

**EL PASO ELECTRIC COMPANY**  
A Texas corporation (the "Company")

**Compensation Committee Charter**

Adopted February 5, 2004

Amended May 9, 2013

**Purpose**

The Compensation Committee is created by the Board of Directors of the Company to provide governance and oversight of the Company's executive compensation plans and policies, equity-based incentive plans and other related programs, including:

- Oversee the Company's compensation and benefits policies generally;
- Evaluate senior executive performance and review the Company's management succession plan;
- Oversee and set both base and incentive-based compensation for the Company's senior executives, including participation in long-term equity incentive plans; and
- Prepare the report on executive compensation that Securities and Exchange Commission rules require to be included in the Company's annual proxy statement.

**Membership**

The Compensation Committee shall consist of at least three members, comprised solely of independent directors meeting the independence requirements of the New York Stock Exchange. The Nominating and Corporate Governance Committee shall recommend nominees for appointment to the Compensation Committee annually and as vacancies or newly created positions occur. Compensation Committee members shall be appointed by the Board and may be removed by the Board at any time. The Nominating and Corporate Governance Committee shall recommend to the Board, and the Board shall designate, the Chairman of the Compensation Committee.

**Authority and Responsibilities**

In addition to any other responsibilities which may be assigned from time to time by the Board, the Compensation Committee is responsible for the following matters.

*Compensation Policies*

- The Compensation Committee shall review and approve the Company's compensation and benefits policies generally (subject, if applicable, to shareholder ratification), including reviewing and approving any incentive compensation plans, equity-based incentive plans, and pension or other retirement benefit plans of the Company. The

Committee is responsible for the overall administration of these plans, including oversight and review of management's day-to-day plan administration and choice of third party financial and investment advisors. In reviewing such compensation and benefits policies, the Compensation Committee may consider the recruitment, development, promotion, retention and compensation of senior executives and other employees of the Company and any other factors that it deems appropriate. The Compensation Committee shall make regular and timely reports of the results of such reviews and any actions it takes with respect to the Company's compensation and benefits policies to the Board.

### *Executive Compensation*

- The Compensation Committee shall review and approve for each of the Company's senior executives his or her (i) annual base salary level, (ii) annual incentive compensation, (iii) long-term incentive compensation, (iv) employment, severance and change-in-control agreements, if any, and (v) any other compensation, ongoing perquisites or special benefit items. In so reviewing and approving executive compensation, the Compensation Committee shall, among other things:
  - Identify corporate goals and objectives relevant to executive compensation;
  - Evaluate each executive's performance in light of such goals and objectives and set each executive's compensation based on such evaluation and such other factors as the Compensation Committee deems appropriate and in the best interests of the Company (including the cost to the Company of such compensation);
  - Review and approve the compensation philosophy and the peer group used for benchmarking executive compensation levels; and
  - Determine any long-term incentive component of each executive's annual compensation based on awards given to such executive in past years, the Company's performance, shareholder return and the value of similar incentive awards relative to such targets at comparable companies and such other factors as the Compensation Committee deems appropriate and in the best interests of the Company (including the cost to the Company of such compensation).
- The Compensation Committee shall review and approval the compensation discussion and analysis disclosure in the Company's proxy statement.
- The Compensation Committee shall review whether the Company's compensation policies and practices may create any risks that are reasonably likely to have a material adverse impact on the Company.
- The Compensation Committee shall report the results of such review and any action it takes with respect to the compensation of the Company's senior executives to the Board.
- The Compensation Committee may delegate to one or more officers of the Company the

authority to make grants and awards of stock rights or options to any non-Section 16 officer of the Company under such of the Company's incentive-compensation or other equity-based plans as the Compensation Committee deems appropriate and in accordance with the terms of such plans.

- While the Nominating and Corporate Governance Committee generally determines the fees for directors, the Compensation Committee shall review and determine the additional compensation, if any, for service as Chairman of the Board (or Lead Director if the Chairman and CEO positions are merged at any time).

#### *Management Succession*

- The Compensation Committee shall, in consultation with the Company's CEO, periodically review the Company's management succession planning including policies for CEO selection and succession in the event of the incapacitation, retirement or removal of the CEO, and evaluations of, and development plans for, any potential successors to the CEO.

#### *Disclosure*

- The Compensation Committee shall prepare the report on executive compensation that Securities and Exchange Commission rules require to be included in the Company's annual proxy statement.

#### *Reporting to the Board*

- The Compensation Committee shall report to the Board periodically. This report shall include a review of any recommendations or issues that arise with respect to Company compensation and benefits policies, executive compensation, management succession planning and any other matters that the Compensation Committee deems appropriate or is requested to be included by the Board.
- At least annually, the Compensation Committee shall evaluate its own performance and report to the Board on such evaluation.
- The Compensation Committee shall periodically review and assess the adequacy of this charter and recommend any proposed changes to the Nominating and Corporate Governance Committee.

#### **Procedures**

The Compensation Committee shall meet as often as it determines is appropriate to carry out its responsibilities under this charter. The Chairman of the Compensation Committee, in consultation with the other committee members, shall determine the frequency and length of the committee meetings and shall set meeting agendas consistent with this charter. No senior executive should attend that portion of any meeting where such executive's performance or compensation is discussed, unless specifically invited by the Compensation Committee.

The Compensation Committee has the sole authority to retain and terminate any compensation consultant assisting the Compensation Committee in the evaluation of CEO or senior executive compensation, including sole authority to approve all such compensation consultant's fees and other retention terms.

The Compensation Committee may delegate its authority to subcommittees or the Chairman of the Compensation Committee when it deems appropriate and in the best interests of the Company.