



El Paso Electric Files New Mexico Rate Case

Pursuant to the Final Order issued July 3, 2007, in New Mexico Public Regulation Commission Case No. 06-00258-UT, El Paso Electric filed a rate case today with the New Mexico Public Regulation Commission (NMPRC) requesting a projected reduction in customer rates of approximately \$8.6 million. The reduction is comprised of (1) a \$21.3 million projected decrease in fuel and purchased power costs; and (2) a \$12.7 million increase in non-fuel and purchased power base rates.

“Even though the cost of serving our growing Southern New Mexico communities has increased, that increase was more than offset by the projected decrease in the cost of fuel and purchased power to generate electricity,” said David Stevens, El Paso Electric Chief Executive Officer.

As filed, the projected reduction for the typical residential customer using 593 kWh per month would be approximately \$1.26.

Fuel and purchased power costs

EPE does not earn any profit on fuel or purchased power costs charged to customers. The expected savings are based upon projections of fuel and purchased power for the period July 2010 – June 2011. Customers are credited or charged for the difference between actual fuel costs and fuel collected through base rates through the fuel factor (FPPCAC). As a result, customers will realize fuel and purchased power cost savings as they are realized.

Non-fuel costs

El Paso Electric’s New Mexico service territory has grown considerably over the last several years requiring an increase of \$12.7 million in non-fuel and purchased power base rates to pay for investments in new utility plant. EPE has added \$48 million in new distribution plant in New Mexico to serve customers since rates were last established. In addition, to meet increased customer demands for electricity, EPE is investing approximately \$245 million in new generation at its Newman Plant. Operations and maintenance costs have also increased since rates were last established.

A general rate case process may take up to 13 months to complete, but new rates could go into effect sooner if the NMPRC resolves the case earlier. It is expected that changes in rates will occur no later than the summer of 2010.