

EL PASO ELECTRIC CO /TX/
Form 424B2
March 21, 2016
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This Preliminary Prospectus Supplement and the information contained herein are subject to completion or amendment. Under no circumstances shall this Preliminary Prospectus Supplement and the accompanying prospectus constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration, qualification or filing under the securities laws of any such jurisdiction.

**Filed Pursuant to Rule 424(B)(2)
Registration No. 333-198989**

SUBJECT TO COMPLETION, DATED MARCH 21, 2016

**PRELIMINARY PROSPECTUS SUPPLEMENT
(To prospectus dated September 26, 2014)**

\$

**El Paso Electric Company
5.000% Senior Notes due 2044**

We are offering \$ _____ aggregate principal amount of our 5.000% notes due December 1, 2044 (the Senior Notes offered hereby). The Senior Notes offered hereby constitute an additional issuance of our 5.000% Senior Notes due 2044 issued on December 1, 2014 in an aggregate principal amount of \$150,000,000 and form a single series with such notes (the existing Senior Notes and, unless the context requires otherwise, together with the Senior Notes offered hereby, the Senior Notes). The Senior Notes offered hereby will be issued under the same indenture, will have terms identical to the existing Senior Notes, other than the date of issuance, the initial interest accrual date, the first interest payment date and the issue price, will have the same CUSIP number and will trade interchangeably with the existing Senior Notes immediately upon settlement. Upon the issuance of the Senior Notes offered hereby, the aggregate principal amount of outstanding Senior Notes will be \$ _____.

We will pay interest on the Senior Notes each December 1 and June 1. The first interest payment will be made on June 1, 2016. The Senior Notes will bear interest at a rate of 5.000% per year and will mature on December 1, 2044. We may redeem some or all of the Senior Notes at any time and from time to time at the applicable redemption price described herein.

The Senior Notes will be our senior unsecured obligations and will rank equally with all our other existing and future senior unsecured debt outstanding from time to time. The Senior Notes will be issued in denominations of \$1,000 and integral multiples in excess thereof.

Investing in the Senior Notes involves risks. See Risk Factors beginning on page_S-5.

Price to⁽¹⁾ Public	Underwriting Discount and Commissions	Proceeds to El Paso Electric Company (before expenses)
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Per Senior Note		%		%		%
Total	\$		\$		\$	

(1) Plus accrued interest from and including December 1, 2015, the last day on which interest was paid on the existing Senior Notes, to the date of the issuance of the Senior Notes offered hereby, which must be paid by the purchasers of the Senior Notes offered hereby. The total amount of accrued interest on March , 2016 will be \$.

There is no established trading market for the Senior Notes, and we do not intend to apply for listing of the Senior Notes on any securities exchange.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus supplement or the accompanying prospectus to which it relates is truthful or complete. Any representation to the contrary is a criminal offense.

We expect that the Senior Notes offered hereby will be ready for delivery only through The Depository Trust Company and its participants, in book-entry form on or about March , 2016.

Joint Book-Running Managers

Wells Fargo Securities

US Bancorp

The date of this prospectus supplement is March , 2016.

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You should rely only on the information incorporated by reference or provided in this prospectus supplement and the accompanying prospectus and in any written communication from us or the underwriters specifying the final terms of

the offering. No person has been authorized to give any information or to make any representation other than as set forth or incorporated by reference in this prospectus supplement and the accompanying prospectus. If anyone gives you additional or different information, you should not rely on it. We are not, and the underwriters are not, making an offer to sell these securities in any jurisdiction where the offer or sale is not permitted. You should assume that the information in this prospectus supplement, the accompanying prospectus, any written communication from us or the underwriters specifying the final terms of the offering and the documents incorporated by reference herein or therein is accurate only as of their respective dates. Our business, financial condition, results of operations and prospects may have changed since those dates.

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CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This prospectus supplement, the accompanying prospectus and documents that are incorporated by reference herein and therein contain statements that are not historical in nature, are predictive in nature, or that depend upon or refer to future events or conditions or contain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the Securities Act), and Section 21E of the Securities Exchange Act of 1934, as amended (the Exchange Act). Forward-looking statements often include words like believe, anticipate, target, project, expect, predict, pro forma, estimate, intend, will, is designed to, plan and words of similar meaning. Forward-looking statements describe our future plans, objectives, expectations or goals. Although the Company believes that the expectations reflected in such forward-looking statements are reasonable, no assurances can be given that these expectations will prove to be correct. Such statements address future events and conditions and include, but are not limited to:

- capital expenditures,
- earnings,
- liquidity and capital resources,
- ratemaking/regulatory matters,
- litigation,
- accounting matters,
- possible corporate restructurings, acquisitions and dispositions,
- compliance with debt and other restrictive covenants,
- interest rates and dividends,
- environmental matters,
- nuclear operations, and
- the overall economy of our service area.

These forward-looking statements are based on assumptions and analyses in light of the Company's experience and perception of historical trends, current conditions, expected future developments and other factors the Company believes were appropriate in the circumstances when the statements were made. Forward-looking statements by their nature involve substantial risks and uncertainties that could significantly impact expected results, and actual future results could differ materially from those described in such statements. While it is not possible to identify all factors, the Company continues to face many risks and uncertainties. Factors that would cause or contribute to such differences include, but are not limited to:

- actions of our regulators,
- our ability to fully and timely recover our costs and earn a reasonable rate of return on our invested capital through the rates that we are permitted to charge,
- rates, cost recovery mechanisms and other regulatory matters including the ability to recover fuel costs on a timely basis,
- the ability of our operating partners to maintain plant operations and manage operation and maintenance costs at the Palo Verde Nuclear Generating Station (Palo Verde) and Four Corners Generating Station (Four Corners), including costs to comply with any new or expanded regulatory or environmental requirements,
- reductions in output at generation plants operated by us,
- the size of our construction program and our ability to complete construction on budget and on time,
- our reliance on significant customers,
- the credit worthiness of our customers,
- unscheduled outages of generating units, including outages at Palo Verde,
- changes in customers' demand for electricity as a result of energy efficiency initiatives and emerging competing services and technologies, including distributed generation,

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- individual customer groups, including distributed generation customers, may not pay their full cost of service, and other customers may or may not be required to pay the difference,
- changes in, and the assumptions used for, pension and other post-retirement and post-employment benefit liability calculations, as well as actual and assumed investment returns on pension plan and other post-retirement plan assets,
- the impact of changing cost escalation and other assumptions on our nuclear decommissioning liability for Palo Verde, as well as actual and assumed investment returns on decommissioning trust fund assets,
- disruptions in our transmission system, and in particular the lines that deliver power from our remote generating facilities,
- electric utility deregulation or re-regulation,
- regulated and competitive markets,
- ongoing municipal, state and federal activities,
- cuts in military spending or shutdowns of the federal government that reduce demand for our services from military and governmental customers,
- political, legislative, judicial and regulatory developments,
- homeland security considerations, including those associated with the U.S./Mexico border region and the energy industry,
- changes in environmental laws and regulations and the enforcement or interpretation thereof, including those related to air, water or greenhouse gas (GHG) emissions or other environmental matters,
- economic and capital market conditions,
- changes in accounting requirements and other accounting matters,
- changing weather trends and the impact of severe weather conditions,
- possible physical or cyber attacks, intrusions or other catastrophic events,
- the impact of lawsuits filed against us,
- the impact of changes in interest rates,
- Texas, New Mexico and electric industry utility service reliability standards,
- coal, uranium, natural gas, oil and wholesale electricity prices and availability,
- possible income tax and interest payments as a result of audit adjustments proposed by the Internal Revenue Service (IRS) or state taxing authorities,
- the impact of U.S. health care reform legislation,
- loss of key personnel, our ability to recruit and retain qualified employees and our ability to successfully implement succession planning, and
- other circumstances affecting anticipated operations, sales and costs.

These lists are not all-inclusive because it is not possible to predict all factors. A discussion of some of these factors is included in Risk Factors in this prospectus supplement, in Item 1A of our Annual Report on Form 10-K for the fiscal year ended December 31, 2015 (our 2015 Form 10-K), which Form 10-K is incorporated herein by reference, and under the headings Management s Discussion and Analysis of Financial Condition and Results of Operations,

—Summary of Critical Accounting Policies and Estimates and —Liquidity and Capital Resources in Item 7 of our 2015 Form 10-K. You should read this prospectus supplement, the accompanying prospectus and our reports and other filings with the Securities and Exchange Commission (the SEC) incorporated by reference herein and therein in their entirety. 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. Any forward-looking statement speaks only as of the date such statement was made, and we are not obligated to update any forward-looking statement to reflect events or circumstances after the date on which such statement was made, except as required by applicable laws or regulations.

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SUMMARY

The following summary information is qualified in its entirety by the information contained elsewhere in this prospectus supplement and the accompanying prospectus, including the documents we have incorporated by reference, and in the indenture as described herein under Description of the Senior Notes. You should read this prospectus supplement, the accompanying prospectus and the documents incorporated by reference herein and therein in their entirety. All references in this prospectus supplement to El Paso, the Company, we, us, the Registrant, our, or similar words are to El Paso Electric Company.

The Company

We are a public utility engaged in the generation, transmission and distribution of electricity in an area of approximately 10,000 square miles in west Texas and southern New Mexico. We also serve a full requirements wholesale customer in Texas. We own or have significant ownership interests in several electrical generating facilities, currently providing us with a net dependable generating capability of approximately 2,055 megawatts (MW). For the year ended December 31, 2015, our energy sources consisted of approximately 47% nuclear fuel, 34% natural gas, 6% coal, 13% purchased power and less than 1% generated by Company-owned solar photovoltaic panels and wind turbines. The Company continues to expand its portfolio of renewable energy sources, particularly solar photovoltaic generation. As of December 31, 2015, the Company has power purchase agreements for 107 MW from solar photovoltaic generation facilities.

We currently serve approximately 404,500 residential, commercial, industrial, public authority and wholesale customers. We distribute electricity to retail customers principally in El Paso, Texas and Las Cruces, New Mexico (representing approximately 63% and 12%, respectively, of our retail revenues for the year ended December 31, 2015). In addition, our wholesale sales include sales for resale to other electric utilities and power marketers. Our principal industrial, public authority and other large retail customers include United States military installations, including Fort Bliss in Texas and White Sands Missile Range and Holloman Air Force Base in New Mexico, an oil refinery, several medical centers, two large universities and a steel production facility.

We were incorporated in Texas in 1901. As of January 31, 2016, we had approximately 1,100 employees, 38% of whom are covered by a collective bargaining agreement.

Our principal offices are located at the Stanton Tower, 100 North Stanton, El Paso, Texas 79901 (telephone 915-543-5711). We maintain a website at www.electric.com, where general information about us is available. We are not incorporating the contents of the website into this prospectus supplement or the accompanying prospectus.

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The Offering

Issuer:

El Paso Electric Company, a Texas corporation.

Securities Offered:

\$ aggregate principal amount of 5.000% Senior Notes due December 1, 2044. The Senior Notes offered hereby constitute an additional issuance of our 5.000% Senior Notes due 2044 issued on December 1, 2014 in an aggregate principal amount of \$150,000,000 and form a single series with such notes (the existing Senior Notes and, unless the context requires otherwise, together with the Senior Notes offered hereby, the Senior Notes). The Senior Notes offered hereby will be issued under the same indenture, will have terms identical to the existing Senior Notes, other than the date of issuance, the initial interest accrual date, the first interest payment date and the issue price, will have the same CUSIP number and will trade interchangeably with the existing Senior Notes immediately upon settlement.

Maturity:

December 1, 2044.

Interest Payment Dates:

December 1 and June 1 of each year, commencing on June 1, 2016.

Interest Rate:

5.000% per year. Interest on the Senior Notes offered hereby will accrue from December 1, 2015.

Further Issuances:

We may, without the consent of the holders of the Senior Notes offered hereby, issue an unlimited amount of additional debt securities under the indenture relating to the Senior Notes having the same terms and CUSIP number as the Senior Notes in all respects, except for the date of issuance, the initial interest accrual date, the first interest payment date and/or the issue price. Any such additional debt securities will be consolidated with and form a single series with the Senior Notes offered hereby, provided that if such additional notes are not fungible with the original Senior Notes for U.S. federal income tax purposes, such additional notes will have a separate CUSIP number. In addition to the Senior Notes, we may issue other series of debt securities under the indenture relating to the Senior Notes. There is no limit on the total aggregate principal amount of debt securities that we can issue under the indenture relating to the Senior Notes.

Covenants:

The Senior Notes will be subject to covenants that will limit our ability to:

- Create liens on our operating property; and
- Consolidate with or merge into, or transfer all or substantially all of our assets to any other party.

These covenants are subject to important exceptions and qualifications that are described under Description of Debt Securities—Successor Obligor in the

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