

EL PASO ELECTRIC ANNUAL REPORT
A Century of Progress – A Future of Energy



2001 Performance Highlights

Financial (\$000)	1999	2000	2001
EBITDA	\$ 243,158	\$ 258,839	\$ 257,941
Electric Utility Operating Revenues (net of energy expenses)	\$ 458,581	\$ 475,644	\$ 483,488
Net Income (applicable to common stock)	\$ 46,774(1)	\$ 58,392	\$ 63,659
Total Assets	\$ 1,664,436	\$ 1,660,105	\$ 1,644,439
EBITDA Interest Coverage	3.00x	3.64x	3.90x
Common Stock Data			
Earnings Per Share (diluted weighted average)	\$ 0.78(1)	\$ 1.06	\$ 1.23
Free Cash Flow Per Share	\$ 1.94	\$ 2.34	\$ 2.37
Market Price Per Share (year-end close)	\$ 9.81	\$ 13.20	\$ 14.50
Book Value Per Share	\$ 7.36	\$ 8.00	\$ 8.96
Market To Book Ratio	133%	165%	162%
Price Earnings Ratio	12.58x(1)	12.45x	11.79x
Return on Book Equity	10.92%(1)	13.71%	14.77%
Weighted Average Number of Common Shares Outstanding			
	59,349,468	54,183,915	50,821,140
Number of Registered Holders			
	5,547	5,257	5,580
Debt and Stock Repurchases (\$000)			
First Mortgage Bonds			
Repurchases	\$ 83,544	\$ 38,848	\$ 53,628
Redemptions	\$ 36,034	\$ -	\$ 34,571
Common Share Repurchases			
	3,169,289	5,991,178	2,760,862

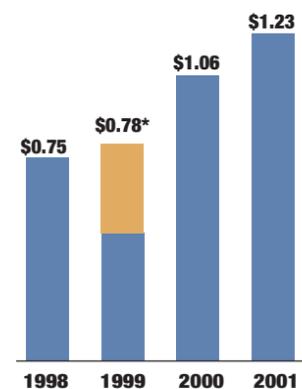
Relative Price Performance El Paso Electric vs. S & P Electric and S & P Utilities Indices⁽³⁾



(1) 1999 results before the effects of unusual and non-recurring items.
 (2) Certain prior year amounts have been restated to conform to the 2001 presentation.
 (3) Daily closing values for S & P classification system in use prior to 01/01/02.

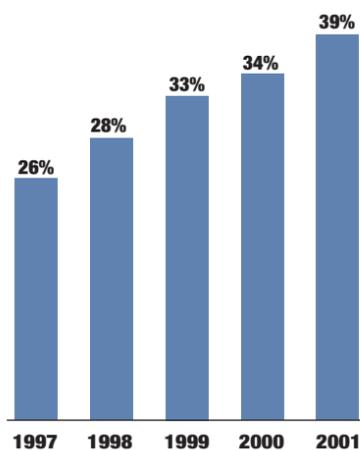
Statements in this document, other than statements of historical information, are forward-looking statements that are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements, as well as other oral and written forward-looking statements made by or on behalf of El Paso Electric (EPE) from time to time, including statements contained in EPE's filings with the Securities and Exchange Commission and its reports to shareholders, involve known and unknown risks and other factors which may cause EPE's actual results in future periods to differ materially from those expressed in any forward-looking statements. Please refer to EPE's 10-K for fiscal year ended December 31, 2001, and EPE's other 34 Act filings for a detailed discussion of these risks and uncertainties. EPE cautions that the risks and factors in such filings are not exclusive. EPE does not undertake to update any forward-looking statement that may be made from time to time by or on behalf of EPE, except as required by law.

Earnings Per Share (diluted weighted average)

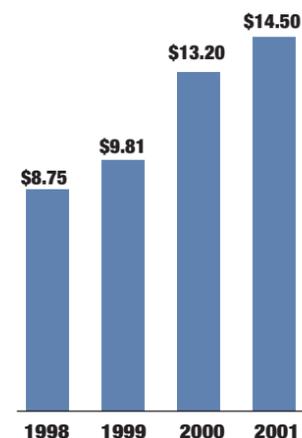


*1999 excludes unusual and non-recurring items.

Common Stock Equity (percent of capitalization)



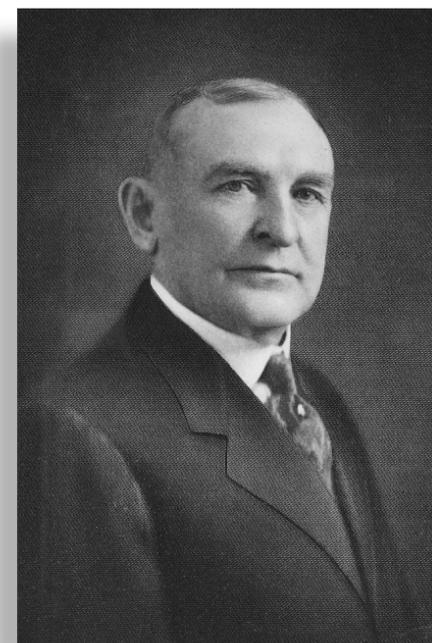
Market Price Per Share (year-end)



Dear Shareholders:

2001 was a year of celebration for El Paso Electric. We celebrated 100 years of service to the area as well as the beginning of a new era of leadership.

On August 30, 1901, the El Paso Electric Railway Company was created as the electricity provider to about 450 customers in the young, booming city of El Paso, Texas. One hundred years later, El Paso Electric is providing 309,000 customers with safe and reliable electric power. Effective leadership guided El Paso Electric for many of those 100 years. This has certainly been the case over the last few years as El Paso Electric has prospered under the leadership and guidance of former President and Chief Executive Officer Jim Haines.



Zach T. White
 Founder, El Paso Electric Railway Company

In the last five years, under Jim's leadership, El Paso Electric has: restored investment grade credit quality to its securities, received national awards for operational efficiency, been rated as one of the most reliable utilities in the state of Texas (as measured by standards set up by the state regulatory commission), received local and national awards for community involvement, and favorably resolved a significantly advanced municipalization attempt. Overcoming any one of these challenges would be worthy of note; overcoming all of them and restoring prominence to the company in each of these vital areas, in just a few short years, is an outstanding achievement. Jim will continue to provide leadership in his new role as vice chairman of the board and will retain his position as chairman of the Executive Committee of the board.

On November 1, 2001, a new era of leadership began with the selection of Gary Hedrick as president and chief executive officer. Gary's 25 years of extensive financial and regulatory experience combined with his lifelong knowledge of the communities we serve have prepared him to lead El Paso Electric into the next century and to continue



George W. Edwards, Jr.
 Chairman of the Board

the success enjoyed over the last five years.

It is with great excitement that we look forward to 2002 and beyond. Be assured that El Paso Electric will continue its rich tradition of service to our customers and creating value for our shareholders.

Dear Shareholders:

In 2001, El Paso Electric commemorated 100 years of service to west Texas and southern New Mexico. Throughout a century of service, EPE has been an active partner in the growth and prosperity enjoyed by the region. Over that time, EPE has remained a vertically integrated utility, producing, transmitting, and distributing electricity throughout its service territory in a fully regulated environment. Now, standing at the threshold of a new century of service to our customers, we, as well as our industry, are in the midst of dramatic and rapid change.

In January 2002, retail competition began in portions of Texas. EPE's service territory, as well as parts of the panhandle and far east Texas, have not yet begun retail competition. In EPE's case, we are currently scheduled to begin a retail pilot program in August 2005, and to begin full retail competition seven months later. In New Mexico, which comprises approximately 20 percent of our retail business, retail competition is slated to begin in January 2007.

Much remains unsettled regarding the structure and benefits of retail competition. The model in California, once regarded as the vanguard for effective retail competition, has been abandoned as unworkable. In Texas, we are in the early months of a structure for retail competition, which most agree

differs materially from the California model. It is too early to tell, however, whether the Texas structure will encounter its own unique set of challenges.

From EPE's perspective, we have several inherent advantages that we believe will work in our favor as we prepare for retail competition in 2006 and beyond. First, we have an opportunity to learn from other utilities as they resolve structural dilemmas and develop a fully operative market. Second, we will continue to use a portion of our significant cash flow to reduce debt and strengthen our balance sheet. Third, as we enter competition, we estimate that nearly half of our assets will remain in the regulated transmission and distribution business, providing a stable base of earnings and cash flow. Fourth, we operate in an historically high growth area and have a significant market opportunity literally on our doorstep in the form of the considerable energy needs facing the Republic of Mexico. Finally, we have over 700 MW of nuclear and coal capacity that we believe should be competitive.

The challenges we face are in adapting our company to the competitive landscape after a century of regulation. We will meet these challenges by remembering the lessons from our past – focusing on our core business and taking a



Gary R. Hedrick
President and CEO

conservative approach to both financial and operational management – while relentlessly adhering to our core values of safety, integrity, and excellence in all that we do.

Our pursuit of these business principles and values continued to produce excellent results during 2001. Diluted earnings per common share increased to \$1.27, before extraordinary item. This performance was significantly enhanced by increases in both demand and prices in the western power market, resulting in profit margins on economy sales contributing approximately 35 percent to net income, after tax, in 2001, compared to 29 percent in 2000. While EPE welcomes these increased sales and margins, there is no guarantee that these conditions will continue at the levels previously experienced. This is especially true given the Federal Energy

Regulatory Commission price caps in the western market, plans for increased generation, and continued softness in the wholesale market.

During 2001, our free cash flow remained strong at \$2.37 per share, enabling us to reduce debt during the year by over \$88.2 million. This reduction in debt has decreased annual fixed charges on an ongoing basis by \$7.2 million. We will redeem the remaining \$42.9 million of our Series C bonds at maturity in February 2003 with internally generated cash. As a result of our debt reduction plan, EPE's common stock equity increased to 39 percent of long-term capitalization (including current maturities) at year-end, a dramatic improvement from the June 30, 1996, level of 19 percent.

EPE has also utilized its free cash flow to essentially complete the 12 million-share common stock repurchase program started on June 14, 1999. As of January 31, 2002, more than 11.9 million shares have been repurchased for \$133.9 million, including commissions. We estimate that this common stock share reduction added almost \$0.07 per share to diluted earnings, before extraordinary item, in 2001. In early 2002, EPE authorized an additional stock repurchase of up to three million shares. EPE's goal is to produce maximum value for shareholders through stock repurchases, in combination

with our ongoing goal to reduce debt and thereby strengthen EPE's balance sheet. Of course, common stock repurchases or future reductions in fixed obligations will depend on the comparative economic value of alternative uses of cash.

At \$14.50, our year-end closing stock price increased for the sixth consecutive year and produced a one-year return of almost 10 percent. This significantly outperformed the S & P Electric Utilities Total Return Index, which closed down 8.3 percent, and the S & P Utilities Total Return Index, which closed down 30.4 percent. The Dow Jones Utility Index also closed down 28.7 percent. In October 2001, EPE was included in the S & P SmallCap 600 Index, which had a total return of 6.5 percent for the year. EPE is also included in the Russell 2000 Index, which posted a total return of 2.5 percent for the year.

During 2000 and early 2001, the utility industry saw dramatic increases in the cost of natural gas used to produce electricity. While EPE was able to pass these increased costs through to its Texas customers, a previous settlement agreement prevented recovery of these increased costs from our New Mexico customers prior to May 1, 2001. EPE filed a petition to recover these increased costs in late April 2001 and was successful in entering into a settlement agreement which allowed for the full pass-

through of fuel costs in our New Mexico jurisdiction effective June 15, 2001. Our inability to recover these increased costs in our New Mexico jurisdiction for the first half of the year resulted in an approximate \$6.3 million, \$0.12 per share, reduction in 2001 profits. As of today, our regulatory structure in both retail jurisdictions allows for complete pass-through of our prudently incurred fuel expenses.

EPE owns approximately 1,500 MW of generating capacity that, along with some small purchased power contracts to provide adequate reserves, should be sufficient to meet the present and near-term projected electricity needs of its service territory. In 2001, the Palo Verde Nuclear Generating Station supplied approximately 49 percent of EPE's energy mix and operated at an 86 percent capacity factor. EPE, along with the other participants in Palo Verde, recently began discussions regarding the possible replacement of the steam generators at Units 1 and 3. Those initial discussions indicate that it may be economically desirable to replace the steam generators at those units in addition to the Unit 2 steam generator replacement scheduled for Fall 2003. Replacement of the steam generators would increase the plant output and is essential for the proposed extension of the units' operating licenses for an additional 20 years.

Our commitment to creating value includes evaluating the need to secure additional generation resources for 2006 and beyond. Our conservative operating philosophy is reflected in EPE's commitment to enter the competitive environment with sufficient generation to meet customer needs. Currently EPE is evaluating the need for constructing additional generating capacity against the mandated requirement under the Texas restructuring law that we lose 40 percent of our incumbent residential and small commercial customers. Our current capacity and contracts for power are sufficient to supply our needs through 2005. This provides us with additional time to thoroughly evaluate our capacity needs in a competitive environment and to contract for, or construct, any needed additions.

EPE will also continue to work to improve customer relationships, which are vital to earning and retaining customer loyalty as we enter the competitive market. For two years in a row, EPE has ranked number one in the two reliability measures reported by investor-owned utilities to the Public Utility Commission of Texas. We have also worked to increase operating efficiencies in other areas. The number of customers served per employee has increased year over year, and the implementation of process improvements at the

EPE Call Center, for example, has resulted in better, more timely customer service.

In 2001, kWh sales to the Comisión Federal de Electricidad (CFE), Mexico's national electric utility, were almost twice as high as sales during 2000. The contract to serve 80 MW in 2000 and 100 MW in 2001 of summer load was not renewed in 2002, however, due primarily to the significant slow-down in the Mexican economy. EPE's relationship with the CFE is based on strong operating ties and literally a century of service to the CFE and its predecessors. We intend to continue partnering with the CFE as it seeks solutions to Mexico's substantial infrastructure requirements.

Corporate citizenship is a responsibility we take very seriously. Contributing to our communities is an express part of our corporate mission statement, and, as such, helps to define our corporate purpose and mold the actions taken by our employees. We believe this community partnership creates real value over time through enhanced communication and collaboration with our customers and communities. During 2001, our employees contributed over 14,000 hours of their time to charitable and civic causes and events. EPE's progress in this area is purely a reflection of our employees' dedication and contributions and is illustrated by the

numerous awards and recognition EPE received over the past year. Of particular note, is the recognition of EPE's 100 years of service by the Texas Senate and House of Representatives. El Paso Electric as well as past President and CEO, James Haines, were honored with the readings of resolutions during the 77th Legislative Session. In these readings, EPE was commemorated for having "spurred growth and development of the El Paso and surrounding communities," and for having "proven itself to be an industry leader that is committed to serving the area's citizens."

In 1901, El Paso Electric Railway Company focused primarily on electric railcar transportation between El Paso and Juárez, Mexico. Today, our focus is reflected in our mission statement.

"El Paso Electric will be a premier electric and energy services company which anticipates and meets the electric energy needs of its customers in the U.S. and Mexico by creating extraordinary value for: our customers through top quality service at a fair price; our shareholders through exceptional returns; our employees through superior compensation for superior work; and for our communities through outstanding leadership, stewardship, and commitment."

Thank you for your support and continued confidence in El Paso Electric.

2001 Operational Highlights

Operational	1999	2000	2001
Retail GWh Sold	5,866	6,115	6,218
Native Peak (MW)	1,159	1,159	1,199
Customers at Year-End	297,982	303,722	309,221
Employees at Year-End (including temporaries)	1,068	1,037	1,033
Palo Verde Capacity Factor	91%	91%	86%

Generating Capacity			
Plant	Entitlement	Fuel Source	Energy Mix
Palo Verde	600 MW	Nuclear	49%
Newman	482 MW	Natural Gas	} 32%
Rio Grande	246 MW	Natural Gas	
Copper	68 MW	Natural Gas	
Four Corners	104 MW	Coal	8%
		Purchased Power	11%
TOTAL	1,500 MW		100%

A pilot wind project began operating in April 2001 with a capacity of 1.32 MW.

Wholesale Sales Contracts

Imperial Irrigation District of California (IID)
100 MW Firm Capacity
50 MW Contingent Capacity
Expires April 2002

Texas-New Mexico Power Co.
Up to 75 MW Firm Capacity
Expires December 2002

Military Contracts

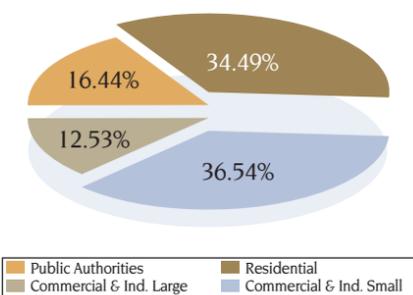
Ft. Bliss Army Air Defense Center
Expires December 2008

Holloman Air Force Base
Expires December 2005

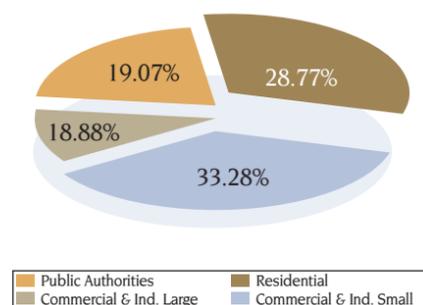
White Sands Missile Range
Expires May 2009

2001 Electric Utility Retail Operating Revenues

(in millions / includes fuel)



2001 Retail MWh Sales



Service Area



Operating Statistics

Electric Utility Operating Revenues (in thousands):	2001	2000	1999	1998	1997	1996(a)	1995	1994	1993	1992
Retail:										
Residential	\$ 195,214	\$ 184,769	\$ 164,524	\$ 173,215	\$ 172,917	\$ 163,742	\$ 140,799	\$ 149,321	\$ 144,365	\$ 143,150
Commercial and Industrial, Small	206,815	192,895	175,924	174,729	173,318	163,875	142,981	148,024	143,102	141,039
Commercial and Industrial, Large	70,959	65,687	59,497	62,450	64,468	59,041	48,643	51,452	47,930	49,742
Sales to Public Authorities	93,059	86,957	80,393	82,360	82,278	81,185	69,149	73,732	72,529	71,496
Total Retail	566,047	530,308	480,338	492,754	492,981	467,843	401,572	422,529	407,926	405,427
Wholesale:										
Sales for Resale	86,443	70,162	49,441	82,396	83,448	93,737	90,246	102,304	126,187	108,985
Economy Sales	92,452	84,918	32,523	20,167	10,612	11,032	6,681	5,672	3,078	4,982
Total Wholesale	178,895	155,080	81,964	102,563	94,060	104,769	96,927	107,976	129,265	113,967
Other	9,582	11,020	6,076	5,076(c)	4,980	3,981	3,744	4,050	4,433	3,575
Total Operating Revenues	\$ 754,524	\$ 696,408	\$ 568,378	\$ 600,393	\$ 592,021	\$ 576,593	\$ 502,243	\$ 534,555	\$ 541,624	\$ 522,969
Number of Customers (end of year):										
Residential	276,200	271,588	266,627	260,356	254,348	250,209	245,245	240,368	235,151	228,688
Commercial and Industrial, Small	28,573	27,947	27,274	26,396	25,900	25,304	24,615	23,857	23,338	22,883
Commercial and Industrial, Large	140	133	124	117	115	102	89	80	74	68
Other	4,308	4,054	3,957	3,867	3,811	3,711	3,674	3,470	3,395	3,251
Total Customers	309,221	303,722	297,982	290,736	284,174	279,326	273,623	267,775	261,958	254,890
Energy Supplied, Net, MWh:										
Generated	8,181,836	8,706,790	8,392,890	8,586,098	8,186,187	7,920,675	7,439,404	7,018,423	6,625,162	7,330,004
Purchased and Interchanged	951,359	905,770	328,225	478,396	617,651	711,791	584,853	1,051,251	1,416,172	589,288
Total Energy Supplied	9,133,195	9,612,560	8,721,115	9,064,494	8,803,838	8,632,466	8,024,257	8,069,674	8,041,334	7,919,292
Energy Sales, MWh:										
Retail:										
Residential	1,789,199	1,767,928	1,653,859	1,621,436	1,587,733	1,545,274	1,473,349	1,500,426	1,424,935	1,395,387
Commercial and Industrial, Small	2,069,517	2,026,768	1,943,120	1,891,703	1,834,953	1,779,986	1,754,176	1,721,736	1,616,434	1,555,047
Commercial and Industrial, Large	1,174,235	1,142,163	1,133,751	1,314,428	1,271,449	1,216,941	1,121,329	1,092,028	872,477	911,750
Sales to Public Authorities	1,185,521	1,177,883	1,135,438	1,120,654	1,090,312	1,110,706	1,068,048	1,081,850	1,034,231	997,483
Total Retail	6,218,472	6,114,742	5,866,168	5,948,221	5,784,447	5,652,907	5,416,902	5,396,040	4,948,077	4,859,667
Wholesale:										
Sales for Resale	1,460,383	1,282,540	905,975	1,757,880	1,897,885	1,753,553	1,646,357	1,925,671	2,484,128	2,361,204
Economy Sales	929,914	1,714,288	1,497,880	888,708	640,017	757,999	538,102	320,026	164,559	264,654
Total Wholesale Sales	2,390,297	2,996,828	2,403,855	2,646,588	2,537,902	2,511,552	2,184,459	2,245,697	2,648,687	2,625,858
Total Energy Sales	8,608,769	9,111,570	8,270,023	8,594,809	8,322,349	8,164,459	7,601,361	7,641,737	7,596,764	7,485,525
Losses and Company Use	524,426	500,990	451,092	469,685	481,489	468,007	422,896	427,937	444,570	433,767
Total, Net	9,133,195	9,612,560	8,721,115	9,064,494	8,803,838	8,632,466	8,024,257	8,069,674	8,041,334 (b)	7,919,292 (b)
Native System:										
Peak Load, MW	1,199	1,159	1,159	1,167	1,122	1,105	1,088	1,093	997	974
Net Generating Capacity for Peak, MW	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,497	1,497	1,497
Load Factor	64.6%	65.4%	62.5%	63.1%	64.0%	63.4%	61.6%	61.1%	62.1%	62.3%
Total System:										
Peak Load, MW	1,425	1,360	1,287	1,439	1,442	1,387	1,374	1,365	1,335	1,302
Net Generating Capacity for Peak, MW	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,497	1,497	1,497
Load Factor	64.1%	64.3%	62.9%	64.3%	64.0%	64.2%	62.0%	63.7%	66.4%	66.4%

(a) Financial data is based on the results for the Predecessor Company for periods prior to February 11, 1996 and the Reorganized Company thereafter.
(b) Excludes unbilled MWh.
(c) Excludes MiraSol revenue of \$1,430.

Board of Directors

George W. Edwards, Jr.
Chairman of the Board
Retired in 1995. Prior to retirement,
President, CEO and Director of
Kansas City Southern Railway Company
Kansas City, MO

Wilson K. Cadman
Retired in 1992. Prior to retirement,
Chairman of the Board, President and
CEO, Kansas Gas and Electric Company,
Wichita, KS and Vice Chairman of the
Board of Western Resources, Inc.
Topeka, KS

James A. Cardwell
Chairman of the Board and CEO
Petro Stopping Centers, LP
El Paso, TX

James W. Cicconi
General Counsel and
Executive Vice President
Law and Government Affairs, AT&T
Washington, D.C.

Ramiro Guzman
President
Ramiro Guzman & Associates
El Paso, TX

James Haines
Vice Chairman of the Board
Retired in November 2001. Prior to retirement,
President and CEO, El Paso Electric Company
El Paso, TX

James W. Harris
Founder and President
Seneca Financial Group, Inc.
Greenwich, CT

Gary R. Hedrick
President and CEO
El Paso Electric Company
El Paso, TX



Seated left to right: Gary R. Hedrick, George W. Edwards, Jr.
Standing left to right: James A. Cardwell, Charles A. Yamarone, Stephen N. Wertheimer, Patricia Z. Holland-Branch,
Kenneth A. Heitz, James W. Cicconi, Eric B. Siegel, Michael K. Parks, James W. Harris, Wilson K. Cadman,
James Haines, Ramiro Guzman.

Kenneth A. Heitz
Partner
Irell & Manella
Los Angeles, CA

Patricia Z. Holland-Branch
President, CEO and Owner
Facilities Connection, Inc.
El Paso, TX

Michael K. Parks
Managing Director
Trust Company of the West
Los Angeles, CA

Eric B. Siegel
Independent Investor and
Business Consultant
Retired Limited Partner of Apollo
Advisors, LP
Los Angeles, CA

Stephen N. Wertheimer
Managing Director
W Capital Management
Greenwich, CT

Charles A. Yamarone
Executive Vice President
U.S. Bancorp Libra Securities, LLC
Los Angeles, CA

Officers

Gary R. Hedrick
President and Chief Executive Officer

Terry Bassham
Executive Vice President, Chief Financial and
Administrative Officer

J. Frank Bates
Executive Vice President, Chief Operations
Officer

Raul A. Carrillo, Jr.
General Counsel

Kathryn R. Hood
Treasurer

Helen Knopp
Vice President, Customer and Public Affairs

Kerry B. Lore
Controller

Robert C. McNiel
Vice President, New Mexico Affairs

Hector Puentes
Vice President, Power Generation

Guillermo Silva, Jr.
Secretary

Shareholder Information

Securities and Records

The common stock of El Paso Electric is
traded on the American Stock Exchange.
The ticker symbol is EE.

EPE and The Bank of New York (BONY)
act as co-registrars for EPE's common
stock. BONY maintains all shareholder
records of EPE.

Shareholder Services

Shareholders may obtain information
relating to their share position, transfer
requirements, lost certificates, and other
related matters by telephoning BONY
Shareholder Services at (800) 524-4458.
This service is available to all shareholders
Monday through Friday,
8 a.m. to 8 p.m., ET.

Address Shareholder Inquiries to:

The Bank of New York
Shareowner Relations
Church Street Station
P.O. Box 11258
New York, NY 10286-1258
Website: <http://www.stockbny.com>

Send Certificates for Transfer
and Address Changes to:

The Bank of New York
Receive and Deliver Dept.
Church Street Station
P.O. Box 11002
New York, NY 10286-1002

Form 10-K Report and Shareholder Inquiries

A complete copy of EPE's Annual Report
and Form 10-K for the year ended
December 31, 2001, which has been filed
with the Securities and Exchange
Commission, including financial
statements and financial statement
schedules, is available without charge
upon written request to:

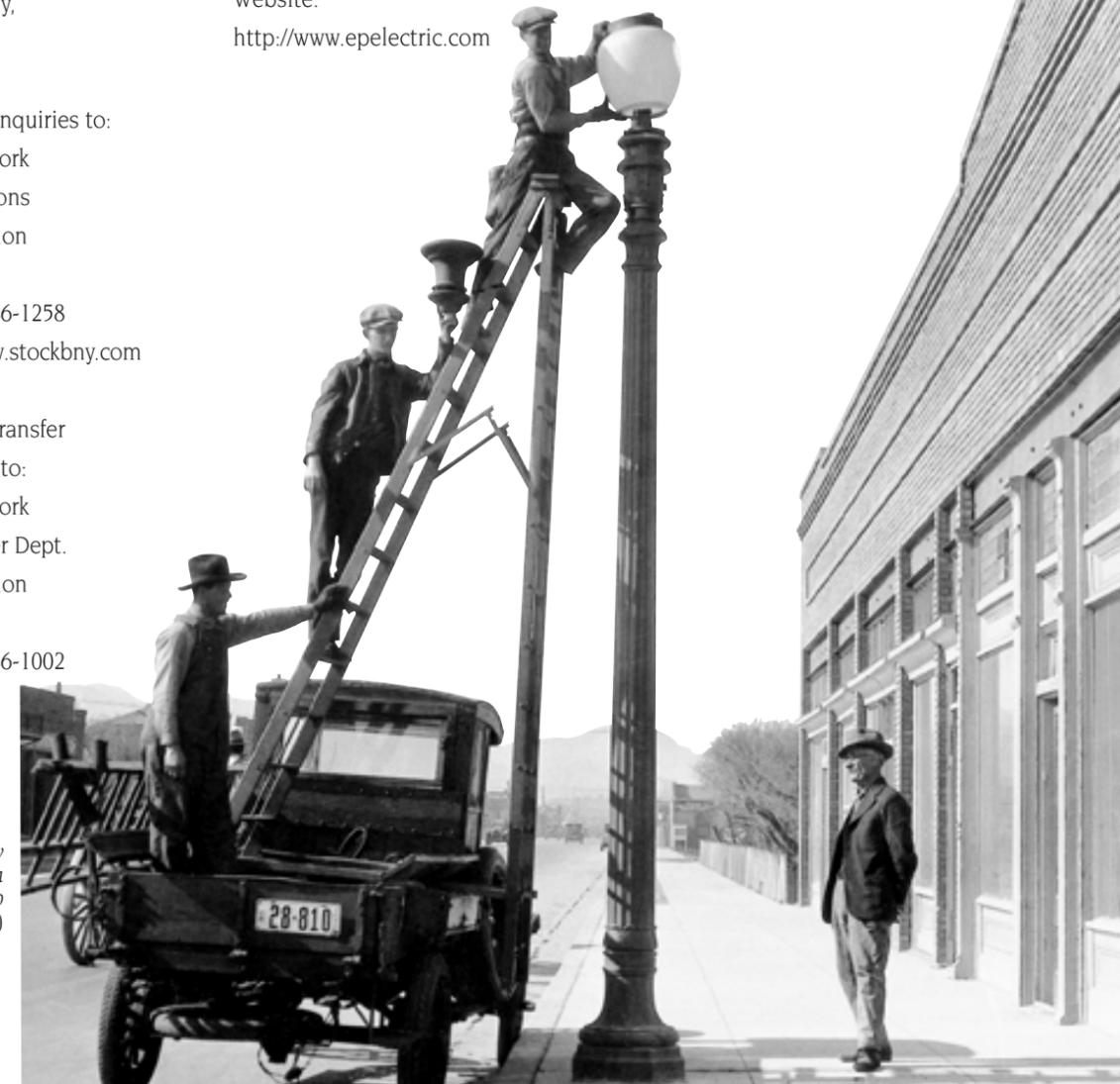
Investor Relations
El Paso Electric
P.O. Box 982
El Paso, TX 79960
Or Call: (800) 592-1634

E-mail:
investor_relations@epelectric.com
Website:
<http://www.epelectric.com>

Annual Meeting of Shareholders

The annual meeting of El Paso Electric's
shareholders will be held at 10 a.m.,
Mountain Daylight Time on Thursday,
May 9, 2002 at the Stanton Tower,
100 N. Stanton, El Paso, TX 79901. In
connection with the meeting, proxies will
be solicited by the Board of Directors of
EPE. A notice of meeting, together with a
proxy statement, a form of proxy, and the
Annual Report to Shareholders for
2001, were mailed on or about
April 4, 2002 to shareholders of
record as of March 11, 2002.

Maintenance crew
replaces street light in
Southeast El Paso
(1930s)



History of El Paso Electric



Line crews pose with vehicles for department photo (1920s)

The Advent of Electricity

In 1901, the El Paso Electric Railway Company opened for business, delivering electricity to a few hundred streetlights and about 450 customers.

Owner Zach T. White, wanted the electricity primarily to transform his mule-drawn streetcar business into an electric streetcar business. These streetcars carried passengers between El Paso, Texas and Juárez, Mexico.

In 1902, he retired the mules for the latest in high-tech transportation — electric railcars.

For the next two decades, trolley service dominated the company's business activities. By 1920, it served 12,000 electric customers, carried 15 million trolley passengers a year, and even ran a special line out to the American Smelting and Refining Company. Industry was growing, attracted by the easy availability of electric power.

So, in 1924, the El Paso Electric Railway Company made a strategic move, and expanded its focus to the generation and delivery of electricity.

1920 - 1930

On December 24, 1924, a new street lighting system to illuminate El Paso's business district was turned on for the first time. This event was marked by a public celebration in Pioneer Plaza. Mayor R. M. Dudley pressed a button that caused the new lights to shine brightly across downtown. A municipal Christmas tree lighting of the Christmas tree in downtown El Paso became a holiday tradition that continues today.

People were becoming aware that electricity could improve the lives of everyone, not just businesses and wealthy customers. This awareness

sparked new interest in El Paso Electric Railway Company's electric lights. Because the company dedicated more and more of its efforts to producing and distributing electricity, in 1925, the El Paso Electric Railway Company changed its name to the El Paso Electric Company (EPE). That same year, EPE was also granted authorization to transact business in New Mexico. Hatch and Rincon, New Mexico, were added to the system in 1928. Four years later, EPE built the Rio Grande Power Plant and high voltage lines were erected to serve Sierra Blanca and Van Horn, Texas.

1930 - 1940

The 1930s was a decade of expansion for El Paso Electric. As Las Cruces and other parts of its New Mexico territory grew, EPE began to sell power up and down the Rio Grande valley — from Hatch, New Mexico to Van Horn, Texas and even into Mexico. It operated all the electric trolley and bus services in El Paso, as well as sightseeing tours, an ice company, and two toll bridges.



Customer Service representative Yvonne Cabrales (2000)



El Pasoans conserved electricity during World War II by lighting the streets with kerosene lamps (1940s)

To keep up with all its new customers, the company switched from manual to machine-generated billing — the latest in modern business technology.

Agriculture was flourishing as well. Electric pumping stations made it possible to irrigate thousands more acres of farmland, yielding greater harvests of cotton, fruits, and vegetables.

1940 - 1950

In 1940, general business conditions rose sharply, due in large part to the expansion of Fort Bliss, which increased personnel from 3,500 to 30,000 by July 1941. Phelps Dodge Copper Refinery operated at near capacity as a result of an increased demand for copper. American Smelting and Refining Company also experienced a profitable year.

As the country geared up for World War II, many EPE

employees joined the armed services, and EPE made special financial arrangements for them as a patriotic gesture.

In 1943, EPE sold its transportation and bridge properties and began focusing strictly on the generation, transmission and distribution of electricity. Economically, the city prospered during the war years. Mining, smelting, and refining industries had a record year in 1944, and the farming industry reached \$22 million in revenues, with cotton accounting for two-thirds of the total crop value.

1950 - 1960

El Paso's economy boomed during the 1950s, too. In response, EPE built a new 30,000 kiloWatt turbo-generator and boiler at the Rio Grande Power Plant. EPE also successfully negotiated a three-year contract with Mexico's Comisión Federal de Electricidad to sell off-peak power to Juárez, Mexico.

El Paso's economy still relied on cotton, copper, cattle, and farming. The city further benefited from the national defense program. The Annual Report to Shareholders for 1953 noted that Fort Bliss, William Beaumont Army Hospital, Biggs Air Force Base, and White Sands Proving Ground (now known as White Sands Missile Range) served as the area's greatest assets and were among EPE's largest customers.

By the end of the decade, El Paso's population was 290,000, and Juárez boasted 260,000. One-third of Juárez's electrical requirements were supplied by EPE. Las Cruces' population had reached 29,500.

1960 - 1970

The 1960s brought changes such as the expansions at both Texas Western College (now The University of Texas at El Paso) and New Mexico State University in Las Cruces, as well as the remodeling of the El Paso International Airport.

Through 1965, demand for electricity grew at roughly twice the rate of the economy. The fast pace could be attributed to the development of electrical appliances, the convenience of electricity, and effective marketing by electric utilities.

1970 - 1980

The early 1970s heralded the beginning of what would become the "energy crisis," and EPE immediately took



Meter reader Janet Hallsted, Las Cruces (2000)



Mesilla Valley Electric Company truck (1900s)

measures to confront the problem by negotiating long-term fuel contracts, increasing fuel storage facilities, and reviewing fuel mix procedures. EPE also participated in research and development programs for alternate forms of energy production. In 1973, EPE signed an agreement with several other utilities to participate in the Arizona Nuclear Power Project. The feasibility study for the Palo Verde Nuclear Generating Station (PVNGS) began in April 1970. The U.S. Nuclear Regulatory Commission granted a construction permit in May 1976, and construction on the first unit started soon thereafter.

EPE was doing more than searching for alternative forms of energy during this decade. In 1977, EPE formed a wholly-owned subsidiary, known as Franklin Land & Resources. Originally formed for the purpose of acquiring real estate for possible power plant sites, Franklin Land's purpose broadened in 1978. Diversification became EPE's focus in the next decade.

1980 - 1990

El Paso Electric grew as it diversified through its

subsidiaries. EPE also put portions of its interest in PVNGS up for sale. However, by the mid-1980s, EPE was unable to sell any of its interest in PVNGS.

In 1989, EPE was forced to lay off employees for the first time in its history. Additionally, EPE suspended the payment of dividends to its common shareholders. The end of the 1980s also saw EPE discontinuing all of its subsidiary operations.

1990 - 2001

The 1990s opened with uncertainty and that uncertainty grew when EPE filed for bankruptcy in 1992. This was a difficult period for EPE, but thanks to the hard work of dedicated employees who continued to provide quality service to customers, EPE was able to weather the storm and emerge from bankruptcy in 1996 with a fresh start.

Change in the electric utility industry is redefining EPE in ways that are not yet fully known, but change has been part of EPE for over 100 years. EPE has grown from 450 customers in 1901 to 309,000 customers in 2001. Generating capacity has increased just as dramatically in that same time period, from 500 kW to 1.5 million kW. EPE continues to transform itself to meet the needs of its customers.

EPE has entered the 21st century as a flexible, forward-

thinking energy company dedicated to its customers, shareholders, and employees.

The little company that Zach White started in 1901 has grown and changed, and has made great strides in providing its customers with safe, reliable energy. Along the way, it has also worked to maintain the highest standards of quality service.

EPE and its employees are committed to meeting the future with the same enthusiasm, dedication, leadership, and vision that marked the company's first one hundred years.

El Paso Electric — celebrating a century of progress...and a future of energy.



Line crews work on EPE distribution lines (2000)

