



# Third Quarter 2013 Earnings Conference Call



# Safe Harbor Statement

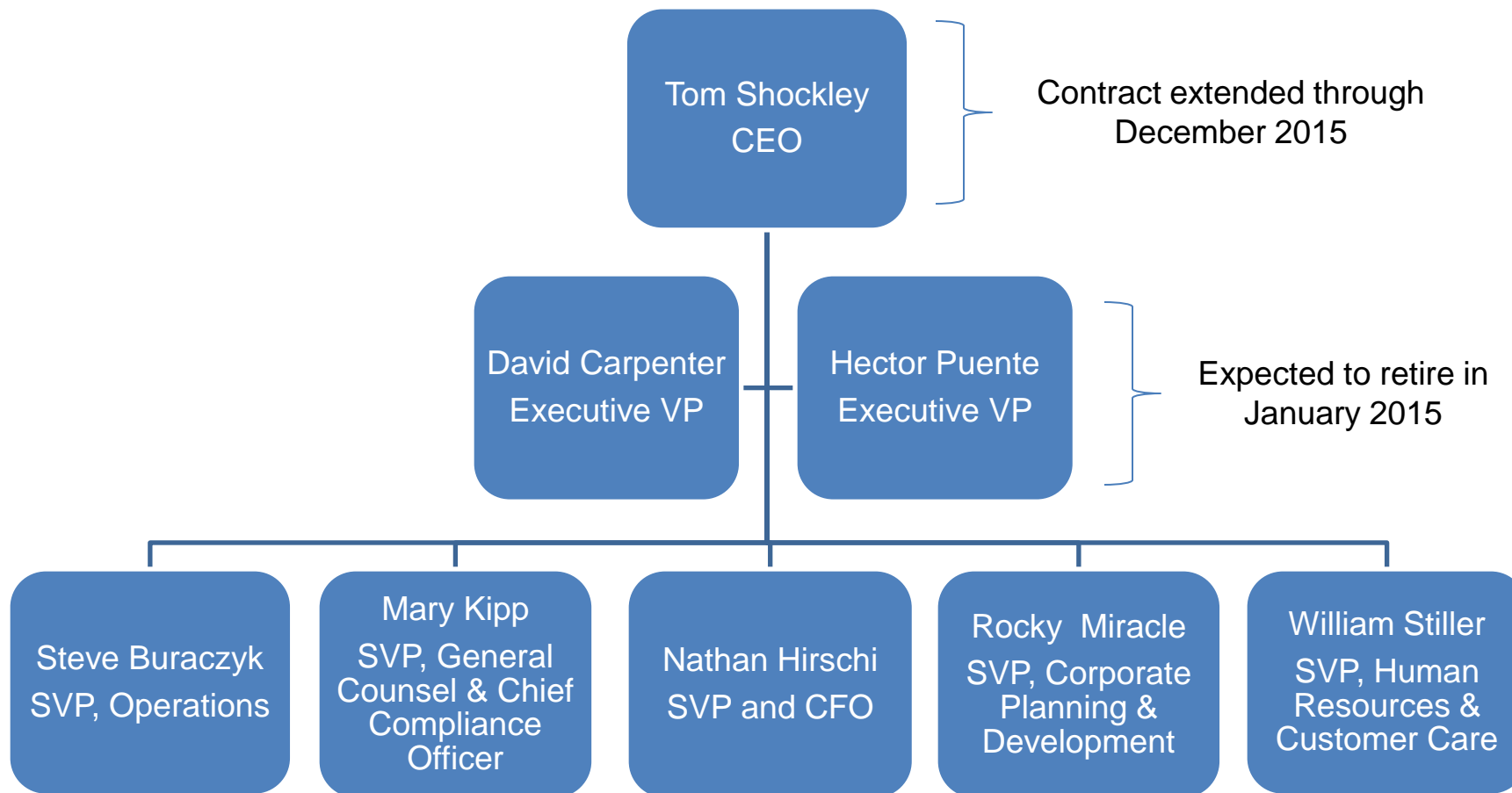
This presentation includes statements that may constitute forward-looking statements made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. This information may involve risks and uncertainties that could cause actual results to differ materially from such forward-looking statements. Factors that could cause or contribute to such differences include, but are not limited to:

- ⤵ 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
- ⤵ 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
- ⤵ Unanticipated increased costs associated with scheduled and unscheduled outages of generating plant
- ⤵ The size of our construction program and our ability to complete construction on budget
- ⤵ 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
- ⤵ Other factors detailed by EE in its public filings with the Securities and Exchange Commission

# 3rd Quarter Highlights

- ⤵ Successfully negotiated a new 3-year collective bargaining agreement
- ⤵ Filed Certificates of Convenience and Necessity (CCN) in Texas and New Mexico for Montana Units 3 & 4
- ⤵ Texas Administrative Law Judge recommended approval of EE's air permit for the Montana Power Station
- ⤵ Environmental Protection Agency issued a draft air permit for the Montana Power Station

# Leadership Team



# 2013 Financial Results

- ⌚ 3rd Quarter 2013 net income of \$50.6 million or \$1.26 per basic share, compared to 3rd Quarter 2012 net income of \$51.8 million or \$1.29 per basic share
- ⌚ YTD 2013 net income of \$87.4 million or \$2.17 per basic share, compared to YTD 2012 net income of \$86.0 million or \$2.15 per basic share

# 3rd Quarter Key Earnings Drivers

|                               | Basic EPS      | Description  |
|-------------------------------|----------------|--|
| September 30, 2012            | \$ 1.29        |  |
| Changes In:                   |                |  |
| Palo Verde O&M                | 0.02           | Decrease due to reduced employee benefit costs & other operations expenses                 |
| Taxes other than Income Taxes | (0.05)         | Increase in property taxes due to increased property values and estimated assessment rates |
| Interest on long-term debt    | (0.02)         | Increase due to interest on \$150.0 million of 3.3% senior notes issued in December 2012   |
| Other                         | 0.02           |  |
| September 30, 2013            | <u>\$ 1.26</u> |  |

# 3rd Quarter Changes in Revenue and Sales

|                            | Non-Fuel<br>Base Revenue | Percent<br>Change | MWH              | Percent<br>Change |
|----------------------------|--------------------------|-------------------|------------------|-------------------|
| Residential                | 80,003                   | (0.4%)            | 880,105          | (0.5%)            |
| C&I Small                  | 60,259                   | (0.9%)            | 680,380          | (1.9%)            |
| C&I Large                  | 12,426                   | (1.3%)            | 276,232          | 6.0%              |
| Public Authorities         | 31,222                   | 1.3%              | 449,469          | 1.4%              |
| <b>Total Retail Sales</b>  | <b>183,910</b>           | <b>(0.3%)</b>     | <b>2,286,186</b> | <b>0.2%</b>       |
| <br>                       |                          |                   |                  |                   |
| Cooling Degree Days        | 1,444                    | (3.5%)            |                  |                   |
| Retail Customers (Average) | 392,588                  | 1.3%              |                  |                   |

# YTD Key Earnings Drivers

|  | Basic EPS      | Description   |
|--|----------------|---|
| September 30, 2012                           | \$ 2.15        |   |
| Changes In:                                  |                |   |
| O&M expense at fossil fuel generating plants | 0.04           | Decrease primarily due to timing of planned maintenance in 2012 at the Newman and Rio Grande plants |
| Deregulated Palo Verde Unit 3 revenues       | 0.03           | Increase due to a 15.8% increase in power prices and a 14.7% increase in generation                 |
| Allowance for Funds Used During Construction | 0.03           | Increase due to higher CWIP balances  |
| Palo Verde O&M                               | 0.02           | Decrease due to reduced operations expense at Unit 3  |
| Interest on long-term debt                   | (0.05)         | Increase due to interest on \$150.0 million of 3.3% senior notes issued in December 2012            |
| Administrative and general expense           | (0.04)         | Increase primarily due to outside services related to software systems improvements                 |
| Other  | (0.01)         |   |
| September 30, 2013                           | <u>\$ 2.17</u> |   |

November 6, 2013



# YTD Changes in Revenue and Sales

|                            | <b>Non-Fuel<br/>Base Revenue</b> | <b>Percent<br/>Change</b> | <b>MWH</b>       | <b>Percent<br/>Change</b> |
|----------------------------|----------------------------------|---------------------------|------------------|---------------------------|
| Residential                | 190,242                          | 1.3%                      | 2,138,436        | 1.2%                      |
| C&I Small                  | 146,763                          | (1.7%)                    | 1,813,330        | (0.7%)                    |
| C&I Large                  | 30,995                           | (4.2%)                    | 813,099          | 2.3 %                     |
| Public Authorities         | 75,666                           | 0.1%                      | 1,245,801        | 1.5%                      |
| <b>Total Retail Sales</b>  | <b>443,666</b>                   | <b>(0.3%)</b>             | <b>6,010,666</b> | <b>0.8%</b>               |
| Heating Degree Days        | 1,419                            | 16.8%                     |                  |                           |
| Cooling Degree Days        | 2,615                            | (3.6%)                    |                  |                           |
| Retail Customers (Average) | 391,091                          | 1.3%                      |                  |                           |

# Capital Requirements and Liquidity

- ⌚ EE has expended \$165.3mm for additions to utility plant for the nine months ended September 30, 2013
- ⌚ Capital expenditures for utility plant in 2013 are anticipated to be approximately \$236.7mm
- ⌚ EE paid \$31.4mm in dividends for the nine months ended September 30, 2013
- ⌚ At September 30, 2013, EE had a cash balance of \$61.9mm
- ⌚ At September 30, 2013, EE had liquidity of \$346.0mm including cash and the revolving credit facility

# 2013 Earnings Guidance

- ⤵ Revised 2013 earnings guidance range of \$2.25 to \$2.40 per basic share from the previous range of \$2.20 to \$2.50 per basic share
  - ⤵ Primary driver for the revision to the lower and upper ends of the earnings guidance range was due to the change in the assumption for base revenues due to mild summer weather

# Q & A

November 6, 2013

12