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El Paso Electric Files to Implement a Transmission Cost Recovery Factor in Texas

Conclusion of the Texas Relate Back Surcharge to Offset Increase

EL PASO, Texas – El Paso Electric Company (EPE) today filed with the Public Utility Commission of Texas (PUCT) to implement a Transmission Cost Recovery Factor (TCRF) surcharge for its Texas customers.

The TCRF permits an electric utility to implement a new surcharge for investments in transmission infrastructure improvements. Approximately \$67 million in capital investments have been made to EPE's electric transmission infrastructure since October 1, 2016, that are not currently reflected in EPE's rates. These capital investments are necessary to provide safe and reliable service to customers.

"Investing in upgrading and maintaining our transmission and distribution infrastructure to sustain reliable service for our customers is a vital responsibility at El Paso Electric," said Mary Kipp, EPE President and CEO. "Implementing the costs associated with these investments now would allow for a gradual increase to rates, rather than requesting all infrastructure investment costs in one regulatory proceeding in the future."

EPE has calculated approximately \$8.2 million in transmission-related costs for facilities currently serving customers that it seeks to collect through this filing. The proposed surcharge would result in a \$0.97 per month increase for Texas customers with an average monthly usage of 630 kilowatt hours. If approved, the TCRF surcharge could go into effect later this year.

Offsetting Costs

As of mid-January, the Texas Relate Back Revenue Surcharge (RBRS), which was implemented as part of EPE's most recent rate case and previously reflected as a separate line item on customer bills, has ended. Typical residential customers were seeing on average a \$1.94 surcharge per month as a result. The elimination of the RBRS surcharge will offset the proposed TCRF increase.

The final order from the 2017 Texas rate case established the baseline revenue requirements for recovery of future transmission and distribution investment costs. EPE expects to file a Distribution Cost Recovery Factor surcharge later this year

About EPE's Transmission System and Planning

EPE's service territory covers approximately 10,000 square miles extending from Van Horn, Texas, to Hatch, New Mexico. In total, EPE owns, in whole or in part, approximately 1,146 miles of multiple transmission lines. EPE's System Planning Department identifies needed transmission infrastructure improvement projects. The process of system planning is necessary to evaluate and call for facilities to meet present and future load and to comply with state and federal operational requirements.

About the Texas Relate Back Revenue Surcharge

With the PUCT approval of rates effective January 1, 2018, the RBRS collected the difference between approved rates and prior rates for the period July 18, 2017, through December 31, 2017. Texas law authorizes rates to relate back to energy usage on or after the 155th day after the case was filed.

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