El Paso Electric Company

1st Quarter 2011 Earnings Conference Call

May 3, 2011

Safe Harbor Statement

Statements in this presentation, other than statements of historical information, are forward-looking statements that are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995 (the “act”). Such statements are intended to be made as of the date of this presentation, and the company does not undertake to update any such forward-looking statement. Forward-looking statements involve known and unknown risks and other factors that may cause actual results to differ materially from those expressed in this presentation. In connection with the safe-harbor provisions of the act, the company has set forth below a number of important risks and factors that could cause actual results to differ materially from forward-looking information. Factors that could cause or contribute to such differences include, but are not limited to:

- Increased prices for fuel and purchased power and the possibility that regulators may not permit El Paso Electric (EE) to pass through all such increased costs to customers or to recover previously incurred fuel costs in rates
- The ability to recover capital investments and operating costs through rates in Texas and New Mexico
- Uncertainties and instability in the general economy and the resulting impact on EE’s sales and profitability
- Unanticipated increased costs associated with scheduled and unscheduled outages
- The size of our construction program and our ability to complete construction on budget and on time
- The costs at Palo Verde (PV)
- Deregulation and competition in the electric utility industry
- Possible increased costs of compliance with environmental or other laws, regulations and policies
- Possible income tax and interest payments as a result of audit adjustments proposed by the IRS
- Uncertainties and instability in the financial markets and the resulting impact on EE’s ability to access the capital and credit markets
- Other factors detailed by EE in its public filings with the Securities and Exchange Commission. Please refer to EE’s 2010 Form 10K and other 1934 Act Filings

Highlights for the 1st Quarter 2011 – David Stevens

- Non-fuel base revenues decreased primarily due to new lower winter rates for small C&I customers in Texas and milder winter weather
  - kWh sales to public authority customers increased by 2.9 percent
- On April 28, 2011 EE's Board of Director's declared a $0.22 per share dividend payable on June 30, 2011 to shareholders of record on June 15, 2011
  - Additional 2.5mm shares approved under the share repurchase program
  - EE repurchased approximately 587,000 shares at a total cost of $16.7mm
- EE received approval from the PUCT on its CCN filing for Rio Grande 9; NM approval expected by the summer of 2011
  - Unit expected to be on line for the peak season of 2013
- On April 30, 2011, Newman 5 Phase II entered commercial operation
  - Project was completed on time and under budget
- Settled long standing dispute with Tucson Electric Power over transmission rights; settlement is subject to final approval by the FERC

Palo Verde Update

- On April 21, 2011, the NRC approved the PV 20-year license extension application that was filed in December 2008
  - The ability of Palo Verde to withstand natural disasters was reviewed in the license renewal process
- PV operated at a 98.9 percent capacity factor in the first quarter of 2011
- PV Unit 2 planned refueling/maintenance outage began on April 2, 2011; 35-day outage duration planned

1st Quarter 2011 Financial Results – David Carpenter

- 1st Quarter 2011 (Basic) EPS - $0.16, compared to 1st Quarter 2010 (Basic) EPS of $0.26

1st Quarter 2011 Financial Results - Key Drivers

- Retail non-fuel base revenues decreased by $6.2mm pre-tax or ($0.09) per share due to new lower winter non-fuel base rates in Texas and a 1.2 percent decrease in kWh sales due to mild winter weather
- Off-system sales margins retained declined by $4.4mm pre-tax or ($0.07) per share due to increased margin sharing with customers along with lower average market prices for power and a 9.5 percent decrease in off-system MWh sales
- Partial offset to the above amounts include:
  - A $4.8 million charge in the 1st Quarter of 2010 resulting from the tax law change eliminating the tax benefit of Medicare Part D subsidies -$0.11 per share

Changes in Revenues and Sales

YTD MARCH 2011 COMPARED TO YTD MARCH 2010

YTD	Non-fuel Base Revenue	Percent Change	MWH	Percent Change
Residential	$ 142	0.3%	(14,998)	(2.7)%
C&I Small	(5,985)	(15.3)%	(5,761)	(1.2)%
C&I Large	(412)	(4.5)%	(7,381)	(3.1)%
Other Public	104	0.6%	9,412	2.9%
Total Retail Sales	$ (6,151)	(5.6)%	(18,728)	(1.2)%

Heating Degree Days	1,265	-9.4%
Average Retail Customers	376,482	1.4%
Period-End Retail Customers	378,066	1.6%

Capital Requirements and Liquidity

- EE expended $45.4 million for additions to utility plant during the first quarter
- Capital expenditures for utility plant in 2011 are expected to total approximately $205 million
- EE dividend payments in 2011 are expected to total $27 million; expect to continue to buy back stock in 2011 to appropriately balance the capital structure
- EE had a cash balance of $26.9 million at March 31, 2011
- At March 31, 2011, EE had liquidity of $214 million including cash and the revolving credit facility which will be sufficient to finance capital requirements in 2011

2011 Earnings Guidance

- Revising 2011 Earnings Guidance range to $2.10 to $2.50 per basic share
  - Proposed TEP settlement is the primary driver for the increase in the range
- Key Variables:
  - Retail non-fuel base revenues are projected to grow between 0.5% and 2.5% reflecting continued customer growth
    - Revenue growth includes a weather-related reduction due to 2010 weather being hotter than normal
  - Retained off-system sales margins will decrease in 2011 due to change in off-system sales margin sharing from 75% to 10% effective July 1, 2010
  - Palo Verde Unit 3 deregulated revenues are expected to decrease in 2011 due to lower proxy market power prices
  - Combined Palo Verde and non-Palo Verde operation and maintenance expenses are expected to be flat in 2011
  - Reduced AFUDC capitalization due to completion of Newman 5
  - Reduced depreciation and decommissioning expenses related to PV life extension

Questions and Answers