



2017 Annual Meeting of Shareholders May 25, 2017



El Paso Electric

Safe Harbor Statement

This presentation includes statements that may constitute forward-looking statements made pursuant to the safe harbor provisions within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. This information often involves risks and uncertainties that could cause actual results to differ materially from such forward-looking statements. The statements in this presentation that are not historical statements and any other statements regarding EE's future expectations, beliefs, plans, objectives, financial conditions, assumptions or future events or performance that are not historical facts, are forward-looking statements within the meaning of the federal securities laws. Additional information concerning factors that could cause actual results to differ materially from those expressed in forward-looking statements is contained in EE's most recently filed periodic reports and in other filings made by EE with the U.S. Securities and Exchange Commission (the "SEC"), and includes, but is not limited to:

- 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
- Full and timely recovery of 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
- Changes in customers' demand for electricity as a result of energy efficiency initiatives and emerging competing services and technologies, including distributed generation
- Unanticipated increased costs associated with scheduled and unscheduled outages of generating plant
- Unanticipated maintenance, repair, or replacement costs for generation, transmission, or distribution facilities and the recovery of proceeds from insurance policies providing coverage for such costs
- The size of our construction program and our ability to complete construction on budget and on time
- Potential delays in our construction schedule due to legal challenges or other reasons
- Costs at Palo Verde
- 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 or state taxing authorities
- Uncertainties and instability in the financial markets and the resulting impact on EE's ability to access the capital and credit markets
- Possible physical or cyber attacks, intrusions or other catastrophic events
- Other factors of which we are currently unaware or deem immaterial

EE's filings are available from the SEC 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. Management cautions against putting undue reliance on forward-looking statements or projecting any future results based on such statements or present or prior earnings levels. Forward-looking statements speak only as of the date of this news release, and EE does not undertake to update any forward-looking statement contained herein.

2016 Financial Overview

- 2016 net income of \$96.8 million or \$2.39 per share
- EE paid over \$49 million in dividends in 2016
- Moody's and S&P reaffirmed EE's strong investment grade credit ratings of Baa1 and BBB, respectively

Reflection on 2016 Accomplishments

- Obtained Final Orders in Texas and New Mexico 2015 Rate Cases and recognized financial impact
- Became a coal-free utility by selling interest in the Four Corners Plant
- Received regulatory approvals for large-scale solar projects
 - Voluntary Texas Community Solar Program- 3 MW
 - Holloman Air Force Base- 5 MW
- Completed construction and started commercial operation of Montana Power Station (MPS) Units 3 & 4
- During 2016 the average number of customers increased by 1.5%
- Refined the dividend policy to include achieving an annual 55% to 65% payout ratio by 2020
- Reopened and issued \$150 million of the 5.00% Senior Notes
- Palo Verde Unit 3 recorded shortest refueling outage in its history

El Paso Electric Workforce

- 2016 annual customer satisfaction survey results were above target
- Employees are committed to delivering safe, reliable and cost effective power
 - Ranked #1 in reliability by the Public Utility Commission of Texas (PUCT) for the System Average Interruption Duration Index (SAIDI) and the System Average Interruption Frequency Index (SAIFI)
- Finalized a new collective bargaining agreement on September 3, 2016 with IBEW Local 960, which represents 38% of EE's workforce
- Employees contributed approximately 9,500 volunteer hours to the local community during the year through the Volunteers in Action Program
- Combined employee/company contributions to the United Way Campaign totaled more than \$235,000

Low Carbon Footprint

- EE became a coal-free utility on July 6, 2016, which will reduce one billion pounds of carbon dioxide from our annual emissions
- Costs associated with future retrofits required by environmental regulation will be avoided
- Addition of large-scale solar resources has prevented another one billion pounds of carbon dioxide from being emitted into the atmosphere

EE vs. U.S. Avg. Carbon Footprint

(Short tons CO₂ equivalent emissions/MWH)



**2015 National
Average 0.55**



**2015 EE
0.33**

Texas Community Solar Program- 3 MW Capacity

- 100% of the output was subscribed within one month
 - Allows customers to hedge against certain future rate increases
 - Subscription is accessible and portable in Texas service territory
 - Customers enjoy contract flexibility
- EE expects completion of its first large-scale solar facility and commencement of the community solar program in Q2 2017
 - Largest utility-owned community solar facility in Texas
- There are approximately 1,500 customers subscribed to the program
 - More than 500 customers are on a waiting list
 - Customers will be contacted on a first-come-first-served basis if capacity becomes available



Q & A