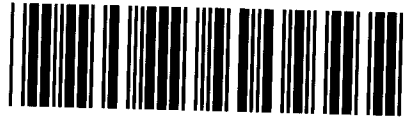




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 CITY OF EL PASO'S THIRD REQUEST FOR INFORMATION
 QUESTION NOS. CEP 3-1 THROUGH CEP 3-8

OCTOBER 7, 2015

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CEP 3-1:

Reference EPE's response to CEP 1-4; provide documentation of the referenced reviews of model inputs and outputs conducted by the Company which demonstrates the reasonableness of models used for the Four Corners analysis.

RESPONSE:

Please see the confidential attachment that documents the changes made to its production cost simulation model PROMOD back through 2010 based on internal discussions and meetings conducted to update and support the reasonableness of the model. The changes are also made to its Strategist planning model as needed.

Preparer: Ricardo Acosta

Title: Director-Resource Planning

Sponsor: Ricardo Acosta

Title: Director-Resource Planning

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CEP 3-2:

Reference EPE's response to CEP 1-6; provide workpapers supporting the calculation of the amounts provided for each component of the final Four Corners sales price.

RESPONSE:

Please see CEP 3-002 Attachment 1, which is being provided on CD. Each line item (or component) of the Four Corners sales price has its own tab that serves as supporting back-up. It is important to note that most of the components of the sales price are estimates which were prepared by APS. Only the amounts for decommissioning, mining reclamation, and lease payments (the major components of the sales price) are known and agreed upon numbers.

Preparer: Royce B. Green

Title: Manager-Asset Optimization

Sponsor: Nadia L. Powell

Title: Director-Remote Assets

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CEP 3-3:

Reference EPE's response to CEP 1-11; explain why EPE would need to maintain the same level of transmission rights after the sale of Four Corners as it would if it retains the units.

RESPONSE:

As stated in response to CEP 1-11, retaining the same transmission rights after the sale of Four Corners provides several benefits to EPE and its customers. EPE would maintain the same 645 MW level of transmission rights after the sale of Four Corners in order for EPE to retain the same firm contractual transmission rights to import all 633 MW of its Palo Verde capacity through Southern New Mexico. EPE uses three major transmission lines to import power into its southern New Mexico area, and these lines together are called WECC Path 47 or the Southern New Mexico Imports (SNMI). SNMI Path 47 consists of the 1) Greenlee to Luna, 2) Springerville to Luna and 3) West Mesa to Arroyo transmission lines. In order for EPE to retain its entire firm contractual transmission through SNMI Path 47, it must import power through all of these 3 major transmission lines. The only way to schedule power to any of these 3 major transmission lines is by keeping the same level of transmission EPE currently has. Maintaining the same level of transmission can also provide additional reliability by allowing EPE to import more capacity if needed during maintenance and unexpected outages or emergency situations. EPE can utilize this transmission capacity to economically serve their customers by making market-based power purchases when market conditions are beneficial. This level of transmission will also aid in bridging the gap between expansion builds by allowing EPE to make seasonal (mostly during summer) on-peak capacity purchases to meet load and reserve requirements to provide the level of reliability expected by its customers.

Preparer: Daniel Holguin

Title: Engineer-Staff

Sponsor: Ricardo Acosta

Title: Director-Resource Planning

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CEP 3-4:

Reference EPE's response to CEP 1-19, provide the 2010 and 2014 reports referenced in Attachment 2 to this response.

RESPONSE:

The 2014 report referenced in response to CEP 1-19 is Attachment 1 to CEP 1-19. Please see CEP 3-004 Attachment 1, which is being provided on CD, for the 2010 Marston report.

Preparer: Nadia L. Powell

Title: Director-Remote Asset Management

Sponsor: Nadia L. Powell

Title: Director-Remote Asset Management

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CEP 3-5:

Reference EPE's response to CEP 1-20; provide the discount rate used for the referenced Strategist/PVRR model.

RESPONSE:

The discount rate used for the Strategist/PVRR model was previously furnished in the attachments to EPE's response to CEP 1-05. Specifically the rate is located within the assumptions tab, item number 4 for each of the PVRR model.

Preparer: Royce B. Green

Title: Manager-Asset Optimization

Sponsor: Scott Wilson

Title: Principal-Wilson Consulting Group

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CEP 3-6:

Reference EPE's response to CEP 1-20, provide the escalation rate that was applied to 2016 mine closing costs to derive the estimates of final mine closing costs to be paid in 2030 and 2031 for the scenario where EPE stays in the project to 2031.

RESPONSE:

The escalation rate applied to the 2016 mine closing costs to derive the estimate for final mine closing costs to be paid in 2030 and 2031 for the scenario where EPE stays in the project to 2031 was answered previously in the response to CEP 1-5, more specifically it was included in the assumptions tab of the PVRR model, item number 13 in the high gas and low gas scenarios. It was also included in the base gas case scenario, however, the first sentence of item number 13 was inadvertently truncated. Please see Confidential Attachment 1 to CEP 3-006 which includes the corrected item number 13 where the first sentence is included.

Preparer: Royce B. Green

Title: Manager-Asset Optimization

Sponsor: Scott Wilson

Title: Principal-Wilson Consulting Group

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CEP 3-7:

Reference EPE's response to CEP 1-25, provide the status of the referenced APS and PNM applications addressing decisions by these companies to acquire EPE's interest and/or continue operating the Four Corners project and indicate whether regulatory approval of these decisions has been granted.

RESPONSE:

PNM, as well as the other participants in the Four Corners Power Plant, elected not to exercise their right of first refusal. However, PNM filed a "compliance" filing in Case No. 1452 on June 16, 2014 providing notification EPE was ending participating in July 2016 when the facilities contracts expire. Staff then filed a Petition in PNM's Case 14-00197-UT, asking the Commission to investigate PNM's decision and analysis about whether to exercise its right of first refusal, but the Commission dismissed it, finding it unnecessary. Because this is a compliance filing, PNM does not seek, nor does the Commission grant approval.

On June 26, 2015 APS and Pinnacle West filed with the FERC a request to transfer EPE's 7 percent ownership interest in Units 4 and 5 of the Four Corners Power Plant to APS or a non-APS subsidiary in case Docket EC15-159-000. The case is on-going. APS has asked the Commission to rule on or before December 24, 2015.

Information on these cases can be found at the following URLs: New Mexico Infoshare - <http://164.64.85.108/index.asp>, FERC - <http://elibrary.ferc.gov>.

Preparer: Nadia L. Powell

Title: Director-Remote Asset Management

Sponsor: Nadia L. Powell

Title: Director-Remote Asset Management

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CEP 3-8:

Provide any analysis conducted by EPE addressing the Company's estimated cost of compliance with the carbon emission targets established in the EPA's final Clean Power Plan with and without continued ownership of Four Corners.

RESPONSE:

No such analysis has been performed. The CPP rule became final after EPE decided not to continue its participation in Four Corners, so EPE did not analyze the costs of that rule with and without Four Corners.

Preparer: Nadia L. Powell

Title: Director-Remote Asset Management

Sponsor: Nadia L. Powell

Title: Director-Remote Asset Management