BEFORE THE NEW MEXICO PUBLIC REGULATION COMMISSION

IN THE MATTER OF EL PASO ELECTRIC COMPANY'S 2010 PROCUREMENT PLAN PURSUANT TO THE RENEWABLE ENERGY ACT AND NMAC 17.9.572.16	)	**CASE NO. 10-00 -UT**

DIRECT TESTIMONY

OF

EVAN D. EVANS

JULY 1, 2010

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EL PASO ELECTRIC COMPANY
DIRECT TESTIMONY OF
EVAN D. EVANS

I. INTRODUCTION AND QUALIFICATIONS

Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A. My name is Evan D. Evans. My business address is 100 N. Stanton, El Paso, Texas 79901.

Q. HOW ARE YOU EMPLOYED?

A. I am employed by El Paso Electric Company ("EPE" or "Company") as Assistant Vice President - Regulatory Services and Rates.

Q. PLEASE SUMMARIZE YOUR EDUCATIONAL AND PROFESSIONAL BACKGROUND AND EXPERIENCE.

A. I graduated from Texas Tech University with a Bachelor of Business Administration Degree in Finance in May 1980. Upon graduation, I was employed as a Rate Analyst at West Texas Utilities Company, a wholly-owned subsidiary of Central and South West Corporation ("CSW"), which was acquired by American Electric Power Company ("AEP") in June 2000. I was employed with various CSW subsidiaries and later with AEP until September 2000. During my 20-year career with CSW and AEP, I held a variety of professional analytical, consultant and management positions in the rates, regulatory services and marketing and business development areas.

During my employment with CSW and AEP, I was heavily involved in the areas of costing and pricing. I prepared numerous wholesale and retail cost-of-service studies filed with the Federal Energy Regulatory Commission and the Public

Utility Commission of Texas ("PUCT"). I participated in the development of marginal cost and avoided cost studies used for rate design, for determining payments for power purchased from cogenerators and in analyzing marketing programs. I also had extensive involvement in designing retail and wholesale rates and in performing system loss analyses.

In October, 2000 I joined C.H. Guernsey & Company, which is an employee-owned, professional consulting firm offering engineering, architectural, economic and construction management services to utilities, industries and government agencies throughout the United States and internationally. While employed with C.H. Guernsey, I managed the firm's Dallas regional office and served as a consultant to electric utility industry clients in a variety of areas, including regulatory compliance, integrated resource planning, electric utility cost of service issues, rate studies, financial analysis, economic feasibility analysis, retail electric choice and wholesale power supply contract negotiations.

In September, 2006, I left C.H. Guernsey and accepted the position of Director – Regulatory Services with EPE. I was promoted to Assistant Vice President Regulatory Services and Rates in July, 2008.

Q. PLEASE DESCRIBE YOUR CURRENT RESPONSIBILITIES WITH EPE.

A. My primary responsibilities include coordination and management of regulatory filings, management of regulatory accounting, and direction of the rate design, cost analysis and energy efficiency activities for the Company.

Q. HAVE YOU PREVIOUSLY PRESENTED TESTIMONY BEFORE UTILITY REGULATORY BODIES?

A. Yes, I have previously presented testimony before the New Mexico Public Regulation Commission ("NMPRC" or "Commission"), Georgia Public Service Commission, the Oklahoma Corporation Commission and the PUCT.

II. PURPOSE OF TESTIMONY

Q. WHAT ARE THE PURPOSES OF YOUR TESTIMONY?

A. The purposes of my testimony are to address portions of EPE's 2010 Procurement Plan relating to the application of the Reasonable Cost Threshold ("RCT") and non-governmental cap, and EPE's proposals for customer-installed distributed generation ("DG") programs. The New Mexico Renewable Energy Act ("Act") requires EPE to file annually a Procurement Plan that sets forth EPE's plan for compliance with the Act. EPE's 2010 Procurement Plan is presented in EPE's Application and the Direct Testimony of Ricardo Acosta. EPE Witness Acosta's testimony specifically addresses EPE's purchases from selected projects to meet EPE's RPS requirements for 2011 and 2012. He also addresses EPE's plans for meeting the minimum percentage requirements by resource type required by the Commission's Renewable Energy Rule 17.9.572 NMAC ("Rule") beginning in 2011.

My testimony presents the cost of procurement in the next two calendar years for the renewable energy resources EPE is using to comply with its Renewable Portfolio Standard ("RPS") obligations. I address whether EPE anticipates reducing

the RPS due to the RCT and how that determination was made. My testimony provides estimates of the impact of the costs on all customers' aggregated overall annual electric charges that EPE will incur to comply with the Act and the Commission's Rule. I also address whether EPE anticipates reducing the amount of renewable energy to be provided in calendar years 2011 and 2012 to account for statutory caps associated with non-governmental customers with consumption exceeding ten million kilowatt hours ("kWh") per year, and how that determination has been made.

In addition, my testimony sets forth EPE's proposed changes to its Small System Renewable Energy Certificate Purchase ("Small System REC") Program and its Medium System Renewable Energy Certificate Purchase ("Medium System REC") Program, which offers incentives to customers who install renewable energy generating units of 10 kW AC or less and renewable energy generating units of greater than 10 kW AC to 100 kW AC, respectively, that interconnect with EPE's system at the distribution level.

III. RENEWABLE ENERGY PORTFOLIO COSTS

Q. PLEASE OUTLINE THE FILING REQUIREMENTS FOR EPE'S ESTIMATED COSTS ASSOCIATED WITH ITS 2010 PLAN.

A. The Act and Rule require that EPE's 2010 Plan estimate procurement costs for renewable energy resources in the next calendar year needed to comply with the RPS. The Act and Rule also require that EPE determine whether the RCT will be exceeded

in 2011 and 2012; and whether the cap for individual large, nongovernmental customers requires that the RPS obligation for 2011 and 2012 be reduced.

Q. HAS EPE ESTIMATED THE COSTS ASSOCIATED WITH MEETING THE RENEWABLE ENERGY PORTFOLIO REQUIREMENTS?

A. Yes. EPE has calculated the estimated overall net cost of meeting the RPS requirements for 2011 and 2012 based on EPE's 2010 Procurement Plan. In calculating the impacts to customers for 2011 and 2012, I have used the total estimated costs for REC procurement and the net cost of the purchased energy and renewable energy certificates (RECs) from the renewable resources discussed by EPE Witness Acosta. Mr. Acosta developed costs for energy from each project as part of his evaluation of the already approved REC purchases, as well as additional renewable resource projects. EPE's costs include RECs from Public Service Company of New Mexico ("PNM") at the previously approved contractual levels, the previously approved purchase of energy and RECs from the Southwest Environmental Center ("SWEC"), the previously approved and proposed new purchases of wind RECs from Southwestern Public Service Company ("SPS"), the purchase of energy and RECs from New Mexico SunTower, LLC, ("SunTower") beginning in 2011 and through RECs purchased pursuant to EPE's Small System REC and Medium System REC programs. However, under certain conditions, the in-service date for the SunTower project can be extended to 2012.

EPE has included in its 2010 Plan costs associated with the additional price of

$0.015 per kWh EPE is paying to Camino Real Landfill Gas to Energy Facility ("CRLEF") for RECs pursuant to the amended contract, which was approved in NMPRC Case No. 09-00259-UT. However, EPE is not including any other costs associated with the energy purchase of NMPRC Rule 570 renewable energy from the CRLEF, which is a renewable Qualifying Facility ("QF"). EPE is required to purchase energy from a QF under EPE's avoided cost rates, in the ordinary course of business.

The calculation of the total net cost of the Company's 2010 Procurement Plan and the total net cost impact applicable to all kWh sales are shown in Exhibit EDE-1.

Q. HOW WILL THE COSTS TO PROCURE RECS UNDER EPE'S 2010 PLAN BE RECOVERED?

A. EPE will recover the costs of RECs acquired with the purchase of renewable energy through its monthly FPPCAC calculation. EPE will defer, with carrying costs, all other costs associated with its Procurement Plan for recovery in a general rate proceeding.

IV. REASONABLE COST THRESHOLD IMPACTS

Q. DID EPE COMPARE ITS PROCUREMENT COSTS WITH THE RATE CLASS CALCULATIONS TO EVALUATE THE COST THRESHOLD IMPACT TO CUSTOMERS?

A. Yes. The total incremental cost (in $/kWh) of EPE's 2010 Plan is added to total

billing for New Mexico retail customers for 2011 and 2012, and compared to calculated billing prior to the inclusion of the renewable resource acquisition costs. This is shown is Exhibit EDE-2. The same process was applied to evaluate the impact to large, nongovernmental customers. Exhibit EDE-3 shows the percentage impact to those customers' charges. As stated below, Exhibits EDE-2 and EDE-3 demonstrate that EPE's Procurement Plan costs are well within the statutory and Commission-established limits.

Q. HOW DID EPE CALCULATE THE INCREMENTAL COSTS OF THE RENEWABLE RESOURCES?

A. The incremental cost included the entire cost of the unbundled RECs plus the incremental cost of the bundled renewable resources. The incremental cost of the bundled renewable resources was calculated as the levelized cost of the renewable resource less the levelized capacity cost of a comparable non-renewable technology, less associated non-fuel fixed and variable costs, and less the levelized fuel-related cost for the non-renewable technology. This calculation was performed consistent with the consensus language from the workshops in NMPRC Case No. 08-00198-UT, Inquiry into a Standard Methodology for Determining Renewable Energy Costs for the Purpose of 17.9.572.11 NMAC.

Q. PLEASE DESCRIBE THE COSTS OF THE NON-RENEWABLE TECHNOLOGY ALTERNATIVES THAT WERE USED IN THE

CALCULATION.

A. The calculation of the costs for non-renewable technology alternatives for biomass generation applications was based on the costs and operating characteristics for a 2-on-1 combined cycle from the EPRI Technical Assessment Guide and the Energy Information Administration's ("EIA") March 2010 Annual Energy Outlook price forecast for natural gas delivered to electric generation facilities. The forecasted levelized cost of this generation is $91.123 per MWh.

The calculation of the costs for non-renewable technology alternatives for solar generation applications was based on the costs and operating characteristics for a GE LMS100 gas turbine from the EPRI Technical Assessment Guide and the EIA's March 2010 Annual Energy Outlook price forecast for natural gas delivered to electric generation facilities. The forecasted levelized cost of this generation is $159.93 per MWh. In addition, due to a variety of factors, including the inability to dispatch the generation and the fact that solar generation's full capacity is not available all hours of the day, EPE credits solar generation with 85 percent of its rated capacity for resource planning purposes. Consequently, the forecasted levelized cost of a gas turbine is multiplied by 85 percent.

Q. WILL EPE'S PROCUREMENT COSTS FOR 2011 AND 2012 EXCEED THE RCT?

A. No. As shown in Exhibit EDE-2, EPE's estimated costs of its 2010 Plan to meet the 2011 and 2012 RPS requirements will not exceed the RCT standard for those years.

Q. HAVE YOU EVALUATED THE RCT ANALYSIS THAT STAFF DEVELOPED AND PROPOSED IN NMPRC CASE NOS. 10-00015-UT AND 10-00037-UT?

A. Yes. In those cases the Staff recommended the rejection of the RCT analysis approach developed in the levelized/avoided cost methodology proposed in Case No. 08-00198-UT and proposed an RCT analysis that calculated the RCT based upon bill impacts. In their analysis the Staff did not credit the renewable resource additions with any capacity value, but only credited them with offsets for fuel or purchased power costs.

Q. IS THE APPROACH PROPOSED BY THE STAFF IN NMPRC CASE NOS. 10-00015-UT AND 10-00037-UT REASONABLE FOR EPE IN THIS CASE?

A. No, it is not. EPE is currently constructing additional generation capacity and is purchasing capacity to meet its growing loads. EPE will rely on the capacity from the renewable resources to meet a portion of its resource planning needs. This is reflected in EPE's NMPRC-approved Integrated Resource Plan, which was filed with the NMPRC on July 16, 2009, and in EPE's latest Loads and Resource Plan, which is attached as Exhibit EDE-4.

Therefore, it is appropriate to use the cost methodology proposed in Case No. 08-00198-UT, which includes the capacity and energy cost of new generation. In

EPE's RCT analysis, as the basis for its evaluation of the RCT, EPE used the EPRI TAG costs for a combustion turbine, an 87 MWGE LMS100, and a 288 MW combined cycle that were included in EPE's approved Integrated Resource Plan.

Q. DOES THE ACT AND RULE REQUIRE EPE TO REDUCE ITS RPS REQUIREMENTS IF THE COSTS EXCEED A CERTAIN DOLLAR OR PERCENTAGE AMOUNT FOR LARGE NONGOVERNMENTAL CUSTOMERS?

A. Yes. The Act and Rule require EPE to reduce, as necessary, the kWh of renewable energy procured for large, nongovernmental customers if the additional cost of the RPS obligation, inclusive of all interconnection and transmission costs, exceeds the lower of 2.0 percent or $99,000 for 2011, and the lower of 2.25 percent or $101,079 for 2012. The limit of $101,079 for 2012 reflects the application of NMPRC Rule 17.9.572.10 (C) NMAC and applying a forecasted change in the consumer price index, urban (CPI-U) of 2.10 percent to the 2011 value of $99,000.

Q. IS EPE PROPOSING TO REDUCE ITS RENEWABLE ENERGY REQUIREMENTS IN 2011 OR 2012 FOR LARGE, NONGOVERNMENTAL CUSTOMERS?

A. No. Based on EPE's forecasted customer energy consumption and the estimated procurement price of renewable resources for 2011 and 2012, as provided by EPE Witness Acosta, EPE will not need to reduce its renewable energy requirements in

2011 or 2012 to limit procurement for large, nongovernmental customers. The additional cost of the RPS will not cause the individual annual charges to these customers to exceed the statutory limitations. Exhibit EDE-3 demonstrates that EPE's large, nongovernmental customers will not reach the cap established in the Act and Rule.

Q. HOW DID EPE DETERMINE THAT THE RPS REQUIREMENTS NEED NOT BE REDUCED?

A. To determine whether a reduction would be necessary, either for the overall RCT or for individual nongovernmental customers, EPE has assumed that base rates in effect on the day of the procurement plan filing will be in effect for 2011 and 2012, as required by NMPRC Rule 572. For the purposes of EPE's 2010 Procurement Plan, EPE's evaluation is based on EPE's current rates that went into effect in January, 2010, together with the Fuel and Purchased Power Adjustment Clause ("FPPCAC") charges that were charged during 2009, as required by the Rule, but adjusted for changes to the fuel component of base rates in EPE's new rates.

V. SMALL SYSTEM REC PURCHASE PROGRAM

Q. PLEASE DISCUSS EPE'S PROPOSED MODIFICATIONS TO THE SMALL SYSTEM REC PROGRAM.

A. Pursuant to the Final Order approving EPE's 2009 Plan in NMPRC Case No. 09-00259-UT, the Commission expanded participation in the Company's Small System

REC program from only solar renewable generation rated 10 kW or less to also include wind generation rated 10 kW or less. The Company does not believe it is necessary to make any changes to the structure or the applicability of this program at this time. Therefore, the only changes to the Small System REC Purchase Program from that which was approved in NMPRC Case No. 09-00259-UT is to update the price paid to solar and wind facilities to reflect the results of a payback calculation based on current costs for small PV facilities and small wind facilities and based upon current retail rates and other information. The proposed revised tariff for the Small System REC Purchase Program is provided in Exhibit EDE-5. Upon approval by the Commission of the updated prices, EPE will file the revised tariff as a compliance advice notice filing.

Q. PLEASE DISCUSS THE SMALL RENEWABLE DG FACILITIES CURRENTLY CONNECTED TO EPE'S SYSTEM AND THE PARTICIPATION IN EPE'S CURRENT SMALL SYSTEM REC PROGRAM.

A. Currently, 132 customer-owned small renewable DG facilities are connected to EPE's system and participating in the Small System REC Program. Of these facilities, 129 are solar generation QFs and three of these systems are wind generation QFs.

In addition, another 34 small solar QFs are under construction or otherwise in the process of completing the steps necessary to participate in the program. The construction on all 34 systems and the completion of the process to participate in the program should be completed this summer. Furthermore, the Company is regularly

responding to inquiries from additional customers interested in installing small PV or wind generation systems.

The total peak capacity for all the currently installed and participating systems is 438.4 kW and the total peak capacity for the systems under construction is 97.7 kW. The increase in small DG renewable systems connected to EPE's system has been significant since EPE's program became effective as of March 1, 2009. At the time EPE filed its 2008 Plan, the Company had 23 customer-installed systems, including two wind generation systems, in New Mexico. At the time EPE filed its 2009 Plan, the number of customer-installed systems in New Mexico had increased to 45. Therefore, 87 new customer-installed facilities have connected to EPE's system in the last 12 months, which reflects a 193% increase.

Q. WHAT IS EPE'S PROJECTED PARTICIPATION IN THE SMALL SYSTEM REC PROGRAM AND THE PROJECTED NUMBER OF RECS PROVIDED BY THE PROGRAM?

A. EPE projects it will have at least 166 systems participating in the Small System REC Program by the end of 2010. In addition, EPE expects the number of participants to increase by 60 systems per year, or an average of 5 new systems per month, in 2011 and 2012.

Q. PLEASE EXPLAIN YOUR PROPOSED UPDATE TO THE INCENTIVE PRICE FOR SOLAR GENERATION FACILITIES PARTICIPATING IN THE

PROGRAM.

A. The proposed incentive price for small solar generation facilities is $0.098 per kWh for a guaranteed period of 12 years. The proposed incentive price calculation is provided on Exhibit EDE-6. The Company calculated the incentive price to reflect the payback calculation for the average size facility currently connected to EPE's system, the estimated current costs for small PV facilities installed, current federal and state tax incentives, and the fact that the vast majority of current facilities are owned by and connected to Residential Service customers.

Q. WHAT IS THE BASIS OF THE ESTIMATED CURRENT INSTALLED COSTS FOR SMALL PV FACILITIES USED IN THE INCENTIVE PRICE CALCULATION FOR SOLAR GENERATION QFs PARTICIPATING IN THE SMALL SYSTEM REC PROGRAM?

A. EPE surveyed customers currently participating in the Small System REC Program and obtained information on the installed cost of 15 systems that have connected to EPE in the last 12 months. Exhibit EDE-7 provides the installed cost information of the 15 respondents that connected to EPE since June 2009 and indicates that the median installed cost of the systems was $7.28 per Watt. The lowest installed cost was $6.52 per Watt and the highest installed cost was $8.14 per Watt.

In EPE's incentive price calculation, EPE used an installed cost of $6.95 per Watt, which reflects the installed cost per kW at the breakpoint between the lowest priced quartile of the sample. This reflects the fact that the installed cost for PV

systems has declined significantly since the Small System REC Program was initially approved in December 2008 and the costs are generally expected to continue to decline. This declining cost trend is reflected in Exhibit EDE-8, which contains a graph of the combined retail cost of solar modules and inverters by month in the U.S. for the period of January 2009 through June 2010.

Q. WHY DID EPE DEVELOP ITS PROPOSED INCENTIVE PRICE FOR SOLAR GENERATION TO NOT PROVIDE 100% PAYBACK OF THE SYSTEM COSTS OVER THE PROPOSED CONTRACT TERM?

A. The Company does not believe it is appropriate to require non-participating customers who either cannot afford to purchase or lease a system or elect to not do so to guarantee that participants will receive 100% payback of the system costs over the contract term, particularly when the expected average service life of these systems are significantly longer than the term under which the price is guaranteed. Therefore, it is reasonable for those who can afford to purchase or lease solar generating systems to be required to recover some portion of their investment from economic benefits received after the guaranteed incentives have ended. Nevertheless, as noted on Exhibit EDE-6, customers should fully recover their investment in only 2.4 years after the end of their contract term, but with more than 15 years of average remaining service life for their systems. Consequently, although the participants should have fully recovered their investment, they will continue to receive economic benefits on their investment for several more years.

Q. PLEASE EXPLAIN YOUR PROPOSED UPDATE TO THE INCENTIVE PRICE FOR WIND GENERATION FACILITIES PARTICIPATING IN THE PROGRAM.

A. The incentive price calculation is provided on Exhibit EDE-9. The Company calculated the incentive price to reflect the payback calculation for the average size wind turbine currently connected to EPE's system, the estimated current costs for small wind generation facilities, current federal and state tax incentives, and the fact that most currently connected facilities are owned by and connected to Residential Service customers.

The cost for small wind generation facilities was based upon the quoted package price for a 2.0 kW wind turbine, which is approximately equal to the size of the average customer-owned wind turbine currently connected to EPE's system in New Mexico. In addition, the calculation reflects the 30 percent federal tax credit available to wind turbines pursuant to the Energy Improvement and Extension Act of 2008 and that there is no state income tax credit offered to small wind generation facilities. The calculation resulted in a proposed guaranteed incentive price for small wind generation facilities of $0.076 per kWh fixed for a period of 12 years.

Q. IS EPE REQUESTING THE RIGHT TO LIMIT THE NUMBER OF CUSTOMERS ALLOWED TO PARTICIPATE IN THE SMALL SYSTEM REC PURCHASE PROGRAM AT THIS TIME?

A. No, not at this time.

Q. WHAT ARE SOME OF THE BENEFITS OF EPE'S SMALL SYSTEM REC PURCHASE PROGRAM?

A. A primary benefit of the Purchase Program is that it has increased the total amount of renewable energy produced on or delivered to EPE's system by encouraging retail customers to install renewable energy systems and to maintain existing systems. Another important benefit is that it helps develop distributed generation to comply with the current requirements of the Rule and to provide operational benefits for EPE's system. Another benefit of this program is that through encouraging the installation of small DG systems, it can reduce EPE's forecasted annual system peak load requirements.

Q. HOW WILL THE PURCHASE PROGRAM ENCOURAGE CUSTOMERS TO INSTALL AND MAINTAIN RENEWABLE ENERGY SYSTEMS?

A. Participating customers will be able to sell to EPE the RECs created when their small system produces energy. This will help the customers defray some of the costs of installing and maintaining the system and will reduce the expected payback period for customers' investment in systems. The combination of the Purchase Program and the benefits derived from net metering should provide customers with incentives to ensure their systems are properly maintained and producing the maximum energy possible.

Q. WHAT IS THE AMOUNT EPE PROJECTS TO PAY PROGRAM PARTICIPANTS FOR REC PURCHASES?

A. Based upon the average size of the systems currently connected to EPE and the expected capacity factors for the applications, it is estimated that EPE will pay the typical small PV participant approximately $618 per year and will pay the typical small wind generation participant approximately $333 per year.

Q. WHAT ARE THE FINANCIAL BENEFITS CUSTOMERS WILL RECEIVE FOR PARTICIPATING IN THE SMALL SYSTEM REC PURCHASE PROGRAM?

A. The value obtained by a customer under net metering is based on EPE's retail rate tariff. Currently, for a Residential Service customer, the value of net metering is $0.11672 per kWh of a customer's generation that offsets the customer's consumption during a given month and the value for a non-demand metered Small Commercial Service customer is $.14657 per kWh. In addition, these customers receive an incentive price per kWh that EPE pays the customer for RECs purchased from the customer.

Q. HOW DOES EPE COMPENSATE PROGRAM PARTICIPANTS FOR THEIR RECS?

A. RECs are purchased by EPE from each participant as part of the regular monthly

billing process. Participants receive a monthly statement documenting the number of kWh produced by the system, the number of RECs purchased by EPE, the purchase price per REC and the total price of RECs purchased from the participant by EPE during that billing period.

REC purchase payments are applied as a credit to the participant's electric bill on a monthly basis. If the amount paid for the RECs is greater than the total of the customer's monthly electric service plus kWh charges, but less than $30, the balance of the REC payment is carried forward as a credit for the following month's bill. If the balance exceeds $30, EPE sends the customer a check for the entire balance.

Q. WHAT FEES AND CHARGES DOES EPE IMPOSE TO PARTICIPATE IN THE PROGRAM?

A. Participants are charged in accordance with EPE's interconnection agreements. The only other fee or charge to participants in the program is the $50 application fee included in the program Application. This fee is intended to cover the cost of processing the application and the cost of installing the second meter required for the program. Currently interconnected customers only pay the one-time fee to join the Purchase Program.

Q. DOES EPE REQUIRE THAT A SECOND METER BE INSTALLED?

A. Yes. A second meter is required because the total number of RECs created by the customer-owned renewable system is counted by measuring the total kWh output of

the customer's system. To measure the total output of the system an additional meter must be installed at the output of the customer-owned system.

Q. WHO IS RESPONSIBLE FOR PROVIDING THE METER SOCKET AND WIRING FOR THE SECOND METER?

A. The Small PV Program participant is responsible for installing the meter socket and all wiring for the second meter. EPE provides and installs the second meter.

Q. WHAT ARE THE PROPOSED COSTS FOR THE PURCHASE PROGRAM?

A. EPE estimates the cost of the program in 2011 to total approximately $126,285 and the cost for the program in 2012 is estimated to be $163,316.

VI. MEDIUM SYSTEM REC PURCHASE PROGRAM

Q. PLEASE DESCRIBE THE COMPANY'S MEDIUM SYSTEM REC PURCHASE PROGRAM.

A. The Medium System REC Purchase Program is similar to the Small System REC Purchase program, except that it is available for systems with a maximum rated output from 10 kW to 100 kW.

In addition, the proposed incentive prices for Medium System REC Purchase Program systems differ from the prices for small systems because these prices were developed based upon the costs for solar and wind facilities of that size.

EPE offers the program through the Commission-approved Medium System

Renewable Energy Certificate Purchase tariff. The updated tariff, which is attached as Exhibit EDE-10, is modified from the tariff approved in NMPRC Case No. 09-00259-UT only to reflect updated prices. Upon approval by the Commission of the updated prices, EPE will file the revised tariff as a compliance advice notice filing. EPE offers the tariff in conjunction with the use of the approved Application to Participate in Purchase Program for Medium System RECs ("Medium System Application") between EPE and individual customers, which EPE is not proposing to modify. The Medium System Application sets forth the terms of program participation. Customers are also required to interconnect their facilities in accordance with the Commission's QF interconnection rules and agreements.

Q. WHAT INCENTIVE PRICE PER KWH IS EPE PROPOSING TO PAY PARTICIPANTS UNDER THE MEDIUM SYSTEM REC PROGRAM?

A. The Company proposes to pay solar generation participants $0.124 per kWh and wind generation participants $0.024 per kWh.

Q. PLEASE EXPLAIN HOW THE PROPOSED INCENTIVE PRICE FOR SOLAR GENERATION WAS DEVELOPED.

A. The incentive price for solar generation for the Medium System REC Purchase Program was developed similar to the calculation for solar generation in the Small System REC Purchase Program. The calculation is provided on Exhibit EDE-11. The Company calculated the incentive price to reflect the payback calculation based

upon the estimated current costs for a 50 kW AC PV facility, expected operating characteristics for a PV system, current federal tax incentives, and the expectation that these facilities will typically be owned by and connected to corporate customers served under EPE's General Service rate.

Q. PLEASE EXPLAIN HOW THE PROPOSED INCENTIVE PRICE FOR WIND GENERATION WAS DEVELOPED.

A. The incentive price for solar generation for the Medium System REC Purchase Program was developed similar to the calculation for solar generation in the Small System REC Purchase Program. The calculation is provided on Exhibit EDE-12. The Company calculated the incentive price to reflect the payback calculation based upon the quoted turn-key price for a 50 kW AC wind turbine, expected performance characteristics for the wind turbine, current federal tax incentives, and the expectation that these facilities will typically be owned by and connected to corporate customers served under EPE's General Service rate.

Q. WHY IS THE PROPOSED INCENTIVE PRICE FOR WIND GENERATION SIGNIFICANTLY LOWER THAN THE PRICE FOR SOLAR GENERATION?

A. The primary factors that lead to the lower proposed incentive price for wind generation are: 1) a significantly lower estimated after-tax installed cost of $4.50 per Watt compared to $6.26 per Watt; 2) a higher assumed net capacity factor for wind

generation; and 3) no expected degradation in system efficiency over the 12-year term.

Q. WHAT RENEWABLE SYSTEMS ARE ELIGIBLE TO PARTICIPATE IN THE PURCHASE PROGRAM?

A. New and existing renewable energy systems utilizing solar or wind generation, rated at 10 kW AC to 100 kW AC qualify to participate. To be eligible, these systems must have an interconnection agreement with EPE in compliance with NMPRC Rule 568, be interconnected with EPE, and have completed the Application to Participate in Purchase Program for Medium System RECs.

Q. ARE CUSTOMERS REQUIRED TO PARTICIPATE IN THE PURCHASE PROGRAM IN ORDER TO INTERCONNECT WITH EPE'S SYSTEM?

A. No.

Q. WHAT ARE THE BENEFITS TO A MEDIUM SYSTEM PROGRAM PARTICIPANT, INCLUDING NET METERING OF THEIR ELECTRICITY USAGE?

A. The value obtained by a customer under net metering is based on EPE's retail rate tariff. It is expected that participating customers will be served under the Company's Small Commercial, General Service, Large Power Service or City & County Service rates. For an average General Service customer, the value of net metering for 2011 is

approximately $0.10597 per kWh of a customer's generation that offsets the customer's consumption during a given month. The proposed incentive price for participating customer-installed solar generation systems will be $0.124 and the proposed incentive price for wind generation systems $0.024. Consequently, the projected 2011 total value to a net metered customer of the RECs and energy produced by a participating solar generation facility will be approximately $0.22997 per kWh and the total value to a participating wind generation facility is $0.12997.

Q. HOW DOES EPE COMPENSATE PROGRAM PARTICIPANTS FOR THEIR RECS?

A. RECs are purchased by EPE from each participant as part of the regular monthly billing process. Participants receive a monthly invoice documenting the number of kWh produced by the system, the number of RECs purchased by EPE, the purchase price per REC and the total price of RECs purchased from the participant by EPE that billing period.

REC purchase payments are applied as credits to the participants' electric bills on a monthly basis. If the amount paid for the RECs is greater than the total of the customer's monthly electric service plus kWh charges, but less than $30, the balance of the REC payment will be carried forward as a credit for the following month's bill. If the balance exceeds $30, EPE will send the customer a check for the entire balance.

Q. WHAT FEES AND CHARGES DO EPE IMPOSE TO PARTICIPATE IN THE

PROGRAM?

A. Participants are charged in accordance with EPE's interconnection agreements. The only other fee or charge to participants in the program will be the $50 application fee included in the program Application. This fee is intended to cover the cost of processing the application and the cost of installing the second meter required for the program. Currently interconnected customers will pay the one-time fee to join the Purchase Program.

Q. DOES EPE REQUIRE THAT A SECOND METER BE INSTALLED?

A. Yes. A second meter is required because the total number of RECs created by the customer-owned renewable system is counted by measuring the total kWh output of the customer's system. To measure the total output of the system an additional meter must be installed at the output of the customer-owned system.

Q. WHO IS RESPONSIBLE FOR PROVIDING THE METER SOCKET AND WIRING FOR THE SECOND METER?

A. The Medium System REC Program participant is responsible for installing the meter socket and all wiring for the second meter. EPE will provide and install the second meter. The cost of the meter is included in EPE's total program costs.

Q. WHAT IS EPE'S CURRENT PROJECTED PARTICIPATION IN THE MEDIUM SYSTEM REC PROGRAM AND THE PROJECTED NUMBER OF

RECS PROVIDED BY THE PROGRAM?

A. EPE does not currently have any facilities in New Mexico that are participating in the Medium System REC program. However, EPE has received a number of inquiries by potential participants in the Medium System REC Purchase Program, EPE projects that to add one participant in the Medium System REC Purchase Program per year during 2010 and 2011.

Q. WHAT ARE THE PROPOSED COSTS FOR THE MEDIUM SYSTEM REC PURCHASE PROGRAM?

A. EPE estimates the cost of the program in 2011 to total approximately $7,395 and the cost for the program in 2012 is estimated to be $13,311.

VII. CONCLUSION

Q. PLEASE SUMMARIZE THE IMPACTS OF ESTIMATED COSTS ASSOCIATED WITH EPE'S 2010 PROCUREMENT PLAN ON CUSTOMERS.

A. EPE's estimated costs of meeting the Act's renewable energy requirements for 2011 and 2012 through the purchase of RECs with and without related energy will not cause EPE to reduce kWh purchases for large, nongovernmental customers or to exceed the reasonable cost threshold standard set by the Commission for those years. EPE will recover the costs of renewable purchases that include energy and associated RECs through its FPPCAC on a monthly basis; all other costs of EPE's Procurement

Plan, including RECs purchased without associated energy, will be deferred with carrying costs for later recovery in a general rate proceeding.

Q. ARE EPE'S PROPOSED CHANGES TO THE SMALL SYSTEM REC PURCHASE PROGRAM AND THE MEDIUM SYSTEM REC PURCHASE PROGRAM REASONABLE AS TO THEIR TERMS AND COSTS, BASED ON THE ACT AND RULE?

A. Yes. EPE's Small System REC Purchase Program and its Medium System REC Purchase Program have already shown that they encourage the development of distributed generation on EPE's system and are expected to continue to encourage that development. In addition, these programs will provide EPE with reasonably-priced RECs that will help EPE to meet minimum percentage targets established by the Commission.

Q. DOES THIS CONCLUDE YOUR TESTIMONY?

A. Yes.

BEFORE THE NEW MEXICO PUBLIC REGULATION COMMISSION

IN THE MATTER OF EL PASO ELECTRIC COMPANY'S 2010 PROCUREMENT PLAN PURSUANT TO THE RENEWABLE ENERGY ACT AND NMAC 17.9.572.16	)	**CASE NO. 10-00____-UT**

AFFIDAVIT

STATE OF TEXAS)
) ss
COUNTY OF EL PASO)

Evan D. Evans hereby deposes and states under oath that the information contained in the foregoing Direct Testimony of Evan D. Evans, together with the exhibits attached thereto, is true and accurate based on my personal knowledge and belief.

SIGNED this 28th day of June, 2010.

EVAN D. EVANS

Subscribed and sworn to before me this 28th day of June, 2010.

My Commission expires:
01/14/2012

TINA G. DENISON
NOTARY PUBLIC
In and for the State of Texas
My commission expires
01-14-2012

EL PASO ELECTRIC COMPANY
Calculated Incremental Cost and Factors for
Renewable Resource Procurement for the 2011 and 2012 Procurement Years

Line No.	Description	Reference	2011	2012
	REC Purchases without Energy			
1	PNM Wind REC Purchase	Exhibit RA-1	$ 1,002,251	$ -
2	SPS REC Purchase	Exhibit RA-1	900,000	700,000
3	**Total REC Purchases without Energy (Net of No Avoided Costs)**	Sum (1 + 2)	$ 1,902,251	$ 700,000
	CRLEF Project Biomass REC Purchase			
4	CRLEF Project REC Purchase	Exhibit RA-1	$ 159,000	$ 182,850
5	2010 Levelized Fixed Cost per MWh of Combined Cycle (1)	Workpaper	$ 24.628	$ 24.628
6	MWh Purchased from CRLEF	Exhibit RA-1	10,600	12,190
7	Total Avoided Fixed Cost of Combined Cycle	Line 5 * Line 6	$ 261,058	$ 300,217
8	**Net Incremental CRLEF Costs above Avoided Costs**	Line 4 - Line 7	$ (102,058)	$ (117,367)
	Solar Energy Purchases			
9	SWEC Solar Energy Purchases	Exhibit RA-1	$ 1,493	$ 1,508
10	Hatch Solar Energy Purchases	Exhibit RA-1	1,279,162	1,632,783
11	NRG SunTower Solar Energy Purchases	Exhibit RA-1	-	5,582,310
12	SunEdison Solar Energy Purchases	Exhibit RA-1	-	5,869,119
13	Small & Medium System REC Purchase Programs - Solar	Workpaper	133,470	176,417
14	Total Solar Energy Purchases	Sum (9 thru 13)	$ 1,414,125	$ 13,262,137
15	2010 Levelized Avoided Cost per MWh of Combustion Turbine (2)	Workpaper	$ 159.932	$ 159.932
16	MWH Solar Energy Purchases	Exhibit RA-1	11,840	115,261
17	Total Avoided Cost of Combustion Turbine	Line 15 * Line 16	$ 1,893,643	$ 18,433,921
18	**Net Incremental Solar Energy Costs above Avoided Costs**	Line 14 - Line 17	$ (479,518)	$ (5,171,784)
	Wind Energy Purchases			
19	Small & Medium System REC Purchase Programs - Wind	Workpaper	$ 210	$ 210
20	Applicable Avoided Costs		-	-
21	**Net Incremental Wind Energy Costs above Avoided Costs**	Line 19 - Line 20	$ 210	$ 210
22	**Total Annual Incremental Cost of Renewable Procurement Plan**	Sum(3, 8, 18 & 21)	$ 1,320,885	$ (4,588,941)

NOTE:

(1) Levelized Fixed Cost per MWh of 2X1 7EA Combined Cycle based on EPRI TAG calculation.

(2) Levelized Cost per MWh of GE LMS100 Combustion Turbine based on EPRI TAG calculation and fuel cost projection from March 2010 EIA Annual Energy Outlook forecast of natural gas prices for delivery to electric generation (Released 12-2009).

EL PASO ELECTRIC COMPANY
Calculated Incremental Cost and Factors for
Renewable Resource Procurement for the 2011 and 2012 Procurement Years

Line No.	Description	2011	2012
1	Forecasted New Mexico Jurisdictional MWH Sales at Meter (1)	1,685,406	1,757,908
2	New Mexico System Loss Factor (2)	1.080062	1.080062
3	Forecasted New Mexico Jurisdictional MWH Sales at Supply	1,820,343	1,898,650
4	Total Annual Incremental Cost of Renewable Resource Purchases	$ 1,320,885	$ (4,588,941)
5	New Mexico System Incremental Cost Factor for Renewable Resource Procurement Applicable to all kWh sales, $/kWh	$ 0.00073	$ (0.00242)
6	Loss adjusted for secondary voltage delivery	$ 0.00073	$ (0.00244)
7	Loss adjusted for primary voltage delivery	$ 0.00072	$ (0.00238)
8	Loss adjusted for transmission voltage delivery	$ 0.00068	$ (0.00228)

Notes:
(1) EPE's 2010 Forecast of New Mexico Jurisdiction kWh Sales
(2) EPE's Filed Eighteenth Revised Rate No. 18, NMPRC Case No. 09-00171-UT

EL PASO ELECTRIC COMPANY
Procurement Plan Pursuant to the Renewable Energy Act
Estimated Total Billing Impact for
2011 and 2012 Procurement Years

Description	Projected Annual kWh	Projected Annual Revenues	Procurement Plan Impact	Adjusted Annual Revenues	% Increase	Reasonable Cost Threshold	Amount in Excess of RCT
2011 Total New Mexico Retail	1,685,405,729	$ 192,318,935	$ 1,320,885	$ 193,639,820	0.69%	2.00%	0%
2012 Total New Mexico Retail	1,757,908,188	$ 200,592,073	$ (4,588,941)	$ 196,003,133	-2.29%	2.25%	0%

EL PASO ELECTRIC COMPANY
Procurement Plan Pursuant to the Renewable Energy Act
Estimated Customer Billing Impacts on Large Non-Governmental Customers
for 2011 and 2012 Procurement Years

2011 Procurement Year

Line No.	Customer	Service Voltage	2009 Annual kWh	2010 Annual Bill	Procurement Year Billing	Portfolio $ Impact	Amount Above $ Threshold	Portfolio % Impact	Percent Above %Threshold
							$ 99,000		2.00%
1	Customer 1	Primary	18,607,762	$ 1,180,408	$ 1,193,728	$ 13,320	$ -	1.12%	0%
2	Customer 2	Secondary	15,928,175	$ 1,402,106	$ 1,413,755	$ 11,649	$ -	0.82%	0%
3	Customer 3	Secondary	11,860,432	$ 1,150,962	$ 1,159,636	$ 8,674	$ -	0.75%	0%
4	Customer 4	Secondary	10,466,893	$ 855,559	$ 863,214	$ 7,655	$ -	0.89%	0%
5	Customer 5	Secondary	9,701,871	$ 679,308	$ 686,403	$ 7,095	$ -	1.03%	0%
6	Total			5,268,343	$ 5,316,736	$ 48,392	$ -		
7	NM kWh Sales at Meter 2011			1,685,405,729					
8	NM kWh Sales at Supply 2011			1,820,342,682					
9	2011 Renewable Portfolio Incremental Cost			$ 1,320,885					
10	NM System Incremental Charge for Renewable Resources			$ 0.00073					
11	Loss Adjusted for Secondary Voltage Delivery			$ 0.00073					
12	Loss Adjusted for Primary Voltage Delivery			$ 0.00072					

2012 Procurement Year

Line No.	Customer	Service Voltage	2009 Annual kWh	2010 Annual Bill	Procurement Year Billing	Portfolio $ Impact	Amount Above $ Threshold	Portfolio % Impact	Percent Above %Threshold
							$ 101,079		2.25%
13	Customer 1	Primary	18,607,762	$ 1,180,408	$ 1,136,042	$ (44,366)	$ -	-3.76%	0%
14	Customer 2	Secondary	15,928,175	$ 1,402,106	$ 1,363,306	$ (38,800)	$ -	-2.77%	0%
15	Customer 3	Secondary	11,860,432	$ 1,150,962	$ 1,122,071	$ (28,891)	$ -	-2.51%	0%
16	Customer 4	Secondary	10,466,893	$ 855,559	$ 830,062	$ (25,497)	$ -	-2.98%	0%
17	Customer 5	Secondary	9,701,871	$ 679,308	$ 655,675	$ (23,633)	$ -	-3.48%	0%
18	Total			5,268,343	$ 5,107,155	$ (161,188)	$ -		
19	NM kWh Sales at Meter 2012			1,757,908,188					
20	NM kWh Sales at Supply 2012			1,898,649,833					
21	2012 Renewable Portfolio Incremental Cost			$ (4,588,941)					
22	NM System Incremental Charge for Renewable Resources			$ (0.00242)					
23	Loss Adjusted for Secondary Voltage Delivery			$ (0.00244)					
24	Loss Adjusted for Primary Voltage Delivery			$ (0.00238)					

El Paso Electric Company
Loads & Resources Scenario 5.11.10
2011 - 2020

		ST2	solar	LMS100	LNDF	CC		LMS100	CC	LMS100	CC
Year		2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
1.0 GENERATION RESOURCES [1]		**1,791**	**1,791**	**1,878**	**1,893**	**2,136**	**2,060**	**2,043**	**2,063**	**2,150**	**2,267**
1.1 RIO GRANDE		229	229	229	229	184	184	184	138	138	138
1.2 NEWMAN		762	762	762	762	762	686	686	459	459	288
1.3 FOUR CORNERS		104	104	104	104	104	104	-	-	-	-
1.4 COPPER		62	62	62	62	62	62	62	62	62	62
1.5 PALO VERDE		633	633	633	633	633	633	633	633	633	633
1.6 WIND/BIOMASS (renewables)		1	1	1	16	16	16	16	21	21	21
1.7 NEW BUILD (local)		-	-	87	87	375	375	462	750	837	1,125
1.0 TOTAL GENERATION RESOURCES		**1,791**	**1,791**	**1,878**	**1,893**	**2,136**	**2,060**	**2,043**	**2,063**	**2,150**	**2,267**
2.0 RESOURCE PURCHASES		**49**	**83**	**100**	**134**	**134**	**134**	**234**	**234**	**234**	**234**
2.1 MARKET BLOCK PURCHASE		40	40	40	40	40	40	40	40	40	40
2.2 RENEWABLE PURCHASE (Solar PV Project)		-	34	51	85	85	85	85	85	85	85
2.3 OTHER RENEWABLE PURCHASE		9	9	9	9	9	9	9	9	9	9
2.4 SPP DISPATCHABLE PURCHASE		-	-	-	-	-	-	-	-	-	-
2.5 PURCHASE		-	-	-	-	-	-	100	100	100	100
3.0 TOTAL NET RESOURCES (1.0 + 2.0)		**1,840**	**1,874**	**1,978**	**2,027**	**2,270**	**2,194**	**2,277**	**2,297**	**2,384**	**2,501**
4.0 SYSTEM DEMAND [3]		**1,603**	**1,630**	**1,686**	**1,751**	**1,816**	**1,879**	**1,940**	**1,994**	**2,049**	**2,104**
4.1 NATIVE SYSTEM DEMAND		1,682	1,745	1,816	1,886	1,957	2,026	2,094	2,155	2,216	2,278
4.2 COGENERATION		(18)	(22)	(26)	(31)	(36)	(42)	(48)	(54)	(60)	(66)
4.3 LINE LOSSES		2	2	2	2	2	2	2	2	2	2
4.4 INTERRUPTIBLE SALES		(65)	(65)	(66)	(66)	(67)	(67)	(68)	(69)	(69)	(70)
4.5 LOAD MANAGEMENT [4]		-	(30)	(40)	(40)	(40)	(40)	(40)	(40)	(40)	(40)
5.0 TOTAL SYSTEM DEMAND (4.0)		**1,603**	**1,630**	**1,686**	**1,751**	**1,816**	**1,879**	**1,940**	**1,994**	**2,049**	**2,104**
6.0 MARGIN OVER TOTAL DEMAND (3.0 - 5.0)		**237**	**244**	**292**	**276**	**454**	**315**	**337**	**303**	**335**	**397**
7.0 PLANNING RESERVE 15%		**240**	**245**	**253**	**263**	**272**	**282**	**291**	**299**	**307**	**316**
8.0 MARGIN OVER RESERVE (6.0 - 7.0)		**(3)**	**(1)**	**39**	**13**	**182**	**33**	**46**	**4**	**28**	**81**
9.0 DEMAND PLUS RESERVE (5.0 + 7.0)		**1,843**	**1,875**	**1,939**	**2,014**	**2,088**	**2,161**	**2,231**	**2,293**	**2,356**	**2,420**

Generation Additions

Newman 5 second phase (148MW) in 2011
Gas Peaker LMS100 (87MW) in 2013
Landfill Gas Project (15MW) in 2014
Combined Cycle (288MW) in 2015
LMS100 (87MW) in 2017
Combined Cycle (288MW) in 2018
LMS100 (87MW) in 2019
Combined Cycle (288MW) in 2020

Unit Retirements

Rio Grande 6 (45MW) - December 2014
Rio Grande 7 (46MW) - December 2017
Newman 2 (76MW) - December 2015
Newman 1 (74MW) - December 2019
Newman 4 (227MW) - December 2017
Newman 3 (97MW) - December 2019

Notes:

1. Generation unit retirements are based on findings in Burns & McDonnell studies for Rio Grande and Newman units dated April 2010.
2. Purchases based on existing and estimated future purchases including renewable purchases to meet RPS requirements.
3. System Demand based on Long-term and Budget Year Forecast issued March 18, 2010.
   Includes state-required energy efficiency targets for conservation, energy efficiency and load management.
   Interruptible load reflects current and contracts and includes new contract with Western Refinery.
4. Load Management reflects estimates not in Long-term and Budget Year Forecast but rather new load management available based on RFP proposals.

Rocky Miracle
Senior Vice President, Corporate Planning and Development

EL PASO ELECTRIC COMPANY
SECOND REVISED RATE NO. 33 X
CANCELLING FIRST REVISED RATE NO. 33 X

SMALL SYSTEM RENEWABLE ENERGY CERTIFICATE PURCHASE

APPLICABILITY:

This Small System Renewable Energy Certificate ("REC") Purchase Rate is available to customers owning renewable generation rated 10 kW or less pursuant to NMPRC Rule 570. Participation by type of renewable energy facility is subject to approvals of the NMPRC. Service under this schedule requires an executed Standard Interconnection Agreement for Qualifying Facilities 10 kW or Less and a completed Application to Participate in Purchase Program for Small System Renewable Energy Certificates.

TERRITORY:

Areas served by the Company in Dona Ana, Sierra, Otero and Luna Counties.

DEFINITIONS:

Small System Renewable Energy Certificate, or Small System REC, is a document proving that the renewable energy, in kilowatt hours, has been generated from a renewable generating facility. Small System RECs are measured in the same units as the energy generated.

A REC meter is a separate meter measuring the energy output of the Customer's renewable resource distributed generation.

TERMS OF SERVICE:

Small System RECs will be purchased by the Company on a monthly basis for energy generated by the Customer's renewable distributed generation facility and measured by a separate REC meter as recorded at the time of the monthly meter reading.

Customer is responsible for installing the REC meter can/base, identified and labeled as "REC Meter". The REC meter base shall be physically located near the Company's billing meter. The Company will provide and install the metering for the REC socket/meter box.

If the ownership of the property on which the system is located is transferred, the new owner of the property may opt in under the same terms of the REC program as the original installation. The term of the agreement shall expire 12 years after the original installation. X X X

In order to qualify for participation in the current year incentive program, participants must meet the following requirements before the end of the calendar year: X X

Advice Notice No. 218

Signature/Title

David G. Carpenter
Senior Vice President-Chief Financial Officer

EL PASO ELECTRIC COMPANY
SECOND REVISED RATE NO. 33 X
CANCELLING FIRST REVISED RATE NO. 33 X

SMALL SYSTEM RENEWABLE ENERGY CERTIFICATE PURCHASE

1. Complete the Application for Sale of Small System Renewable Energy Certificates, including submission of full payment of the application fee. X X
2. Provide EPE a fully executed Interconnection Agreement. X
3. Provide EPE a copy of the qualifying facility self-certification form filed with the FERC. X X

MONTHLY PURCHASE RATE:

Small System Renewable Energy Certificate (REC) Purchase
For contracts for solar systems (10 kW and less) effective on or after January 1, 2011:

$0.098 per kilowatt hour X

For contracts for wind turbine systems (10 kW and less) effective on or after January 1, 2011: X

$0.076 per kilowatt hour X

This rate will be applicable for a period of 12 years from the initiation of service pursuant to this rate for all contracts effective on or after January 1, 2011. X

ACCESSIBILITY:

Equipment used to meter Small System RECs must be physically accessible as specified by the Company. The meter socket/meter box shall be installed in accordance to the Company's Rules and Regulations, identified and labeled "REC Meter", and located near the Company's billing meter.

TERMS OF PAYMENT:

Small System REC payments to the Customer will commence in the billing period after the execution of a Standard Interconnection Agreement and after the process of the Application to Participate in Purchase Program for Small System Renewable Energy Certificates is completed. The Customer will receive monthly information on their monthly electric bill documenting the KWH generated by their renewable distributed generation system, the RECs purchased at the Purchase Rate and the payment for RECs during the billing period.

Small System REC purchase payments will normally be applied as a credit to Customer

Advice Notice No. 218

Signature/Title
David G. Carpenter
Senior Vice President-Chief Financial Officer

EL PASO ELECTRIC COMPANY
SECOND REVISED RATE NO. 33 X
CANCELLING FIRST REVISED RATE NO. 33 X

SMALL SYSTEM RENEWABLE ENERGY CERTIFICATE PURCHASE

monthly bills. If the amount paid for the Small System RECs is more than the total of the Customer's monthly bill by up to $30.00, the resulting credit will be carried forward to be applied toward the following month's bill. If the Small System REC payment balance results in a customer credit above $30.00, that balance will be paid directly to the Customer.

The Company's Rules and Regulations apply to service under this rate.

Advice Notice No. 218

Signature/Title

David G. Carpenter
Senior Vice President-Chief Financial Officer

EL PASO ELECTRIC COMPANY
Payback Calculation for
Small System REC Purchase Program - PV Generation
(Residential and Small Commercial)

						Required Incentive Rate per kWh				**$ 0.098**
A	**B**	**C**	**D**	**E**	**F**	**G**	**H**	**I**	**J**	
		Average	(B*C) Avoided	(D*U) Associated	(D + E) Total	(K*O*P) Inverter	PMT(W,X,Y) Annual	(H - G - F) Total Annual	(B*Z)	
Year	kWh	EPE Rates ($/kWh)	EPE Charges	Sales Taxes and Fees	Electric Bill Reductions	Replacement Fund and O&M	Investment Recovery	Payback Requirements	Incentive Payments	
1	6,306	$ 0.12078	$ 762	$ 69	$ 830	$ (229)	$ 1,549	$ 948	$ 618	
2	6,275	$ 0.12440	$ 781	$ 70	$ 851	$ (229)	$ 1,549	$ 928	$ 615	
3	6,243	$ 0.12814	$ 800	$ 72	$ 872	$ (229)	$ 1,549	$ 906	$ 612	
4	6,212	$ 0.13198	$ 820	$ 74	$ 894	$ (229)	$ 1,549	$ 885	$ 609	
5	6,180	$ 0.13594	$ 840	$ 76	$ 916	$ (229)	$ 1,549	$ 863	$ 606	
6	6,149	$ 0.14002	$ 861	$ 77	$ 938	$ (229)	$ 1,549	$ 840	$ 603	
7	6,117	$ 0.14422	$ 882	$ 79	$ 962	$ (229)	$ 1,549	$ 817	$ 599	
8	6,086	$ 0.14855	$ 904	$ 81	$ 985	$ (229)	$ 1,549	$ 793	$ 596	
9	6,054	$ 0.15300	$ 926	$ 83	$ 1,010	$ (229)	$ 1,549	$ 769	$ 593	
10	6,022	$ 0.15759	$ 949	$ 85	$ 1,035	$ (229)	$ 1,549	$ 744	$ 590	
11	5,991	$ 0.16232	$ 972	$ 88	$ 1,060	$ (229)	$ 1,549	$ 718	$ 587	
12	5,959	$ 0.16719	$ 996	$ 90	$ 1,086	$ (229)	$ 1,549	$ 692	$ 584	
	73,594		$ 10,494	$ 944	$ 11,438	$ (2,752)	$ 18,589	$ 9,903	$ 7,212	

NPV	$ 8,349	$ (2,037)	**$ 13,761**	$ 7,449	$ 5,355
Total Recovery			**$ 11,666**		
Amount to be recovered beyond 12-year contract life.			**$ 2,095**	**15%**	
Expected remaining service life of system at 30-year average life of modules			**18.0**		
Years to recover remaining balance based on energy savings			**2.4**		
Remaining years of service life after balance is recovered			**15.6**		

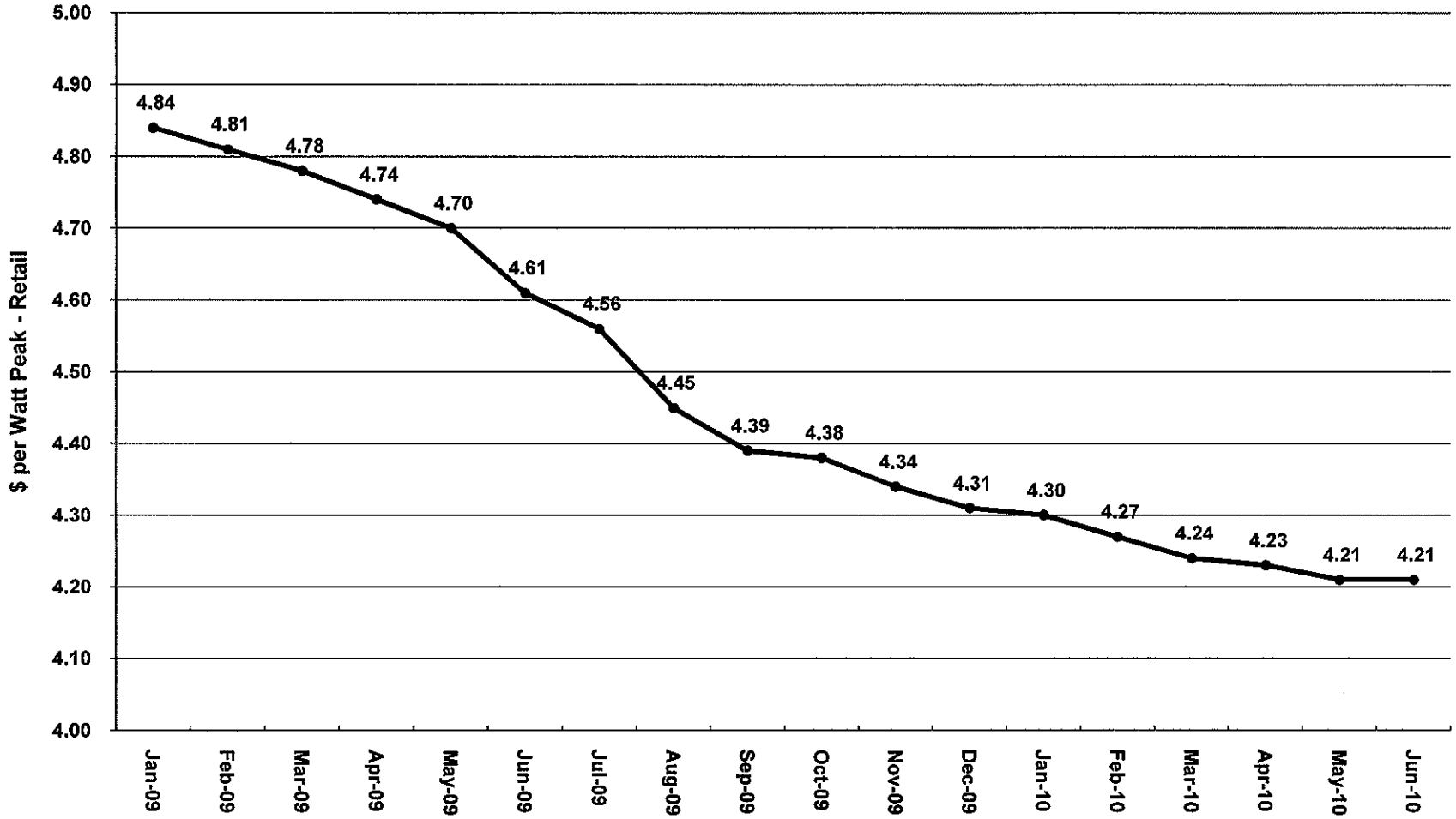
Calculation Inputs and Assumptions:

K	Cost per Watt	$ 6.95	(Breakpoint of lowest price quartile in EPE sample)
L	Federal Tax Incentive	30%	
M	New Mexico Tax Incentive	10%	
N	After-Tax Cost per Watt	$ 4.17	
O	Inverter Replacement Fund and O&M	1.00%	
P	Average Size (Watts)	3,300	
Q	Efficiency Adjusted Capacity Factor	22%	
R	Average Annual Hours	8,766	
S	Annual Module Degradation	0.50%	
T	Current Average Rate per kWh	$ 0.12078	(Avg Rate for Residential and Non-Demand Comm Service)
U	Sales Tax and Franchise Fee Rate	9.00%	
V	Projected Rate Escalation	3.00%	
W	Discount Rate	4.96%	(Moody's May 2010 Corporate Aaa Bond Yield)
X	Guaranteed Contract Period (Years)	12	
Y	Net System Cost	$ 13,761	
Z	REC Purchase Price	$ 0.098	

EL PASO ELECTRIC COMPANY
Sample Installed Costs for
Solar Photovoltaic Installations on EPE System

Line	Contractor/Facility ID	Location	Net Metering Application Received	kW	Cost	$/Watt
	Contractor 1					
1	Solar Facility 1	El Paso	26-May-10	2.00	$ 15,000	$ 7.50
2	Solar Facility 2	El Paso	26-May-10	5.04	$ 33,667	$ 6.68
3	Solar Facility 3	El Paso	30-Mar-10	2.07	$ 13,500	$ 6.52
4	Solar Facility 4	El Paso	11-Feb-10	4.02	$ 31,000	$ 7.71
5	Solar Facility 5	El Paso	24-Jul-09	3.87	$ 27,090	$ 7.00
	Contractor 2					
6	Solar Facility 6	Las Cruces	26-May-10	5.13	$ 40,000	$ 7.80
7	Solar Facility 7	Las Cruces	9-May-10	4.94	$ 40,000	$ 8.10
8	Solar Facility 8	Las Cruces	9-May-10	5.32	$ 37,000	$ 6.95
	Contractor 3					
9	Solar Facility 9	Las Cruces	15-Dec-09	1.94	$ 15,000	$ 7.73
10	Solar Facility 10	Las Cruces	21-May-10	1.72	$ 14,000	$ 8.14
	Contractor 4					
11	Solar Facility 11	El Paso	7-Aug-09	1.47	$ 10,700	$ 7.28
12	Solar Facility 12	El Paso	20-May-10	4.40	$ 35,000	$ 7.95
12	Solar Facility 13	El Paso	20-May-10	4.84	$ 33,000	$ 6.82
13	Solar Facility 14	El Paso	30-Mar-10	1.84	$ 13,000	$ 7.07
13	Solar Facility 15	El Paso	20-May-10	3.96	$ 28,000	$ 7.07
14	Median Installed Cost per Watt					$ 7.28
14	Minimum Installed Cost per Watt					$ 6.52
15	Maximum Installed Cost per Watt					$ 8.14

Solar Module Retail Price Index
Module Size - 125 Watts and Higher
Source: Solarbuzz.com - June 2010



EL PASO ELECTRIC COMPANY
Payback Calculation for
Small System REC Purchase Program - Wind Generation
(Residential and Small Commercial)

						Required Incentive Rate per kWh				**$ 0.076**
A	**B**	**C**	**D**	**E**	**F**	**G**	**H**	**I**	**J**	
Year	kWh	Average EPE Rates ($/kWh)	(B*C) Avoided EPE Charges	(D*U) Associated Sales Taxes and Fees	(D + E) Total Electric Bill Reductions	(K*O*P) Inverter Replacement Fund and O&M	PMT(W,X,Y) Annual Investment Recovery	(H - G - F) Total Annual Payback Requirements	(B*Z) Incentive Payments	
1	4,383	$ 0.12078	$ 529	$ 48	$ 577	$ (130)	$ 1,027	$ 580	$ 333	
2	4,383	$ 0.12440	$ 545	$ 49	$ 594	$ (130)	$ 1,027	$ 563	$ 333	
3	4,383	$ 0.12814	$ 562	$ 51	$ 612	$ (130)	$ 1,027	$ 545	$ 333	
4	4,383	$ 0.13198	$ 578	$ 52	$ 631	$ (130)	$ 1,027	$ 527	$ 333	
5	4,383	$ 0.13594	$ 596	$ 54	$ 649	$ (130)	$ 1,027	$ 508	$ 333	
6	4,383	$ 0.14002	$ 614	$ 55	$ 669	$ (130)	$ 1,027	$ 488	$ 333	
7	4,383	$ 0.14422	$ 632	$ 57	$ 689	$ (130)	$ 1,027	$ 468	$ 333	
8	4,383	$ 0.14855	$ 651	$ 59	$ 710	$ (130)	$ 1,027	$ 448	$ 333	
9	4,383	$ 0.15300	$ 671	$ 60	$ 731	$ (130)	$ 1,027	$ 426	$ 333	
10	4,383	$ 0.15759	$ 691	$ 62	$ 753	$ (130)	$ 1,027	$ 405	$ 333	
11	4,383	$ 0.16232	$ 711	$ 64	$ 775	$ (130)	$ 1,027	$ 382	$ 333	
12	4,383	$ 0.16719	$ 733	$ 66	$ 799	$ (130)	$ 1,027	$ 359	$ 333	
	52,596		$ 7,513	$ 676	$ 8,189	$ (1,564)	$ 12,325	$ 5,700	$ 3,997	

NPV	$ 5,960	$ (1,158)	**$ 9,124**	$ 4,322	$ 2,959
Total Recovery			**$ 7,761**		
Amount to be recovered beyond 12-year contract life.			**$ 1,363**	**15%**	
Expected remaining service life of system at 30-year average life of turbine			**18.0**		
Years to recover remaining balance based on energy savings			**2.0**		
Remaining years of service life after balance is recovered			**16.0**		

Calculation Inputs and Assumptions:

K	Cost per Watt	$ 6.52	(Bergey Windpower 2 kW Home.Sure Package Price)
L	Federal Tax Incentive	30%	
M	New Mexico Tax Incentive	0%	
N	After-Tax Cost per Watt	$ 4.56	
O	Inverter Replacement Fund and O&M	1.00%	
P	Average Size (Watts)	2,000	
Q	Efficiency Adjusted Capacity Factor	25%	
R	Average Annual Hours	8,766	
S	Annual Module Degradation	0.00%	
T	Current Average Rate per kWh	$ 0.12078	(Avg Rate for Residential and Non-Demand Comm Service)
U	Sales Tax and Franchise Fee Rate	9.00%	
V	Projected Rate Escalation	3.00%	
W	Discount Rate	4.96%	(Moody's May 2010 Corporate Aaa Bond Yield)
X	Guaranteed Contract Period (Years)	12	
Y	Net System Cost	$ 9,124	
Z	REC Purchase Price	$ 0.076	

EL PASO ELECTRIC COMPANY
FIRST REVISED RATE NO. 34 X
CANCELLING ORIGINAL RATE NO. 34 X

MEDIUM SYSTEM RENEWABLE ENERGY CERTIFICATE PURCHASE

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APPLICABILITY:

This Medium System Renewable Energy Certificate ("REC") Purchase Rate is available to customers owning renewable generation rated more than 10 kW and up to 100 kW pursuant to NMPRC Rule 570. Participation by type of renewable energy facility is subject to approvals of the NMPRC. Service under this schedule requires an executed Interconnection Agreement for Generating Facilities with a Rated Capacity No Greater than 10 MW, and a completed Application to Participate in Purchase Program for Medium System Renewable Energy Certificates.

TERRITORY:

Areas served by the Company in Dona Ana, Sierra, Otero and Luna Counties.

DEFINITIONS:

Medium System Renewable Energy Certificate, or Medium System REC, is a document proving that the renewable energy, in kilowatt hours, has been generated from a renewable generating facility. Medium System RECs are measured in the same units as the energy generated.

A REC meter is a separate meter measuring the energy output of the Customer's renewable resource distributed generation.

TERMS OF SERVICE:

Medium System RECs will be purchased by the Company on a monthly basis for energy generated by the Customer's renewable distributed generation facility and measured by a separate REC meter as recorded at the time of the monthly meter reading.

Customer is responsible for installing the REC meter can/base, identified and labeled as "REC Meter". The REC meter base shall be physically located near the Company's billing meter. The Company will provide and install the metering for the REC socket/meter box.
If the ownership of the property on which the system is located is transferred, the new owner of the property may opt in under the same terms of the REC program as the original installation. The term of the agreement shall expire 12 years after the original installation.

Advice Notice No. 218

Signature/Title
David G. Carpenter
Senior Vice President-Chief Financial Officer

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MEDIUM SYSTEM RENEWABLE ENERGY CERTIFICATE PURCHASE

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In order to qualify for participation in the current year incentive program, participants must meet the following requirements before the end of the calendar year:

1. Complete the Application for Sale of Medium System Renewable Energy Certificates, including submission of full payment of the application fee.
2. Provide EPE a fully executed Interconnection Agreement.
3. Provide EPE a copy of the qualifying facility self-certification form filed with the FERC.

MONTHLY PURCHASE RATE:

Medium System Renewable Energy Certificate (REC) Purchase
For contracts for solar systems (over 10 kW and up to 100 kW) effective on or after January 1, 2011: X

$0.124 per kilowatt hour X

For contracts for wind turbine systems (over 10 kW and up to 100 kW) effective on or after January 1, 2011: X

$0.024 per kilowatt hour X

The Monthly Purchase Rate will not be paid for renewable energy generated in any month that is in excess of the amount of kWh consumed by the participating customer in that month.

This rate will be applicable for a period of 12 years from the initiation of service pursuant to this rate for all contracts effective on or after January 1, 2011. X

ACCESSIBILITY:

Equipment used to meter Medium System RECs must be physically accessible as specified by the Company. The meter socket/meter box shall be installed in accordance to the Company's Rules and Regulations, identified and labeled "REC Meter", and located near the Company's billing meter.

TERMS OF PAYMENT:

Medium System REC payments to the Customer will commence in the billing period after the

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MEDIUM SYSTEM RENEWABLE ENERGY CERTIFICATE PURCHASE

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execution of a Standard Interconnection Agreement and after the process of the Application to Participate in Purchase Program for Medium System Renewable Energy Certificates is completed. The Customer will receive monthly information on their monthly electric bill documenting the KWH generated by their renewable distributed generation system, the RECs purchased at the Purchase Rate and the payment for RECs during the billing period.

Medium System REC purchase payments will normally be applied as a credit to Customer monthly bills. If the amount paid for the Medium System RECs is more than the total of the Customer's monthly bill by up to $30.00, the resulting credit will be carried forward to be applied toward the following month's bill. If the Medium System REC payment balance results in a customer credit above $30.00, that balance will be paid directly to the Customer.

The Company's Rules and Regulations apply to service under this rate.

Advice Notice No. 218

Signature/Title
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Senior Vice President-Chief Financial Officer

EL PASO ELECTRIC COMPANY
Payback Calculation for
Medium System REC Purchase Program - PV Generation
(Commercial and Industrial)

						Required Incentive Rate per kWh				**$ 0.124**
A	**B**	**C**	**D**	**E**	**F**	**G**	**H**	**I**	**J**	
			(B*C)	(D*U)	(D + E)	(K*O*P)	PMT(W,X,Y)	(H - G - F)	(B*Z)	
		Average	Avoided	Associated	Total	Inverter	Annual	Total Annual		
		EPE Rates	EPE	Sales Taxes	Electric Bill	Replacement	Investment	Payback	Incentive	
Year	kWh	($/kWh)	Charges	and Fees	Reductions	Fund and O&M	Recovery	Requirements	Payments	
1	47,775	$ 0.10597	$ 5,063	$ 456	$ 5,518	$ (1,564)	$ 12,322	$ 8,368	$ 5,924	
2	47,536	$ 0.10915	$ 5,188	$ 467	$ 5,655	$ (1,564)	$ 12,322	$ 8,231	$ 5,894	
3	47,297	$ 0.11242	$ 5,317	$ 479	$ 5,796	$ (1,564)	$ 12,322	$ 8,090	$ 5,865	
4	47,058	$ 0.11580	$ 5,449	$ 490	$ 5,940	$ (1,564)	$ 12,322	$ 7,946	$ 5,835	
5	46,819	$ 0.11927	$ 5,584	$ 503	$ 6,087	$ (1,564)	$ 12,322	$ 7,799	$ 5,806	
6	46,580	$ 0.12285	$ 5,722	$ 515	$ 6,237	$ (1,564)	$ 12,322	$ 7,649	$ 5,776	
7	46,341	$ 0.12653	$ 5,864	$ 528	$ 6,391	$ (1,564)	$ 12,322	$ 7,495	$ 5,746	
8	46,103	$ 0.13033	$ 6,009	$ 541	$ 6,549	$ (1,564)	$ 12,322	$ 7,337	$ 5,717	
9	45,864	$ 0.13424	$ 6,157	$ 554	$ 6,711	$ (1,564)	$ 12,322	$ 7,175	$ 5,687	
10	45,625	$ 0.13827	$ 6,308	$ 568	$ 6,876	$ (1,564)	$ 12,322	$ 7,010	$ 5,657	
11	45,386	$ 0.14241	$ 6,464	$ 582	$ 7,045	$ (1,564)	$ 12,322	$ 6,841	$ 5,628	
12	45,147	$ 0.14669	$ 6,623	$ 596	$ 7,219	$ (1,564)	$ 12,322	$ 6,668	$ 5,598	
	557,531		$ 69,748	$ 6,277	$ 76,025	$ (18,765)	$ 147,868	$ 90,608	$ 69,134	

NPV	$ 55,494	$ (13,891)	**$ 109,463**	$ 67,859	$ 51,329
Total Recovery			**$ 92,932**		
Amount to be recovered beyond 12-year contract life.			**$ 16,531**	**15%**	
Expected remaining service life of system at 30-year average service life of modules			**18.0**		
Years to recover remaining balance based on energy savings			**2.9**		
Remaining years of service life after balance is recovered			**15.1**		

Calculation Inputs and Assumptions:

K	Cost per Watt	$ 6.26	90% of Small System Cost
L	Federal Tax Incentive	30%	
M	New Mexico Tax Incentive	0%	
N	After-Tax Cost per Watt	$ 4.38	
O	Inverter Replacement Fund and O&M	1.00%	
P	Average Size (Watts)	25,000	
Q	Efficiency Adjusted Capacity Factor	22%	
R	Average Annual Hours	8,766	
S	Annual Module Degradation	0.50%	
T	Current Average Rate per kWh	$ 0.10597	(Average Rate $/kWh for General Service)
U	Sales Tax and Franchise Fee Rate	9.00%	
V	Projected Rate Escalation	3.00%	
W	Discount Rate	4.96%	(Moody's May 2010 Corporate Aaa Bond Yield)
X	Guaranteed Contract Period (Years)	12	
Y	Net System Cost	$ 109,463	
Z	REC Purchase Price	$ 0.124	

EL PASO ELECTRIC COMPANY
Payback Calculation for
Medium System REC Purchase Program - Wind Generation
(Commercial and Industrial)

						Required Incentive Rate per kWh				**$ 0.024**
A	**B**	**C**	**D**	**E**	**F**	**G**	**H**	**I**	**J**	
Year	kWh	Average EPE Rates ($/kWh)	(B*C) Avoided EPE Charges	(D*U) Associated Sales Taxes and Fees	(D + E) Total Electric Bill Reductions	(K*O*P) Inverter Replacement Fund and O&M	PMT(W,X,Y) Annual Investment Recovery	(H - G - F) Total Annual Payback Requirements	(B*Z) Incentive Payments	
1	109,575	$ 0.10597	$ 11,612	$ 1,045	$ 12,657	$ (2,250)	$ 17,730	$ 7,323	$ 2,630	
2	109,575	$ 0.10915	$ 11,960	$ 1,076	$ 13,036	$ (2,250)	$ 17,730	$ 6,944	$ 2,630	
3	109,575	$ 0.11242	$ 12,319	$ 1,109	$ 13,428	$ (2,250)	$ 17,730	$ 6,552	$ 2,630	
4	109,575	$ 0.11580	$ 12,688	$ 1,142	$ 13,830	$ (2,250)	$ 17,730	$ 6,150	$ 2,630	
5	109,575	$ 0.11927	$ 13,069	$ 1,176	$ 14,245	$ (2,250)	$ 17,730	$ 5,735	$ 2,630	
6	109,575	$ 0.12285	$ 13,461	$ 1,211	$ 14,673	$ (2,250)	$ 17,730	$ 5,307	$ 2,630	
7	109,575	$ 0.12653	$ 13,865	$ 1,248	$ 15,113	$ (2,250)	$ 17,730	$ 4,867	$ 2,630	
8	109,575	$ 0.13033	$ 14,281	$ 1,285	$ 15,566	$ (2,250)	$ 17,730	$ 4,414	$ 2,630	
9	109,575	$ 0.13424	$ 14,709	$ 1,324	$ 16,033	$ (2,250)	$ 17,730	$ 3,947	$ 2,630	
10	109,575	$ 0.13827	$ 15,151	$ 1,364	$ 16,514	$ (2,250)	$ 17,730	$ 3,466	$ 2,630	
11	109,575	$ 0.14241	$ 15,605	$ 1,404	$ 17,010	$ (2,250)	$ 17,730	$ 2,970	$ 2,630	
12	109,575	$ 0.14669	$ 16,073	$ 1,447	$ 17,520	$ (2,250)	$ 17,730	$ 2,460	$ 2,630	
	1,314,900		$164,793	$ 14,831	$ 179,624	$ (27,000)	$ 212,759	$ 60,135	$ 31,558	
NPV					$ 130,729	$ (19,987)	**$ 157,500**	$ 46,759	$ 23,361	
Total Recovery							**$ 134,103**			
Amount to be recovered beyond 12-year contract life.							**$ 23,397**	**15%**		
Expected remaining service life of system at 30-year average service life of modules							**18.0**			
Years to recover remaining balance based on energy savings							**1.5**			
Remaining years of service life after balance is recovered							**16.5**			

Calculation Inputs and Assumptions:

K	Cost per Watt	$ 4.50	(Entegrity Wind Systems, EW50, 120' Tower + Install)
L	Federal Tax Incentive	30%	
M	New Mexico Tax Incentive	0%	
N	After-Tax Cost per Watt	$ 3.15	
O	Inverter Replacement Fund and O&M	1.00%	
P	Average Size (Watts)	50,000	
Q	Efficiency Adjusted Capacity Factor	25%	
R	Average Annual Hours	8,766	
S	Annual Module Degradation	0.00%	
T	Current Average Rate per kWh	$ 0.10597	(Average Rate $/kWh for General Service)
U	Sales Tax and Franchise Fee Rate	9.00%	
V	Projected Rate Escalation	3.00%	
W	Discount Rate	4.96%	(Moody's May 2010 Corporate Aaa Bond Yield)
X	Guaranteed Contract Period (Years)	12	
Y	Net System Cost	$ 157,500	
Z	REC Purchase Price	$ 0.024	