to PNM Annual Transmission Revenue Requirement recalculation for January 2019 - May 2019.
<b>Schedule Page: 332 Line No.: 7 Column: b</b> Prior period adjustment for Non-Firm Transmission related to PNM Annual Transmission Revenue Requirement recalculation for January 2019 - May 2019.
<b>Schedule Page: 332 Line No.: 7 Column: f</b> Prior period adjustment for Non-Firm Transmission related to PNM Annual Transmission Revenue Requirement recalculation for January 2019 - May 2019.
<b>Schedule Page: 332 Line No.: 8 Column: b</b> Contract expires concurrent with the ANPP Participation Agreement.
<b>Schedule Page: 332 Line No.: 8 Column: c</b> Amounts shown based on actual energy flows.
<b>Schedule Page: 332 Line No.: 8 Column: d</b> Amounts shown based on actual energy flows.
<b>Schedule Page: 332 Line No.: 9 Column: c</b> Amounts shown based on transmission reservations.
<b>Schedule Page: 332 Line No.: 9 Column: d</b> Amounts shown based on transmission reservations.
<b>Schedule Page: 332 Line No.: 9 Column: f</b> Amounts shown include short term transmission reservations, related ancillary and losses.
<b>Schedule Page: 332 Line No.: 10 Column: c</b>

Name of Respondent El Paso Electric Company	This Report is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) / /	Year/Period of Report 2019/Q3
FOOTNOTE DATA			

Amounts shown based on transmission reservations.

**Schedule Page: 332 Line No.: 10 Column: d**

Amounts shown based on transmission reservations.

**Schedule Page: 332 Line No.: 10 Column: f**

Amounts shown include short term transmission reservations, related ancillary and losses.

**Schedule Page: 332 Line No.: 11 Column: b**

Service Schedule C terminates on the date of retirement of the last generating unit at Palo Verde, subject to twelve-month notice of termination by the Company.

**Schedule Page: 332 Line No.: 11 Column: c**

Amounts shown based on actual energy flows.

**Schedule Page: 332 Line No.: 11 Column: d**

Amounts shown based on actual energy flows.

**Schedule Page: 332 Line No.: 11 Column: e**

Under a pre-order 888/889 agreement, the Company was assigned rights as part of the Power Exchange and Transmission Agreement.

**Schedule Page: 332 Line No.: 12 Column: c**

Amounts shown based on transmission reservations.

**Schedule Page: 332 Line No.: 12 Column: d**

Amounts shown based on transmission reservations.

**Schedule Page: 332 Line No.: 12 Column: f**

Amounts shown include short term transmission reservations, related ancillary and losses.

**Schedule Page: 332 Line No.: 13 Column: c**

Amounts shown based on transmission reservations.

**Schedule Page: 332 Line No.: 13 Column: d**

Amounts shown based on transmission reservations.

**Schedule Page: 332 Line No.: 13 Column: f**

Amounts shown include short term transmission reservations, related ancillary and losses.

Depreciation, Depletion and Amortization of Electric Plant (Accts 403, 403.1, 404, and 405) (Except Amortization of Acquisition Adjustments)

1. Report the year to date amounts of depreciation expense, asset retirement cost depreciation, depletion and amortization, except amortization of acquisition adjustments for the accounts indicated and classified according to the plant functional groups described.

Line No.	Functional Classification  (a)	Depreciation Expense (Account 403)  (b)	Depreciation Expense for Asset Retirement Costs (Account 403.1)  (c)	Amortization of Other Limited-Term Electric Plant (Account 404)  (e)	Amortization of Other Electric Plant (Account 405)  (e)	Total  (f)
1	Intangible Plant			5,941,252		5,941,252
2	Steam Production Plant	8,849,722	( 17,358)			8,832,364
3	Nuclear Production Plant	20,994,889	( 987,872)			20,007,017
4	Hydraulic Production Plant Conv					
5	Hydraulic Production Plant - Pumped Storage					
6	Other Production Plant	9,244,489	4,566			9,249,055
7	Transmission Plant	5,522,152				5,522,152
8	Distribution Plant	17,215,578				17,215,578
9	General Plant	8,326,897	4,976			8,331,873
10	Common Plant					
11	TOTAL ELECTRIC (lines 2 through 10)	70,153,727	( 995,688)	5,941,252		75,099,291

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**MONTHLY PEAKS AND OUTPUT**

- (1) (1) Report the monthly peak load and energy output. If the respondent has two or more power systems which are not physically integrated, furnish the required information for each non- integrated system. In quarter 1 report January, February, and March only. In quarter 2 report April, May, and June only. In quarter 3 report July, August, and September only.
- (2) Report on column (b) by month the system's output in Megawatt hours for each month.
- (3) Report on column (c) by month the non-requirements sales for resale. Include in the monthly amounts any energy losses associated with the sales.
- (4) Report on column (d) by month the system's monthly maximum megawatt load (60 minute integration) associated with the system.
- (5) Report on columns (e) and (f) the specified information for each monthly peak load reported on column (d).
- (6) Report Monthly Peak Hours in military time; 0100 for 1:00 AM, 1200 for 12 AM, and 1830 for 6:30 PM, etc.

NAME OF SYSTEM:

Line No.	Month (a)	Total Monthly Energy (MWH) (b)	Monthly Non-Requirements Sales for Resale & Associated Losses (c)	MONTHLY PEAK		
				Megawatts (See Instr. 4) (d)	Day of Month (e)	Hour (f)
1	January	949,535	312,402	1,140	2	2000
2	February	934,455	384,954	1,057	19	2000
3	March	895,293	315,190	1,033	28	1700
4	Total	2,779,283	1,012,546	3,230		
5	April	738,105	140,102	1,262	29	1600
6	May	1,051,772	359,053	1,460	16	1600
7	June	1,217,096	390,188	1,856	27	1600
8	Total	3,006,973	889,343	4,578		
9	July	1,274,550	295,263	1,885	16	1600
10	August	1,273,110	257,083	1,985	26	1600
11	September	1,175,933	336,644	1,775	3	1600
12	Total	3,723,593	888,990	5,645		

Name of Respondent El Paso Electric Company	This Report is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) / /	Year/Period of Report 2019/Q3
FOOTNOTE DATA			

**Schedule Page: 399 Line No.: 1 Column: b**

Includes 92,177 MWhs related to the Company's Power Purchase and Sales Agreement with Freeport-McMoRan dated December 16, 2005.

**Schedule Page: 399 Line No.: 1 Column: c**

Includes 92,177 MWhs related to the Company's Power Purchase and Sales Agreement with Freeport-McMoRan dated December 16, 2005.

**Schedule Page: 399 Line No.: 2 Column: b**

Includes 83,207 MWhs related to the Company's Power Purchase and Sales Agreement with Freeport-McMoRan dated December 16, 2005.

**Schedule Page: 399 Line No.: 2 Column: c**

Includes 83,207 MWhs related to the Company's Power Purchase and Sales Agreement with Freeport-McMoRan dated December 16, 2005.

**Schedule Page: 399 Line No.: 5 Column: b**

Includes 3,200 MWhs related to the Company's Power Purchase and Sales Agreement with Freeport-McMoRan dated December 16, 2005.

**Schedule Page: 399 Line No.: 5 Column: c**

Includes 3,200 MWhs related to the Company's Power Purchase and Sales Agreement with Freeport-McMoRan dated December 16, 2005.

**Schedule Page: 399 Line No.: 6 Column: b**

Includes 69,515 MWhs related to the Company's Power Purchase and Sales Agreement with Freeport-McMoRan dated December 16, 2005.

**Schedule Page: 399 Line No.: 6 Column: c**

Includes 69,515 MWhs related to the Company's Power Purchase and Sales Agreement with Freeport-McMoRan dated December 16, 2005.

**Schedule Page: 399 Line No.: 7 Column: b**

Includes 88,783 MWhs related to the Company's Power Purchase and Sales Agreement with Freeport-McMoRan dated December 16, 2005.

**Schedule Page: 399 Line No.: 7 Column: c**

Includes 88,783 MWhs related to the Company's Power Purchase and Sales Agreement with Freeport-McMoRan dated December 16, 2005.

**Schedule Page: 399 Line No.: 9 Column: b**

Includes 91,295 MWhs related to the Company's Power Purchase and Sales Agreement with Freeport-McMoRan dated December 16, 2005.

**Schedule Page: 399 Line No.: 9 Column: c**

Includes 91,295 MWhs related to the Company's Power Purchase and Sales Agreement with Freeport-McMoRan dated December 16, 2005.

**Schedule Page: 399 Line No.: 10 Column: b**

Includes 90,446 MWhs related to the Company's Power Purchase and Sales Agreement with Freeport-McMoRan dated December 16, 2005.

**Schedule Page: 399 Line No.: 10 Column: c**

Includes 90,446 MWhs related to the Company's Power Purchase and Sales Agreement with Freeport-McMoRan dated December 16, 2005.

**Schedule Page: 399 Line No.: 11 Column: b**

Includes 88,504 MWhs related to the Company's Power Purchase and Sales Agreement with Freeport-McMoRan dated December 16, 2005.

**Schedule Page: 399 Line No.: 11 Column: c**

Includes 88,504 MWhs related to the Company's Power Purchase and Sales Agreement with Freeport-McMoRan dated December 16, 2005.



MONTHLY TRANSMISSION SYSTEM PEAK LOAD

- (1) Report the monthly peak load on the respondent's transmission system. If the respondent has two or more power systems which are not physically integrated, furnish the required information for each non-integrated system.  
 (2) Report on Column (b) by month the transmission system's peak load.  
 (3) Report on Columns (c) and (d) the specified information for each monthly transmission - system peak load reported on Column (b).  
 (4) Report on Columns (e) through (j) by month the system' monthly maximum megawatt load by statistical classifications. See General Instruction for the definition of each statistical classification.

NAME OF SYSTEM:

Line No.	Month (a)	Monthly Peak MW - Total (b)	Day of Monthly Peak (c)	Hour of Monthly Peak (d)	Firm Network Service for Self (e)	Firm Network Service for Others (f)	Long-Term Firm Point-to-point Reservations (g)	Other Long-Term Firm Service (h)	Short-Term Firm Point-to-point Reservation (i)	Other Service (j)
1	January	1,140	2	2000		5	648	50	106	
2	February	1,057	19	2000		6	658	50	96	
3	March	1,033	28	1700		9	685	50	69	
4	Total for Quarter 1					20	1,991	150	271	
5	April	1,262	29	1600		8	650	50	104	
6	May	1,460	16	1600		10	674	50	80	
7	June	1,856	27	1600		14	674	50	145	
8	Total for Quarter 2					32	1,998	150	329	
9	July	1,885	16	1600		13	666	50	153	
10	August	1,985	26	1600		14	679	50	140	
11	September	1,775	3	1600		13	683	50	71	
12	Total for Quarter 3					40	2,028	150	364	
13	October									
14	November									
15	December									
16	Total for Quarter 4									
17	Total Year to Date/Year					92	6,017	450	964	

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