



May 11, 2015

El Paso Electric Files 2015 New Mexico Rate Case

EL PASO, Texas--(BUSINESS WIRE)-- On May 11, 2015, El Paso Electric (NYSE: EE) filed with the New Mexico Regulation Commission for an increase in non-fuel base rates of approximately \$8.6 million or 7.1 percent. These proposed rates will increase, on average, residential bills by 9.0 percent.

"Several years ago, we began planning and investing to replace our less efficient plant and equipment while providing additional resources for our growing service territory," said Tom Shockley, El Paso Electric CEO. "This rate case is about recovering these cost-effective investments and ensuring that we continue to provide safe and reliable service at a reasonable cost. We continue to see significant growth in our service territory and with that growth we must continue to make improvements and upgrades to El Paso Electric's infrastructure and equipment to continue to have the most reliable and safest grid possible."

EE last filed for a non-fuel base rate increase in New Mexico in 2009. Since that 2009 Rate Case, EE has spent approximately \$1.3 billion (total company) on utility plant in service. EE has managed its operating costs and has provided safe and reliable service without revised rates for over five years. EE's rates proposed in this filing are just and reasonable and necessary to continued provision of safe and reliable service.

The requested rate change is depicted below:

<u>Description (000's)</u>	<u>Revenue Change</u>	<u>Test Year Revenues</u>	<u>Percent Change</u>
Non-fuel base rate deficiency	8,592	120,317	7.1%
Base fuel factor revenues *	(15,393)	71,458	-21.5%

* Base fuel decrease is currently flowing through to customers via the fuel adjustment clause

The forecasted reduction in fuel and purchased power costs is recovered in base rates through a fixed factor that applies a uniform per kilowatt-hour (kWh) charge to all customer classes. The Fuel and Purchased Power Cost Adjustment Clause ("FPPCAC"), recently continued in 2014, ensures that only the actual costs of fuel and purchased power expenses are recovered from customers, and is adjusted monthly to account for any under-collection or over-collection of EE's actual costs on a timely basis. The reduction in the cost of fuel and purchased power costs reflects reduced fuel prices and improvements in system heat rates due to new generating unit additions.

The fuel and purchased power costs recovered through the base rate fixed factor and FPPCAC do not otherwise impact EE's design of non-fuel base rates. EE is proposing changes to its non-fuel base rate design to reduce subsidies between classes or within classes and move towards unity of classes paying their fair share of costs, promote cost recovery that corresponds to cost causation, and proposes to create a separate class for residential distributed generation customers while proposing those customers receive the same rate structure and monthly charges as other residential customers.

Conference Call

A conference call to discuss the 2015 New Mexico Rate Case with investors and analysts is scheduled for 10:30 A.M. Eastern Time, on May 12, 2015. The dial-in number is 888-299-7209 with a conference ID number of 9581572. The international dial-in number is 719-325-2454. The conference leader will be Lisa Budtke, Assistant Treasurer. A replay will run through May 26, 2015 with a dial-in number of 888-203-1112 and a conference ID number of 9581572. The replay international dial-in number is 719-457-0820. The conference call and presentation slides will be webcast live on the Company's website found at <http://www.epelectric.com>. A replay of the webcast will be available shortly after the call.

Safe Harbor

This news release includes statements that may constitute forward-looking statements made pursuant to the safe harbor

provisions of the Private Securities Litigation Reform Act of 1995. This information may involve risks and uncertainties that could cause actual results to differ materially from such forward-looking statements. Factors that could cause or contribute to such differences include, but are not limited to: (i) increased prices for fuel and purchased power and the possibility that regulators may not permit EE to pass through all such increased costs to customers or to recover previously incurred fuel costs in rates; (ii) recovery of capital investments and operating costs through rates in Texas and New Mexico; (iii) uncertainties and instability in the general economy and the resulting impact on EE's sales and profitability; (iv) changes in customers' demand for electricity as a result of energy efficiency initiatives and emerging competing services and technologies; (v) unanticipated increased costs associated with scheduled and unscheduled outages of generating plant; (vi) the size of our construction program and our ability to complete construction on budget; (vii) potential delays in our construction schedule due to legal challenges or other reasons; (viii) costs at Palo Verde; (ix) deregulation and competition in the electric utility industry; (x) possible increased costs of compliance with environmental or other laws, regulations and policies; (xi) possible income tax and interest payments as a result of audit adjustments proposed by the IRS or state taxing authorities; (xii) uncertainties and instability in the financial markets and the resulting impact on EE's ability to access the capital and credit markets; (xiii) possible physical or cyber attacks, intrusions or other catastrophic events; and (xiv) other factors detailed by EE in its public filings with the Securities and Exchange Commission. EE's filings are available from the Securities and Exchange Commission or may be obtained through EE's website, <http://www.epelectric.com>. Any such forward-looking statement is qualified by reference to these risks and factors. EE cautions that these risks and factors are not exclusive. EE does not undertake to update any forward-looking statement that may be made from time to time by or on behalf of EE except as required by law.

Photos/Multimedia Gallery Available: <http://www.businesswire.com/multimedia/home/20150511006695/en/>

El Paso Electric

Public Relations

Eddie Gutierrez, 915-497-3495

eduardo.gutierrez@epelectric.com

or

Investor Relations

Lisa Budtke, 915-543-5947

lisa.budtke@epelectric.com

Source: El Paso Electric

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