



Control Number: 46831



Item Number: 490

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SOAH DOCKET NO. 473-17-2686
PUC DOCKET NO. 46831

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APPLICATION OF EL PASO
ELECTRIC COMPANY TO
CHANGE RATES

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§

BEFORE THE STATE OFFICE
OF PUBLIC UTILITY COMMISSION
ADMINISTRATIVE HEARINGS
FILING CLERK

EL PASO ELECTRIC COMPANY'S RESPONSE TO
CITY OF EL PASO'S TENTH REQUEST FOR INFORMATION
QUESTION NOS. CEP 10-1 THROUGH CEP 10-6

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SOAH DOCKET NO. 473-17-2686
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APPLICATION OF EL PASO § BEFORE THE STATE OFFICE
ELECTRIC COMPANY TO § OF
CHANGE RATES § ADMINISTRATIVE HEARINGS

EL PASO ELECTRIC COMPANY'S RESPONSE TO
CITY OF EL PASO'S TENTH REQUEST FOR INFORMATION
QUESTION NOS. CEP 10-1 THROUGH CEP 10-6

CEP 10-1:

Please provide documents from the most recent previous litigated rate case filing in Texas for El Paso Electric Company showing:

- a. The amount requested for OPEBs and for Pensions
- b. Complete workpapers for adjustments to OPEBs and to Pensions.
- c. Testimony (or other evidence) identifying whether the amounts included for OPEBs or Pensions was based on GAAP accounting or actual funding.
- d. Commission adjustments (or stipulation adjustments) to Pensions.
- e. Excerpts from Commission orders showing acceptance of the funded amount for OPEBs and for Pensions.

RESPONSE:

Docket No. 12700, which was ultimately decided by the Commission on August 30, 1995, was litigated by the parties with a Proposal For Decision issued by the Administrative Law Judges. Findings regarding pension and Other Post-Employment Benefit (OPEB) expenses were contained in a Commission Interim Order in that docket and reflected an anticipated merger between the Company and Central and South West Corporation (CSW). Subsequent to the issuance of the Interim Order, CSW withdrew from the transaction and the merger was never consummated. The parties to Docket No. 12700 then negotiated a settlement of the proceeding that adopted the overall revenue requirement established by the Commission's Interim Order (March 3, 1995) but that contained no individual findings regarding the level of pension and OPEB expense included in customer rates. That settlement was approved and adopted by the Commission without adopting individual findings regarding the level of pension and OPEB expense reflected in rates.

EPE's last fully litigated rate case in Texas prior to Docket No. 12700 was Docket No. 9945. There were no Commission findings in in Docket No. 9945 regarding expense

accruals for pensions and OPEBs because, at that time, the Company both requested and recovered these items on a pay-as-you-go basis. Therefore, the information presented in this response is information from Docket No. 12700.

- a. Please refer to Schedule A-2, Line No. 8 - Employee Pensions & Benefits, for the amount requested for OPEBs and for Pensions filed in Docket No. 12700. See CEP 10-1 Attachment 1 for the excerpt from the referenced schedule. These requested amounts in Docket No. 12700 reflect test year accrued costs for OPEB expense and pension funding amounts.
- b. Please refer to Schedule A-3, Adjustment No. 7 - Employee Pensions & Benefits, for adjustments to OPEBs and Pensions filed in Docket No. 12700. See CEP 10-1 Attachment 2 for the excerpt from the referenced schedule.
- c. Please refer to the Docket No. 12700 direct testimony of EPE witness Russell G. Gibson, page 17, lines 19 through 23, and page 18, lines 3 through 14. Also refer to the direct testimony of EPE witness Thomas M. Goss, pages 19 and 20, and page 23, lines 5 through 23. See CEP 10-1 Attachment 3 for excerpts of the referenced testimonies.
- d. Please see CEP 10-1 Attachment 4 for the Proposal For Interim Decision for Docket No. 12700, pages 304 through 307, for a discussion of the adjustments to pension funding requirements proposed in that case.
- e. Please refer to the Agreed Order for Docket No. 12700. See CEP 10-1 Attachment 5 for pages 1 through 10 of the Agreed Order. As indicated above, the Commission's order adopting and approving the settlement agreement in Docket No. 12700 contained no individual findings regarding the level of pension and OPEB expenses included in customer rates.

Preparer: Steven Sierra

Title: Supervisor-Financial Accounting

Sponsor: Russell G. Gibson

Title: Vice President-Controller

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EL PASO ELECTRIC COMPANY
COST OF SERVICE DETAIL BY ACCOUNT - TOTAL COMPANY
FOR THE TEST YEAR ENDED JUNE 30, 1993
WITNESS: RUSSELL G. GIBSON
(6065)

Line No.	(e) Description	(b) Test Year Actual (\$)	(c) Company Adjustments To Test Year	(d) Company Request
1	Fuel (Nonrecyclable & Non-Recoverable)	9,759	4,628	9,757
2	Purchased Power	21,410	(22,562)	848
3	TY O&M Not Adjusted	15,068	0	15,068
4	Maintenance of Electric Plant	4,154	(1,396)	2,758
5	Other Power Generation - Rents	1,722	(1,722)	0
6	Transmission of Electricity by Others	3,477	(5,847)	(2,370)
7	Payroll	37,357	588	37,923
8	Employee Pension & Benefits	9,538	2,929	12,457
9	Regulatory Commission Expense	2,172	7,271	9,443
10	Pole Loads O & M Expense	4,153	(1,433)	2,720
11	Lease Payments, Gains, Transmission Costs, & LOC Fees	74,575	(76,375)	(1,800)
12	Property Insurance	570	(271)	299
13	Injuries & Damages	4,593	(1,691)	2,902
14	General Advertising Expense	75	(21)	54
15	Customer Assistance	312	(24)	288
16	Other Supplies and Expenses	4,381	(415)	3,966
17	Outside Services Employed	9,515	(5,519)	3,996
18	Miscellaneous General Expenses	2,159	(1,111)	1,048
19	A & O Rents	4,216	(1,480)	2,736
20	Maintenance of General Plant	1,452	(185)	1,267
21	Costs Building & Fabricating Expenses	0	233	233
22	Freight Expense	0	84	84
23	Corporate Restructuring Expense	0	3,634	3,634
24	Financing Factor	0	0.0003161322518	0.0003161322518
25	Unrecyclable Fuel	5,524	(5,524)	0
26	Unrecyclable Fuel	0.0160753084729	(0.0160753084729)	0.0000000000000
27	Depreciation Expense	40,247	18,817	59,064
28	Amortization Expense	3,101	(3,927)	(826)
29	Amortization Expense	(4,307)	10,397	6,090
30	Amortization Expense	31,166	(34)	31,132
31	Ad Valorem Taxes	(9)	2,026	2,017
32	Payroll Taxes	4,722	148	4,870
33	Other Non-Revenue Related Taxes	3,114	(3,215)	(101)
34	Taxes PUC Assessment	58	85	143
35	Taxes PUC Assessment Effective Rate	0.0010177448753	0.00105472753	0.001120172479
36	Other Rates' PUC Assessment	418	91	516

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EL PASO ELECTRIC COMPANY
ATTORNEYS FOR THE UTILITY
1000 WEST 10TH AVENUE, SUITE 100
DALLAS, TEXAS 75208-1000
(214) 760-1000

Line	Account	Category	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041	2042	2043	2044	2045	2046	2047	2048	2049	2050	2051	2052	2053	2054	2055	2056	2057	2058	2059	2060	2061	2062	2063	2064	2065	2066	2067	2068	2069	2070	2071	2072	2073	2074	2075	2076	2077	2078	2079	2080	2081	2082	2083	2084	2085	2086	2087	2088	2089	2090	2091	2092	2093	2094	2095	2096	2097	2098	2099	2100	2101	2102	2103	2104	2105	2106	2107	2108	2109	2110	2111	2112	2113	2114	2115	2116	2117	2118	2119	2120	2121	2122	2123	2124	2125	2126	2127	2128	2129	2130	2131	2132	2133	2134	2135	2136	2137	2138	2139	2140	2141	2142	2143	2144	2145	2146	2147	2148	2149	2150	2151	2152	2153	2154	2155	2156	2157	2158	2159	2160	2161	2162	2163	2164	2165	2166	2167	2168	2169	2170	2171	2172	2173	2174	2175	2176	2177	2178	2179	2180	2181	2182	2183	2184	2185	2186	2187	2188	2189	2190	2191	2192	2193	2194	2195	2196	2197	2198	2199	2200	2201	2202	2203	2204	2205	2206	2207	2208	2209	2210	2211	2212	2213	2214	2215	2216	2217	2218	2219	2220	2221	2222	2223	2224	2225	2226	2227	2228	2229	2230	2231	2232	2233	2234	2235	2236	2237	2238	2239	2240	2241	2242	2243	2244	2245	2246	2247	2248	2249	2250	2251	2252	2253	2254	2255	2256	2257	2258	2259	2260	2261	2262	2263	2264	2265	2266	2267	2268	2269	2270	2271	2272	2273	2274	2275	2276	2277	2278	2279	2280	2281	2282	2283	2284	2285	2286	2287	2288	2289	2290	2291	2292	2293	2294	2295	2296	2297	2298	2299	2300	2301	2302	2303	2304	2305	2306	2307	2308	2309	2310	2311	2312	2313	2314	2315	2316	2317	2318	2319	2320	2321	2322	2323	2324	2325	2326	2327	2328	2329	2330	2331	2332	2333	2334	2335	2336	2337	2338	2339	2340	2341	2342	2343	2344	2345	2346	2347	2348	2349	2350	2351	2352	2353	2354	2355	2356	2357	2358	2359	2360	2361	2362	2363	2364	2365	2366	2367	2368	2369	2370	2371	2372	2373	2374	2375	2376	2377	2378	2379	2380	2381	2382	2383	2384	2385	2386	2387	2388	2389	2390	2391	2392	2393	2394	2395	2396	2397	2398	2399	2400	2401	2402	2403	2404	2405	2406	2407	2408	2409	2410	2411	2412	2413	2414	2415	2416	2417	2418	2419	2420	2421	2422	2423	2424	2425	2426	2427	2428	2429	2430	2431	2432	2433	2434	2435	2436	2437	2438	2439	2440	2441	2442	2443	2444	2445	2446	2447	2448	2449	2450	2451	2452	2453	2454	2455	2456	2457	2458	2459	2460	2461	2462	2463	2464	2465	2466	2467	2468	2469	2470	2471	2472	2473	2474	2475	2476	2477	2478	2479	2480	2481	2482	2483	2484	2485	2486	2487	2488	2489	2490	2491	2492	2493	2494	2495	2496	2497	2498	2499	2500	2501	2502	2503	2504	2505	2506	2507	2508	2509	2510	2511	2512	2513	2514	2515	2516	2517	2518	2519	2520	2521	2522	2523	2524	2525	2526	2527	2528	2529	2530	2531	2532	2533	2534	2535	2536	2537	2538	2539	2540	2541	2542	2543	2544	2545	2546	2547	2548	2549	2550	2551	2552	2553	2554	2555	2556	2557	2558	2559	2560	2561	2562	2563	2564	2565	2566	2567	2568	2569	2570	2571	2572	2573	2574	2575	2576	2577	2578	2579	2580	2581	2582	2583	2584	2585	2586	2587	2588	2589	2590	2591	2592	2593	2594	2595	2596	2597	2598	2599	2600	2601	2602	2603	2604	2605	2606	2607	2608	2609	2610	2611	2612	2613	2614	2615	2616	2617	2618	2619	2620	2621	2622	2623	2624	2625	2626	2627	2628	2629	2630	2631	2632	2633	2634	2635	2636	2637	2638	2639	2640	2641	2642	2643	2644	2645	2646	2647	2648	2649	2650	2651	2652	2653	2654	2655	2656	2657	2658	2659	2660	2661	2662	2663	2664	2665	2666	2667	2668	2669	2670	2671	2672	2673	2674	2675	2676	2677	2678	2679	2680	2681	2682	2683	2684	2685	2686	2687	2688	2689	2690	2691	2692	2693	2694	2695	2696	2697	2698	2699	2700	2701	2702	2703	2704	2705	2706	2707	2708	2709	2710	2711	2712	2713	2714	2715	2716	2717	2718	2719	2720	2721	2722	2723	2724	2725	2726	2727	2728	2729	2730	2731	2732	2733	2734	2735	2736	2737	2738	2739	2740	2741	2742	2743	2744	2745	2746	2747	2748	2749	2750	2751	2752	2753	2754	2755	2756	2757	2758	2759	2760	2761	2762	2763	2764	2765	2766	2767	2768	2769	2770	2771	2772	2773	2774	2775	2776	2777	2778	2779	2780	2781	2782	2783	2784	2785	2786	2787	2788	2789	2790	2791	2792	2793	2794	2795	2796	2797	2798	2799	2800	2801	2802	2803	2804	2805	2806	2807	2808	2809	2810	2811	2812	2813	2814	2815	2816	2817	2818	2819	2820	2821	2822	2823	2824	2825	2826	2827	2828	2829	2830	2831	2832	2833	2834	2835	2836	2837	2838	2839	2840	2841	2842	2843	2844	2845	2846	2847	2848	2849	2850	2851	2852	2853	2854	2855	2856	2857	2858	2859	2860	2861	2862	2863	2864	2865	2866	2867	2868	2869	2870	2871	2872	2873	2874	2875	2876	2877	2878	2879	2880	2881	2882	2883	2884	2885	2886	2887	2888	2889	2890	2891	2892	2893	2894	2895	2896	2897	2898	2899	2900	2901	2902	2903	2904	2905	2906	2907	2908	2909	2910	2911	2912	2913	2914	2915	2916	2917	2918	2919	2920	2921	2922	2923	2924	2925	2926	2927	2928	2929	2930	2931	2932	2933	2934	2935	2936	2937	2938	2939	2940	2941	2942	2943	2944	2945	2946	2947	2948	2949	2950	2951	2952	2953	2954	2955	2956	2957	2958	2959	2960	2961	2962	2963	2964	2965	2966	2967	2968	2969	2970	2971	2972	2973	2974	2975	2976	2977	2978	2979	2980	2981	2982	2983	2984	2985	2986	2987	2988	2989	2990	2991	2992	2993	2994	2995	2996	2997	2998	2999	3000	3001	3002	3003	3004	3005	3006	3007	3008	3009	3010	3011	3012	3013	301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EL PASO ELECTRIC COMPANY
EMPLOYEE PENSIONS AND BENEFITS
FOR THE TEST YEAR ENDING JUNE 30, 1993
WITNESS: KUSSELL G. GIBSON
(000'S)

SCHEDULE A-3
ADJUSTMENT NO. 7
PAGE 1 OF 7

Line No.	(a) Description	(b) Schedule A Reference	(c) Worksheet Reference	(d) Total Amount
<u>Employee Pensions and Benefits</u> <u>FERC Account No. 926</u>				
1	Expense Amount, As Adjusted	Line 2	N/A	\$ 12,459 (A)
	Less:			
2	Amount Per Books	Line 2	N/A	<u>9,530 (B)</u>
3	Adjustment	Line 2	N/A	\$ <u>2,929</u>

(A) Excluding Palo Verde Project costs and Payroll

(B) Total FERC Account No. 926	\$ 14,152
Palo Verde Project Pensions and Benefits	(4,448)
Payroll	<u>(170)</u>
Per Book Pensions and Benefits	
Excluding Palo Verde and Payroll	\$ <u>2,929</u>

Justification for requested adjustment:

Merger related:

The CSW/EPSC merger agreement provides for the inclusion of EPSC in the CSW pension and benefit plans effective with the merger date (1/1/95). Annualized Insurance (medical/dental, group life and long-term disability), Pension Funding Requirements and Postretirement Benefits Other than Pensions have been adjusted to reflect the annualized costs to EPSC based on this known event and using CSW's cost estimations.

Other:

Adjustments have been made to annualize miscellaneous benefits and the test year G & M expense ratio has been applied.

EL PASO ELECTRIC COMPANY
 EMPLOYEE PENSIONS AND BENEFITS
 FOR THE TEST YEAR ENDED JUNE 30, 1993
 WITNESS: RUSSELL G. GERRON
 (00072)

SCHEDULE A-3
 ADJUSTMENT NO. 7
 PAGE 2 OF 7

Line No.	(a) Description	(b) Subtotal Amount	(c) Total Amount
1	Annualized Insurance (P. 3 of 7) (A)	\$ 4,024	\$
2	Pension Funding Requirements (B)	3,830	
3	Costs 401K Plan (P. 4 of 7)	819	
4	401K Plan Administrative Cost (P. 5 of 7)	22	
5	Postretirement Benefits Other than Pensions (C)	3,923	
6	Sick Leave Incentive	136	
7	Subtotal	12,744	
8	Payroll Percentage Charged to O & M	57,778	
9	Adjusted Subtotal		11,212
10	Other:		
11	Supplemental Retirement Plan (P. 6 of 7)	608	
12	Supplemental Pension Administrative Cost (P. 5 of 7)	45	
13	Training and Tuition Aid	28	
14	Employee Publications	2	
15	Appreciation of the Year	1	
16	Employee Meetings	2	
17	Employee Parking (P. 7 of 7)	46	
18	Miscellaneous Expenses	40	
19	Senior Staff Physicals	4	
20	Safety Incentive	158	
21	Four Corners Project - EP&C share	312	
22	Palo Verde Transmission - EP&C share	6	
23	TEP-ATP Line - EP&C share	3	
23	Total Other		1,247
24	Adjusted Pensions and Benefits		\$ 12,459

(A) Annualized Insurance has been adjusted to reflect the annualized costs to EP&C for inclusion in the CSW medical and dental, group life and long-term disability insurance plans effective with the expected merger date (1/1/93). For further information, please refer to testimonies of Mr. Carpenter and Mr. Goss.

(B) Pension Funding Requirements have been adjusted to reflect the annualized costs to EP&C for inclusion in the CSW pension plan. This cost was determined by an independent study performed by Hewitt Associates. A copy of the study is included in the rate filing package. For further information, please refer to testimonies of Mr. Carpenter and Mr. Goss.

(C) Costs for Postretirement Benefits Other than Pensions have been adjusted to reflect the annualized costs to EP&C as a member of the CSW system. The cost was determined by an independent study performed by Hewitt Associates. A copy of the study is included in the rate filing package. For further information, please refer to testimonies of Mr. Carpenter and Mr. Goss.

EL PASO ELECTRIC COMPANY
 EMPLOYEE PENSIONS AND BENEFITS
 SUPPLEMENTAL PENSION AND 401K ADMINISTRATIVE COSTS
 FOR THE TEST YEAR ENDED JUNE 30, 1993
 WITNESS: RUSSELL G. GIBSON

SCHEDULE A-3
 ADJUSTMENT NO. 7
 PAGE 5 OF 7

Line No.	(a) Description	(b) Amount
<u>Supplemental Pension Administrative Fees</u>		
	<u>Compass & Lateral Charges</u>	
1	July 1992	\$ 0
2	August	0
3	September	0
4	October	0
5	November	7,100
6	December	3,900
7	January 1993	15,200
8	February	3,450
9	March	2,350
10	April	8,800
11	May	10,200
12	June	0
13	Total	51,000
14	Less Subsidiary Amount (Line 13 x 12.36%)	6,304 (A)
15	Supplemental Pension Plan Fees	\$ <u>44,696</u>
<u>401K Administrative Fees</u>		
16	Potman Quarterly Charge	\$ 3,546
17	Number of Quarters	<u>4</u>
18	Annualized 401K Administrative Fees	\$ <u>22,184 (B)</u>

(A) Subsidiary percentage per actual monthly payments: 12.36%

(B) Before application of O & M expense ratio

EL PASO ELECTRIC COMPANY
EMPLOYEE PENSIONS AND BENEFITS
SUPPLEMENTAL PENSION
FOR THE TEST YEAR ENDED JUNE 30, 1993
WITNESS: RUSSELL G. GIBSON
(006'S)

SCHEDULE A-3
ADJUSTMENT NO. 7
PAGE 6 OF 7

Line No.	(a) Description	(b) Amount
1	Total Supplemental Pension - October 1993	\$ 57
2	Subsidary Amounts	(7)
3	Total EPE Supplemental Pension - October 1993	50
4	Months per Year	12
5	Total Amortized Supplemental Pensions	\$ 600

EL PASO ELECTRIC COMPANY

SOAH Docket No. 473-17-2686
PUC Docket No. 46831
CEP's 10th, Q. No. CEP 10-1
Attachment 3
Page 1 of 7

**PUBLIC UTILITY COMMISSION OF TEXAS
APPLICATION OF EL PASO ELECTRIC COMPANY
FOR AUTHORITY TO CHANGE RATES
DIRECT TESTIMONY OF
RUSSELL G. GIBSON
FOR
APPLICANT
JANUARY 1994**

1 A. Adjustment No. 7 increases annualized pension and
2 benefits expense. Pension and benefits expense was
3 restated, as applicable, to reflect known and measurable
4 costs and the elimination of certain expenses that are
5 either nonrecurring or misclassified. Various annual
6 costs were further adjusted, as discussed above, to
7 reflect the application of the O&M expense ratio. As
8 discussed in Adjustment No. 6 above, a portion of the
9 adjusted pension and benefit expense is also capitalized
10 to construction work in progress and expensed to other
11 income and expenses.

12 The specific adjustments to test year pension and
13 benefits expense are as follows:

- 14 1. Medical, dental, life and long-term disability
15 insurance expenses, were annualized using the
16 costs for EP&EC employees to be covered by the
17 CSW benefit plans when the merger is effective.
18 These amounts are detailed in the testimony of
19 Mr. Goss and Mr. Carpenter. The O&M expense
20 ratio was then applied to the annualized
21 amounts.
- 22 2. Consistent with prior commission orders for EP&EC
23 pension expense, the test year amount was
24 restated to reflect the Company's necessary
25 annual maximum pension funding contribution.
26 This cost was calculated by the Hewitt and
Associates actuarial study which incorporated
EP&EC demographics into the CSW pension plan.
Please refer to the testimony of Mr. Goss for
further discussion of this adjustment. A
portion of the cost was capitalized.
3. Average employee contributions to the 401(k)
plan (up to 6% of participants' base pay) based
on pay periods during June and July 1993 were
annualized. The total cost to the Company,
which is now paid in cash, was determined by
applying the 50¢ 1993 matching contribution

1 factor to the annualized contribution dollars.
2 In December 1993, the Board of Directors
3 approved a 60% matching factor for 1994. A
4 portion of the cost was capitalized.

5 4. Supplemental pensions for retirees and surviving
6 spouses were annualized utilizing total
7 authorized October 1993 payments, exclusive of
8 any amounts related to subsidiary retirees. A
9 portion of the supplemental pension amount was
10 not capitalized, as those receiving the benefits
11 are not active in Company operations. This
12 treatment is consistent with the methodology
13 used by the Company in Docket No. 9945, which
14 was approved by the Commission.

15 5. SPAS No. 106 expense was calculated on an
16 accrual basis as allowed by the terms of PUCT
17 Substantive Rule 23.21(b)(8). The Company's
18 annual OPES expense and transition obligation
19 amortization were derived from the 1993 Hewitt
20 and Associates actuarial study which
21 incorporated EPSC demographics into the CSW
22 benefit plan. Please refer to the testimony of
23 Mr. Goss for further discussion of this
24 adjustment. A portion of the expense was
25 capitalized.

26 6. 401(k) administrative fees were annualized to
reflect a recurring level of cost. In 1993,
the Company retained Putnam Investment Company
to administer the 401(k) plan. The Putnam
Company charges a fixed quarterly fee of \$5,546,
which equates to \$22,184 annually.

7. Employee parking expense was restated to include
the Company's annualized contribution
attributable to the level of employees utilizing
the Parkrite Garage as of July 1993. As
discussed on page 134 of the Examiner's Report
in Docket No. 9945 (which was adopted by the
Commission), "The record evidence also
demonstrated that employee parking is not an
extraordinary employee benefit and that except
for one utility, all Texas utilities provide
some form of parking subsidy to their
employees."

Q. DID YOU MAKE ANY OTHER ADJUSTMENTS TO PER BOOK AMOUNTS?

18

RUSSELL G. GIBSON
DIRECT TESTIMONY.

12

EL PASO ELECTRIC COMPANY

SOAH Docket No. 473-17-2686
PUC Docket No. 46831
CEP's 10th, Q. No. CEP 10-1
Attachment 3
Page 4 of 7

**PUBLIC UTILITY COMMISSION OF TEXAS
APPLICATION OF EL PASO ELECTRIC COMPANY
FOR AUTHORITY TO CHANGE RATES
DIRECT TESTIMONY OF
THOMAS M. GOSS
FOR
APPLICANT
JANUARY 1994**

1 A. No, there will not be an increase. In fact, the
2 inclusion of the EPEC benefit plans which can be
3 converted upon the consummation of the merger in the CSW
4 plans results in a \$1,266,000 reduction in benefits costs
5 from what would have been required under the EPEC plans
6 for the adjusted test year.

7
8 VI. ADJUSTED TEST
9 YEAR BENEFITS COSTS

10 Q. WHAT ARE THE ADJUSTED TEST YEAR COSTS FOR THE EPEC
11 BENEFITS PLANS WHICH WILL BE INCLUDED IN THE CSW BENEFIT
12 PLANS UPON THE CONSUMMATION OF THE MERGER?

13 A. The adjusted test year costs for these plans are as
14 follows:

15 Adjusted Test Year Benefits Costs
16 (thousands of dollars)

Plan	EPEC	CSW	Difference
18 OPFB	\$ 7,161	\$ 3,923	\$ 3,238
21 Medical/Dental	2,564	3,742	(1,178)
22 Group Life	173	134	39
23 Long-term Disability	156	148	8
24 Pension-Funding	<u>3,009</u>	<u>3,850</u>	<u>(841)</u>
25	<u>\$13,063</u>	<u>\$11,797</u>	<u>\$ 1,266</u>

27
28 Q. PLEASE EXPLAIN THE ADJUSTED TEST YEAR OPFB COST.

29 A. Under Statement of Financial Accounting Standards No. 106
30 (SFAS-106), a business must account for other than
31 pensions post-retirement employee benefits (OPFB) on an
32 accrual basis during the period that the employee renders

1 service. These benefits, which include medical and life
2 insurance that will be provided after retirement,
3 previously were accounted for on a pay-as-you-go basis,
4 i.e., recognized when the retired employee or his
5 dependent actually incurred the expense. With the
6 implementation of SFAS-106, in addition to accruing
7 currently the benefits earned by employees, a business is
8 required to recognize an amount attributable to benefits
9 earned by employees prior to the implementation of the
10 standard. These prior earned benefits, which must be
11 recognized upon the implementation of SFAS-106, are known
12 as the "transition obligation" and can be amortized over
13 a period not to exceed twenty years. The transition
14 obligation and accrual of ongoing OPEB obligations are
15 established by actuarial studies based on the
16 demographics of the business' employees and the expected
17 future costs to provide the benefits.

18 Hewitt Associates, CSW's actuarial consultant,
19 performed a SFAS-106 valuation for EPEC using the CSW
20 actuarial assumptions and plan provisions. This
21 valuation produced an OPEB cost for EPEC for 1993 of
22 \$3,923,000. A similar study done by KPMG Peat Marwick
23 for EPEC calculated a cost of \$7,161,000 for EPEC's OPEB
24 expense. Thus, the inclusion of EPEC in the CSW plan
25 results in a reduction in adjusted test year OPEB cost of

1 amount was \$155,736, for a savings of \$8,016 under the
2 CSW plan. Attached as Exhibit TMC-8 is a schedule showing
3 the calculation of the adjusted test year amount.
4

5 Q. PLEASE EXPLAIN THE ADJUSTED TEST YEAR PENSION-FUNDING
6 COST.

7 A. Hewitt and Associates reviewed the principal provisions
8 of the CSW Pension Plan and the EPEC Retirement Plan.
9 This study indicated that over time, the CSW plan would
10 require lower funding than the EPEC plan. However, in
11 order to integrate the EPEC employees into the CSW plan,
12 the study determined that additional funding levels would
13 be necessary in the first two years after the acquisition
14 by CSW of EPEC. For 1995, the additional funding level
15 for EPEC as a member of the CSW plan was determined to be
16 \$3,850,000 under the Hewitt study. An actuarial
17 valuation performed for EPEC indicated a funding level of
18 \$3,009,000 for 1995 for the EPEC plan. Accordingly,
19 inclusion of EPEC in the CSW plan results in an \$841,000
20 increase for the adjusted test year.

21 Despite this initial increase in Pension-Funding
22 level under the CSW plan, the Hewitt study indicates that
23 over a ten-year period the funding requirements of the
24 CSW plan will be lower than those of the EPEC plan. A
25 copy of the Hewitt study is included as part of the rate
26 filing.

DOCKET NO. 12700

PROPOSAL FOR INTERIM DECISION

PAGE 304

2. Employee Pensions and Benefits

EPEC requests \$12,003,000 in pension and benefits expense. The Presiding Officers recommend the following adjustments:

EPEC's request: (\$000s)	\$12,003 ⁶⁷⁰
Less:	
Pension loading	\$ 683
OPEB	29
401k	223
Safety Incentive	158
Sick Leave Incentive	<u>136</u>
	<u>1,229</u>
PO's recommended Pension & Benefit expense	\$10,774

EPEC restated pension expense to reflect its necessary annual maximum pension funding contribution. The cost was calculated in the Hewitt Associates actuarial study which incorporated EPEC demographics into the CSW pension plan.

The Hewitt Associates' study indicated that, in order to integrate the EPEC employees into the CSW plan, additional funding levels would be necessary in the first two years after the acquisition by CSW. For 1995, the additional funding level for EPEC as a member of the CSW plan was determined to be \$3,850,000. An actuarial valuation performed for EPEC indicated a funding level of \$3,009,000 for 1993 for the EPEC plan. Accordingly, inclusion of EPEC in the CSW plan results in an \$841,000 increase for the adjusted test year. Despite this initial increase, the Hewitt study indicates that over a ten-year period, the funding requirements of the CSW plan will be lower than those of the EPEC plan.

CSW is not seeking in this case any rate recovery for the incremental cost related to the early retirement plan offered to five senior EPEC executives. However, the portion of their pensions which represents the

⁶⁷⁰App. RR Brief at Schedule II, Total Company.

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normal pension they earned while employees of EPEC is included in the pension expense.

According to Mr. Brandorff, Principal of Hewitt Associates, the adjusted test year expenses for the CSW benefit plans are as follows:

<u>Adjusted Test Year Benefits Costs</u> (thousands of dollars)			
<u>Plan</u>	<u>EPEC</u>	<u>CSW</u>	<u>Difference</u>
OPEB	\$ 7,161	\$ 3,923	\$ 3,128
Medical/Dental	2,564	3,082	(518)
Group Life	173	134	39
Long-term Disability	<u>3,009</u>	<u>3,850</u>	<u>(841)</u>
Totals	\$13,063	\$11,137	\$ 1,926

App. Ex. 83, Brandorff Direct, at 19.

These costs include a loading factor of 22.42 percent. App. Ex. 12, Felber Direct, at Revised Exhibit DAH-3.⁶⁷¹ The Presiding Officers added the loading factor to their recommended salary savings, resulting in a reduction in pension benefits of \$683,000:

EPEC requested salaries:	\$41,673
PO recommended expense:	<u>38,628</u>
Saving	3,045
Loading factor	<u>x 22.42</u>
Reduction in expense:	\$ 683

The loading factor includes savings in the areas of workers compensation, payroll taxes, retirement costs, thrift/savings, and group insurance, which includes life, hospital, dental, etc. *Id.* at Exhibit DAH-4.

⁶⁷¹Discussion of the loading factor is found at Section VI.B.2.c.ii.(A)(III) of this PFD.

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a. Other than Post-Retirement Employee Benefits (OPEBs)

EPEC includes \$3,443,000 in OPEB costs in its O&M request. Under Statement of Financial Accounting Standards No. 106 (SFAS No. 106), a business must account for OPEBs on an accrual basis during the period that the employee renders service. These benefits, which include medical and life insurance that will be provided after retirement, previously were accounted for on a pay-as-you-go basis. That is, they were recognized when the retired employee or his dependent actually incurred the expense. Under SFAS No. 106, a business is required to recognize an amount attributable to benefits earned by employees prior to the implementation of the standard. These prior-earned benefits can be amortized over a period not to exceed 20 years and are established by actuarial studies based on the demographics of the business' employees and the expected future costs to provide the benefits. App. Ex. 83, Brandorff Direct, at 20-21.

Department of Defense witness Mr. Prisco acknowledges the SFAS No. 106 rule. However, he advocates not including those accrued OPEB costs in rates until the United States government and the health industry act to control costs and until there is greater certainty of the amount of that liability. He argues that asking customers to pay now for estimated future medical expenses is not a reasonable exception to the accepted regulatory principle that costs should be known and measurable. DOD Ex. 1 at 6. Unfortunately, Mr. Prisco's sound logic is contrary to the P.U.C. SUBST. R. 23.21(b)(H)(v), which requires the utility to establish an external trust fund for funding payments.

The General Counsel makes the only adjustment to EPEC's request. Ms. Witbeck reduces OPEB expense by \$29,000 based on the restated actuarial report prepared by Hewitt Associates. Ms. Witbeck asked the Company to restate the 1995 OPEB expense because she believed there was an error in the calculation of the return on plan assets. CSW provided the underlying calculations supporting the expected return on plan assets in response to an RFI from General Counsel. Included in the calculations was an assumption that the contributions to the fund would be made at mid-year for medical union contributions and retiree life contributions. Also, the contributions for the

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non-union medical contributions would be made at the end of the year. Ms. Witbeck explains that the timing of the contributions to a trust fund will impact the amount of return on plan assets. An integral part of the OPEB expense is the return or expected interest that will be earned on the plan assets. This interest will offset the required contributions. GC Ex. 29, Witbeck, at 18-20. EPEC agrees with this interpretation of the rule and the related adjustment.

The Presiding Officers find that EPEC's calculation of the OPEB expense is reasonable but that because the trust established under the substantive rule will invest funds contributed to the trust into plan assets such as stocks and bonds which will earn interest, it is appropriate to reduce the OPEB expense by the amount of the interest. We recommend an OPEB expense of \$3,414,000. This is consistent with the Commission's finding in Docket No. 11735⁶⁷², where it allowed TU Electric to recover OPEB costs on an accrual basis.⁶⁷³

b. Medical/Dental

The cost of including EPEC's employees in the CSW medical/dental plan was determined by Foster Higgins as discussed earlier in this PFD. EPEC requests recovery of \$3,081,814 in medical and dental insurance expense. The Presiding Officers find this calculation is correct.

Medical and dental insurance expenses were annualized by EPEC using the costs for EPEC employees to be covered by the CSW benefit plans when the merger is effective. The O&M expense-ratio was then applied to the annualized amounts. For the historical test year, the comparable cost for EPEC was \$2,464,034 for medical and \$109,804 for dental, or a total historical cost of \$2,563,838. Accordingly, including the EPEC employees in the CSW plan implies an increased cost of \$517,976. App. Ex. 83, Brandorff Direct, at 21.

⁶⁷²Application of Texas Utilities Electric Company for Authority to Change Rates, and Investigation of the General Counsel into the Accounting Practices of Texas Utilities Electric Company, Docket No. 11735, Finding of Fact No. 93, ____ P.U.C. BULL. ____ (May 27, 1994)(not yet reported).

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APPLICATION OF EL PASO ELECTRIC
COMPANY FOR AUTHORITY TO
CHANGE RATES AND FOR
APPROVAL OF REACQUISITION
OF PALO VERDE LEASED ASSETS

PUBLIC UTILITY COMMISSION
OF TEXAS

AGREED ORDER

In open meeting at its offices in Austin, Texas, on August 30, 1995, the Public Utility Commission of Texas ("Commission") finds that this docket was processed by the Presiding Officers and Commission in accordance with applicable statutes and Commission rules. On July 27, 1995, El Paso Electric Company ("Company") and the City of El Paso ("City") executed a Stipulation and Settlement Agreement ("Stipulation") contemplating an increase in rates for the Company's Texas service territory. The Stipulation also has been signed by: the Commission General Counsel, the Office of Public Utility Counsel ("OPUC"), the State of Texas ("State"), ASARCO Incorporated ("ASARCO"), Phelps-Dodge Refining Corporation ("Phelps-Dodge"), Border Steel Rolling Mills, Inc. and El Paso Iron & Metal Company ("Border Steel"), the Department of Defense ("DOD"), and the International Brotherhood of Electrical Workers ("IBEW") (collectively "Signatories"). Consistent with the Stipulation, the Commission issues the following order:

1. Pursuant to P.U.C. PROC. R. § 22.263, this Order SHALL become effective on the date that a Company plan of reorganization consistent with the terms of the Stipulation becomes effective. Provided that the City has not given notice to the Commission that the plan of reorganization is inconsistent with the Stipulation, upon written notification by the Company that the plan has become effective, the Commission will, pursuant to Gov't Code § 2001.142(b), send a copy of this Order and the Company's notice to the service list by first class mail. The notice provisions of this ordering paragraph shall be the sole mechanism for complying with Gov't Code § 2001.142. Pursuant to Gov't Code § 2001.146, motions for rehearing, if any, must be filed no later than the 20th day following such notification. If a plan

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of reorganization consistent with the terms of the Stipulation does not become effective or the Stipulation becomes null and void, then this Order and the two prior interim rate orders entered in this docket SHALL BE be null and void, except for Ordering Paragraph 10 of the Second Interim Order; provided, however, the Company may continue to charge the rates approved in this Order on an interim basis until such time as the Commission orders otherwise. The Commission specifically retains jurisdiction over this docket until such time as this Order becomes final and non-appealable or all motions for rehearing have been overruled. The Company has agreed, and the Commission hereby ORDERS, that each working day between the date of this order and the date this order becomes final SHALL BE considered a day of hearing pursuant to the provisions of the Public Utility Regulatory Act of 1995, S.B. 319, 74th Leg., R.S. 1995 ("PURA") § 2.212(d) (formerly § 43(d)).

2. The Commission hereby APPROVES those portions of the Stipulation which address the regulation and supervision of the business of the Company consistent with the jurisdiction granted by PURA § 1.101(a), and ADOPTS this Order setting rates which are consistent with the Stipulation.
3. Because the Company's proposed merger with Central and South West Corporation ("CSW") under the Third Amended Plan of Reorganization has been terminated, the Commission hereby DISMISSES the application filed by the Company and CSW for a determination under PURA § 1.251 (formerly PURA § 63) that the acquisition of the common stock of the Company by CSW is in the public interest.
4. The Company SHALL receive a \$24.946 million annual base rate increase in this docket, applicable in all portions of the Company's service area over which the Commission has original or appellate jurisdiction. The distribution of the rate increase agreed to in the Stipulation is reasonable. The tariffs currently on file that became effective on an interim basis on August 3, 1995 are APPROVED.

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5. The Company **SHALL** retain all base rate revenues collected under its bonded and interim rates, with no refunds or surcharges, and upon the effective date of this Order the Company shall be released from its obligations under any bond supporting such bonded and interim rates.
6. The Commission **ACKNOWLEDGES** that the Stipulation provides that the Company's Texas base rates will be maintained at the levels ordered in this docket during the ten-year period beginning August 2, 1995 (the "Freeze Period") subject to certain limited exceptions provided therein. The ten-year rate freeze agreed to in the Stipulation is unopposed, it is the product of negotiation between the Company and a broad cross-section of its customers, and it is reflective of the relative value to all the parties of the benefits obtained through settlement negotiations.
7. The rate moderation plan ("RMP") established in Docket No. 7460 is **TERMINATED** effective June 30, 1993, and the balance of RMP deferrals is the sum of \$68,070,000, less related ADFIT, as of that date is placed in rate base as of June 30, 1993, and **SHALL** be fully amortized by the end of the Freeze Period, so that there is no balance to be included in rates that may be effective after August 1, 2005. There **SHALL** be no additional Mirror CWIP approved, utilized or amortized for purposes of amortizing the RMP deferrals.
8. Deferred carrying charges and deferred lease payments are **ELIMINATED** from the accounting deferrals for Palo Verde Unit 3, resulting in a balance of \$4,308,000 of Unit 3 accounting deferrals, less \$1,457,000 of related ADFIT, as of June 30, 1993, which will be placed in rate base as of June 30, 1993, and **SHALL** be fully amortized by the end of the Freeze Period. The Company shall recover all remaining Palo Verde Unit 1 and 2 accounting deferrals, subject to the rate freeze limitations under the Stipulation, with the unamortized balance (\$83,312,000, less related ADFIT, as of June 30, 1993) in rate base fully amortized by the end of the Freeze Period, so that all Palo Verde accounting deferrals are **ELIMINATED**.

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from the Company's books at the end of the Freeze Period and there SHALL be no balance to be included in rates that may be effective after August 1, 2005. ADFIT associated with disallowed Unit 3 deferrals SHALL NOT be included as an offset to rate base.

9. The application of the Company for a determination that the reacquisition of the leased portions of the Palo Verde assets is consistent with the public interest pursuant to PURA § 1.251 (formerly § 63) is APPROVED. Except as provided in Paragraph 13, the reacquired leased Palo Verde assets SHALL be included in rate base at their original cost, less accumulated depreciation, as reflected in Schedule A attached to this Order.
10. Palo Verde Unit 3 is deemed to be 100% used and useful in providing service to the public.
11. It is hereby ORDERED that, except as provided in paragraphs 12 and 13 below, during the Freeze Period the rate base recognized in Schedule A shall be used as the initial basis for purposes of any cost of service analysis for the Company, including any PURA § 2.211 rate inquiry (or its equivalent) or earnings monitoring evaluation.
12. It is hereby ORDERED, that in any proceeding brought by the General Counsel, OPC or the State of Texas during the Freeze Period, pursuant to PURA § 2.211 (formerly § 42) or its equivalent, the Company's rate base SHALL include, in addition to the assets recognized in Schedule A to this Order: (1) Palo Verde Unit 3 accounting deferrals in the amount of \$66,654,000, as of June 30, 1993 and (2) additional Docket No. 7460 RMP deferrals (which would have accrued but for termination of the RMP as of June 30, 1993) in the amount of \$25,041,000 for the period of July 1, 1993, through December 31, 1994.
13. It is hereby ORDERED that should the Company, its successors or assigns, contrary to the terms of the Stipulation, file for a rate increase effective on a date within the Freeze Period,

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then the previously leased Palo Verde assets SHALL be assigned the values recognized in Schedule B of this Order for purposes of any such proceeding.

14. It is hereby ORDERED that in any proceeding brought under PURA §§ 2.211 or 2.212 (formerly §§ 42 or 43) or its equivalent, for an effective date of the proposed change on or after August 2, 2005 but before August 2, 2006, the Company's tariff or tariffs SHALL be designed to collect \$17 million less in base revenues ("Exclusion Factor") than the otherwise authorized revenue requirement. The Exclusion Factor in such a proceeding for an effective date of the proposed change on or after August 2, 2006 but before August 2, 2007 SHALL be \$8 million. For rates with an effective date of the proposed change after August 1, 2007 the Exclusion Factor SHALL be zero. The Exclusion Factor SHALL NOT be considered for financial integrity analysis or cash flow analysis in any proceeding before a Texas regulatory authority.
15. In the event the Company sells, transfers, leases or assigns any operating asset for a value of \$10,000,000 or more during the Freeze Period, it is hereby ORDERED that the Texas jurisdictional share of the net gain on such sale SHALL be paid to ratepayers as a credit to the base rates notwithstanding the rate freeze over what would have been the remaining life of the asset, unless the City and Company otherwise agree and the Commission approves an alternate treatment. It is further ORDERED that ratepayers SHALL be credited with a return on the unamortized portion of such gain at the Company's last approved rate of return.
16. The Commission ACKNOWLEDGES the Stipulation provides that the Company will file tariffs to implement the discount required by Senate Bill 373, Public Utility Regulatory Act of 1995, §B. 319, as amended by S.B. 373, § 2.2141, 74th Leg. R.S. 1995. Nothing in this Order prevents such tariffs from becoming effective on October 1, 1995 and remaining effective thereafter consistent with the Stipulation and subject to the right of the State or the Company to seek to adjust base rates on account of a change in such law.

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17. The performance standards for the Company detailed in Docket No. 8892 with respect to Palo Verde SHALL be used as the mechanism for any future assessments of Palo Verde Units 1, 2 and 3 operations and performance; provided, however, during the Freeze Period under the Stipulation (i) Palo Verde rate base SHALL NOT be reduced on account of performance or operations, unless the capacity factor, as measured on a station basis for any consecutive 24 month period, shall fall below 35% and (ii) penalties and rewards for all three Units SHALL be reported and evaluated on a calendar year basis using the three-year rolling average dictated by Docket No. 8892. The first such reporting period shall run from January 1, 1993 to December 31, 1995. Any penalties or rewards accruing under the performance standards SHALL be incorporated in the Company's final reconciliation proceedings during the Freeze Period.
18. The amounts of Palo Verde decommissioning expense allowed on an annual basis in the Company's cost of service SHALL be those described in Schedule C to this Order. Such amounts shall be adjusted in any future rate proceeding or earnings monitoring evaluation as necessary to reflect the cost estimate of the most recent official decommissioning study prepared for the Palo Verde participants and to enable the Company to secure an exemption pursuant to section 468A of the Internal Revenue Code from federal income tax liability in connection with its nuclear decommissioning trust. The Company's decommissioning expense shall be recognized as reasonable and necessary in any rate proceeding or earnings monitoring evaluation initiated during the Freeze Period.
19. There SHALL be no surcharge of rate case expenses associated with this docket or any previous dockets, including any amounts paid to the City as reimbursement of the City's expenses. The Company SHALL NOT recover from Texas retail ratepayers any bankruptcy reorganization costs arising from Case No. 92-10148-FM.

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20. Any recovery from the Company's pending lawsuit No. 95-7153, or causes of action that accrued to the Company as a result of the failure of its proposed merger or arising out of the Company's bankruptcy, shall be **RETAINED** by the Company and not passed through to ratepayers. Any costs incurred by the Company in connection with such litigation **SHALL NOT** be considered reasonable and necessary operating expenses for ratemaking purposes in accordance with PURA § 2.203(a) (formerly § 39(a)). Any liabilities incurred by the Company in connection with such litigation **SHALL** be borne by the Company and **SHALL NOT** be recovered from ratepayers.
21. The Commission **ACKNOWLEDGES** the joint stipulation entered into by the Company and the General Counsel to resolve issues related to the Company's Demand Side Management ("DSM") and Energy Efficiency Plan ("EEP"). Consistent with the joint stipulation, the Company **SHALL** make the following filings in Project No. 13750, *Compliance with Docket No. 12700 DSM/EEP Joint Stipulation*:
- a. Within nine months of this Order becoming effective, the Company shall furnish the Commission Staff and the City a report or manual which demonstrates the savings maintenance or savings persistence of its DSM programs for those customers receiving demand-related savings.
 - b. The Company shall furnish to the Staff and the City copies of all program designs and procedures as they are adopted and/or implemented by the Company.
 - c. Within 12 months of this Order becoming effective, the Company shall provide to the Staff and the City its evaluation of an Energy Efficient Electronic Appliance Incentive Program for residential and small commercial customers located in residential-type buildings.
 - d. The Company's residential audit program follow-up procedure is appropriate and necessary and should be continued in its current form.
 - e. As an informal approach of providing the Commission Staff with copies of the Company's program design and implementation is appropriate and effective. The Company will continue to send the Staff copies of all program designs and procedures as they are adopted and/or implemented. No prior approval is requested or required by

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this procedure but is intended to provide the Commission Staff with appropriate updated information with respect to the Company's programs on an ongoing basis.

- f. Based upon EFEC's demonstrated substantial compliance related to its DSM and EEP programs and the agreements contained in the Joint Stipulation, the parties agree that all requirements of previous final orders have been met. The General Counsel agrees that the Staff will evaluate the Company's DSM or EEP program in the future based on the merits of the program and agreements contained in the Joint Stipulation and not in any way based on EFEC's actions prior to the entry of a final order in this docket.
- g. To the extent that any testimony filed by a party hereto is inconsistent with the terms the parties' Joint Stipulation, the Joint Stipulation will supersede the inconsistent testimony.

22. The Company SHALL make monthly payments to the decommissioning funds for Palo Verde Units 1, 2, and 3 as prescribed by P.U.C. SUBST. R. 23.21(b)(1)(F) and 23.59.

23. The Company SHALL comply with the directives set forth below:

- a. If any person should initiate a rate proceeding during the Freeze Period that affects Rate 30 or Rate 27, the Company SHALL provide direct cost support for Rate 30 and Rate 27.
- b. Within 18 months after the implementation date of its Low Income Rider program under Rate 01, the Company SHALL demonstrate the actual participation rate and file a report in Project No. 13774, *Reconciliation of Number of Participants in El Paso Electric Company's Low Income Rider Program*, which SHALL be provided to General Counsel, OPC and the City. This reconciliation shall compare the 50 percent estimation to actual participation levels and the revenue difference, if any.
- c. In its next rate case, the Company SHALL file testimony concerning the participation rate for its Experimental Off-Peak Rider under Rate 24.
- d. The Company SHALL continue its monitoring of Rate 41 school customers to assess the impact of year round schools. The Company SHALL also assess the impact of including non-public schools in Rate 41. The Company SHALL file the results in the first rate case after the Freeze Period. In that filing, the Company also SHALL present testimony redesigning the applicability clause of Rate 41 to reflect the removal of non-

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school customers. The Company is not limited in its right to present testimony and may file testimony supporting other alternatives or proposed changes in its Rate 41 rate design. To the extent any City of El Paso or El Paso County account, which was not in Rate 41 at the time of the Commission's Order in Docket No. 9945, receives service under Rate Class 41, the Commission hereby **ORDERS** that all state accounts become eligible for Rate 41.

24. The Commission hereby **ADOPTS** and **INCORPORATES** by reference in this Order the findings of fact and conclusions of law attached to this Order as Attachment 1. All motions, applications, and requests for entry of specific findings of fact and conclusions of law and other requests for relief, both general and specific, that are not expressly granted herein are hereby **DENIED**. No rights, liabilities or obligations **SHALL** arise under this Agreed Order until it becomes effective according to paragraph 1. Pending the effective date of this Agreed Order, the Company **SHALL** continue to comply with paragraph 33 of the Commission's Interim Order, Severance Order and Order of Remand signed March 3, 1995 (the "First Interim Order"). On the effective date of this Order, this Order shall **SUPERSEDE** the Commission's First Interim Order and the Second Interim Order signed August 2, 1995, except for paragraph 35 of the First Interim Order, which covers from this docket issues relating to the Company's fuel factor and fuel reconciliation. If a Company plan of reorganization consistent with the terms of this Order does not become effective, then it is expressly agreed and stipulated by the parties, and the Commission hereby **ORDERS** that, unless adopted in a subsequent final order,

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no part of any prior interim order or this Order, including the attached findings of fact and conclusions of law, shall have any collateral estoppel, res judicata, or other preclusive effect in any administrative or judicial proceedings.

SIGNED AT AUSTIN, TEXAS the 30th day of August 1995.

PUBLIC UTILITY COMMISSION OF TEXAS


PAT WOOD, III, Chairman


ROBERT W. GEE, Commissioner


JUDY WALSH, Commissioner

ATTEST:


PAULA MUELLER
SECRETARY OF THE COMMISSION

SOAH DOCKET NO. 473-17-2686
PUC DOCKET NO. 46831

APPLICATION OF EL PASO § BEFORE THE STATE OFFICE
ELECTRIC COMPANY TO § OF
CHANGE RATES § ADMINISTRATIVE HEARINGS

EL PASO ELECTRIC COMPANY'S RESPONSE TO
CITY OF EL PASO'S TENTH REQUEST FOR INFORMATION
QUESTION NOS. CEP 10-1 THROUGH CEP 10-6

CEP 10-2:

Please provide documents from each rate case since the most recent previous litigated rate case filing in Texas for El Paso Electric Company showing:

- a. The amount requested for OPEBs and for Pensions
- b. Complete workpapers for adjustments to OPEBs and to Pensions.
- c. Testimony (or other evidence) identifying whether the amounts included for OPEBs or Pensions was based on GAAP accounting or actual funding.
- d. Commission adjustments (or stipulation adjustments) to Pensions.
- e. Excerpts from Commission orders showing acceptance of the funded amount for OPEBs and for Pensions.

RESPONSE:

- a. Please refer to Schedule A-2, Line No. 5 – Pension and OPEB, for the amount requested for Other Post-Employment Benefits (OPEBs) and for Pensions filed in Docket No. 37690. See CEP 10-2 Attachment 1 for the excerpt from the referenced schedule. Amounts requested for pension and OPEB expense in Docket No. 37690 reflect \$6,978,900 and \$6,781,647, respectively.

Please refer to WP-A-3, Adjustment No. 4, Page 2 of 4, Line Nos. 1 and 2, for the amounts requested for OPEBs and for Pensions, respectively, as filed in Docket No. 40094. See CEP 10-2 Attachment 2 for the complete workpapers to the referenced adjustment. Amounts requested for pension and OPEB expense in Docket No. 40049 reflect \$14,238,706 and \$2,993,945, respectively.

Please refer to WP-A/A-3/B1, Adjustment No. 4, Page 2 of 19, Line Nos. 1 and 3, for the amounts requested for OPEBs and for Pensions, respectively, as filed in Docket No. 44941. See CEP 10-2 Attachment 3 for the complete workpapers to the referenced

adjustment. Amounts requested for pension and OPEB expense in Docket No. 44941 reflect \$8,788,332 and \$436,694, respectively.

- b. Please refer to Schedule A-3, Adjustment No. 4 - Employee Pensions & Benefits, for adjustments to OPEBs and Pensions filed in Docket No. 37690. See CEP 10-2 Attachment 4 for the complete workpapers to the referenced adjustment.

Please refer to WP-A-3, Adjustment No. 4, Page 1 of 2, Line Nos. 1 and 2 for the amounts requested for OPEBs and for Pensions, respectively, as filed in Docket No. 40094. As noted in the response to subpart a. above, see CEP 10-2 Attachment 2 for the complete workpapers to the referenced adjustment.

Please refer to WP-A/A-3/B1, Adjustment No. 4, Page 2 of 19, Line Nos. 1 and 3 for the amounts requested for OPEBs and for Pensions, respectively, as filed in Docket No. 40094. As noted in the response to subpart a., above, see CEP 10-2 Attachment 3 for the complete workpapers to the referenced adjustment.

- c. Please refer to the Docket No. 37690 direct testimony of EPE witness David G. Carpenter, page 17, lines 1 through 8. See CEP 10-2 Attachment 5 for an excerpt of the referenced testimony.

Please refer to the Docket No. 40094 direct testimony of EPE witness Nathan T. Hirschi, page 41, lines 1 through 9. See CEP 10-2 Attachment 6 for an excerpt of the referenced testimony.

Please refer to the Docket No. 44941 direct testimony of EPE witness Jennifer I. Borden, page 18, lines 18 through 24. See CEP 10-2 Attachment 7 for an excerpt of the referenced testimony.

- d. There were no Commission adjustments to Pensions specified in the Commission orders approving and adopting the settlement agreements in Docket Nos. 37690, 40094, and 44941. However, it should be noted that, in each case, the settlement revenue deficiency was less than the requested revenue deficiency.
- e. Please refer to the Final Orders for Docket Nos. 37690, 40094, and 44941 included as CEP 10-2 Attachment 8, CEP 10-2 Attachment 9, and CEP 10-2 Attachment 10, respectively. These Final Orders do not specify the OPEB and Pension amounts included in rates.

Preparer: Steven Sierra

Title: Supervisor-Financial Accounting

Sponsor: Russell G. Gibson

Title: Vice President-Controller

EL PASO ELECTRIC COMPANY
2008 RATE CASE FILING
SCHEDULE A-2: COST OF SERVICE DETAIL BY ACCOUNT - TOTAL COMPANY
SPONSOR: DAVID G. CARPENTER / GERALD W. TUCKER
PREPARER: RHONDA BARRETT

SCHEDULE A-2
PAGE 1 OF 2

Line No	(a) Description	(b) Test Year Amount	(c) Company Adjustments To Test Year	(d) Company Requested	(e) Reference
1	Fuel (Reconcilable & Non-Reconcilable)	\$ 228,400,854	\$ 49,705,881	\$ 278,110,545	Schedule A-3 2
2	Purchased Power	151,589,950	40,828,787	192,228,717	Schedule A-3 2, 3 30
3	TY O&M Not Adjusted	179,652,330		179,652,330	Schedule A-5
4	Payroll expense	52,861,885	1,709,277	54,571,142	Schedule A-3 3
5	Personnel and OPEB expense	8,052,759	5,707,749	13,760,548	Schedule A-3 4
6	Palo Verde Estimated AEG Annual True-up Expense	(2,630,958)	1,991,808	(839,952)	Schedule A-3 7
7	Texas Energy Efficiency Program Expenses	553,724	2,584,885	3,148,389	Schedule A-3 9
8	Property Insurance Expenses	1,874,899	565,178	2,540,078	Schedule A-3 11
9	Liability Insurance Expenses	4,488,570	446,735	4,913,305	Schedule A-3 12
10	Research and Development Expense	80,000	270,000	350,000	Schedule A-3 13
11	Regulatory Commission Expense	4,382,918	2,921,878	7,304,896	Schedule A-3 14
12	New Customer Care System (1)	0	1,558,579	1,558,579	Schedule A-3 15
13	Rent Expense	1,007,251	(381,959)	625,292	Schedule A-3 16
14	Miscellaneous Generation O&M	1,703,854	485,740	2,189,594	Schedule A-3 17
15	Advertising, Contributions, and Dues	2,675,463	(483,008)	2,192,395	Schedule A-3 27
16	Membership Dues	8,187	(8,187)	0	Schedule A-3 28
17	Lobbying Costs (2)	35,914	(35,914)	0	Schedule A-3 29
18	Huaco Mountain Wind Turbine O&M (3)	68,594	(68,594)	0	Schedule A-3 32
19					
20					
21					
22					
23					
24					
25					
26					
27					
28	Factoring Expense	0	0	0	
29	Factoring Factor	0.00000000000000%		0.00000000000000%	
30	Uncollectible Expense	3,161,885	428,542	3,588,427	Schedule A3-10
31	Uncollectible Factor	0.4458574880824%		0.4458574880824%	Ln 31/Ln 108
32	Depreciation Expense	63,517,413	(780,922)	62,736,491	Schedule A-3 18
33	Amortization Expense	4,920,528	2,578,883	7,499,391	Schedule A-3 18, 3 31
34	Decommissioning Expense	7,004,132	4,874,440	11,878,572	Schedule A-3 6
35	Ad Valorem Taxes	14,038,402	2,384,391	16,432,793	Schedule A-3 19
36	Franchise Tax	0	0	0	
37	Payroll Taxes	7,212,348	358,508	7,568,854	Schedule A-3 7, 3 15, 3 20, 3 29
38	Other Non-Revenue Related Taxes	4,181	0	4,181	
39	Texas PUC Assessment	880,014	42,079	1,032,093	Schedule A-3 21
40	TPUC Assessment Effective Rate	0.1856390001458%		0.1803403833850%	Ln 38/Ln 109
41	Other States' PUC Assessment	884,424	(133,036)	751,388	Schedule A-3 21
42	Other States' PUC Assessment Effective Rate	0.5587482183582%		0.5312004848388%	Ln 41/Ln 110
43	Texas State Gross Receipts Tax	10,512,788	1,504,280	12,017,068	Schedule A-3 21
44	Texas State Gross Receipts Tax Effective Rate	1.9712885407119%		1.8888088551206%	Ln 43/Ln 108
45	Texas Local Gross Receipts Tax	10,800,582	8,807,556	23,608,118	Schedule A-3 21
46	Texas Local Gross Receipts Tax Effective Rate	3.1815491006671%		3.8788907544378%	Ln 45/Ln 108
47	Other States' Gross Receipts Tax	128,888	(2,474)	126,414	Schedule A-3 21
48	Other States' Gross Receipts Tax Effective Rate	0.0733438865881%		0.0788444310677%	Ln 47/Ln 110
49	Interest on Customer Deposits	0	105,824	105,824	Schedule A-3 26
50	Interest Rate on Customer Deposits	0.00000000000000%		2.03380000000000%	compete rate
51	Inactive Customer Deposits	0	0	0	
52	State Income Taxes	6,382,877	(2,807,849)	3,554,728	Schedule A-3 22, 3 23
53	Federal Income Tax Amount	24,757,891	12,878,718	37,437,408	Schedule A-3 24
54	Amortization of Excess Deferred Taxes	773,230	815,720	1,588,940	Schedule G-7 8
55	Amortization of ITC	1,500,144	191,838	1,752,000	Schedule G-7 8
56	Tax Savings				
57	FTI Deduction 1: Interest Expense	49,078,895	(3,385,987)	45,682,928	Schedule G-7 8
58	FTI Deduction 2: Manufacturing Credit	2,518,147		2,518,147	Schedule G-7 8
59	FTI Deduction 3: OPEB Medicare Liability	741,852	408,384	1,147,838	Schedule G-7 8
60	FTI Deduction 4: Other	12,105,002	(12,105,002)	0	Schedule G-7 8

Note (1) Includes \$155,000 in payroll expense

(2) Includes \$28,000 in payroll expense

(3) Includes \$405 in payroll expense

Amounts may not add or tie to other schedules due to rounding

EL PASO ELECTRIC COMPANY
 OPERATION AND MAINTENANCE EXPENSE
 EMPLOYEE PENSIONS AND BENEFITS
 FOR THE TEST YEAR ENDED SEPTEMBER 30, 2011

WP/ A-3
 ADJUSTMENT NO. 4
 PAGE 1 OF 4

Line No.	(a) Description	(b) Total Amount
	Employee Pensions and Benefits FERC Account No. 926000	
1	Book Amount, As Adjusted	\$ 29,527,411 (B)
	Less:	
2	Amount Per Books	<u>22,426,778 (A)</u>
3	Adjustment	\$ <u>7,100,633</u>
4	Five-Year Average Expense Ratio	<u>79.06%</u>
5	Expense Adjustment	\$ <u><u>5,613,622</u></u>

Justification for requested adjustment:

Adjust pension and OPEB costs to reflect latest actuarial studies.
 Adjust medical costs to include expected increase of 9% in 2012.
 This adjustment is sponsored by Company witness Nathan Hirschi.

(A) See Adj 4, pages 2, 3, & 4

(B) See Adj 4, pages 2, 3, & 4

EL PASO ELECTRIC COMPANY
 OPERATION AND MAINTENANCE EXPENSE
 EMPLOYEE PENSIONS AND BENEFITS
 FOR THE TEST YEAR ENDED SEPTEMBER 30, 2011

WP/ A-3
 ADJUSTMENT NO. 4
 PAGE 2 OF 4

Line No.	(a) Description	(b) Test Year Per Book	(c) Adjustment	(d) As Adjusted
1	OPEB	\$ 4,002,327	\$ (215,399)	\$ 3,786,928 (C)
2	Pension Benefits	<u>10,814,621</u>	<u>7,195,379</u>	<u>18,010,000</u>
3	Total	\$ <u>14,816,948</u> (A)	\$ <u>6,979,980</u>	\$ <u>21,796,928</u> (B)

(A) See Adj 4, page 1

(B) See Adj 4, page 1

(C) This amount includes the transition obligation in the same amount as included in the test year per books.

EL PASO ELECTRIC COMPANY
OPERATION AND MAINTENANCE EXPENSE
COMPENSATION COSTS
FOR THE TEST YEAR ENDED SEPTEMBER 30, 2011

WP/ A-3
ADJUSTMENT NO. 4
PAGE 3 OF 4

	(a)	(b)	(c)	(d)
Line No.	Description	Test Year Per Book	Adjustment	As Adjusted
1	Compensation for Performance Shares	<u>1,457,845</u>	<u>(1,457,845)</u>	<u>0</u>
2	Total	<u>\$ 1,457,845</u> (A)	<u>\$ (1,457,845)</u>	<u>\$ 0</u> (B)

(A) See Adj 4, page 1

(B) See Adj 4, page 1

EL PASO ELECTRIC COMPANY

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PUC Docket No. 46831
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EL PASO ELECTRIC COMPANY
OPERATION AND MAINTENANCE EXPENSE
EMPLOYEE PENSIONS AND BENEFITS
FOR THE TEST YEAR ENDED SEPTEMBER 30, 2011

WP/ A-3
ADJUSTMENT NO. 4
PAGE 4 OF 4

Line No.	(a) Description	(b) Total Amount
1	Amount Per Books	\$ 6,151,985 (A)
2	Book Amount, As Adjusted	<u>7,730,483 (C) (B)</u>
3	Adjustment	\$ <u><u>1,578,498</u></u>

(A) See Adj 4, page 1

(B) See Adj 4, page 1

(C) Adjustment to reflect estimated increase in medical costs.

Projected Claims	9,721,943
Employee Share	<u>(1,991,460)</u>
Adjusted Amount	<u><u>7,730,483</u></u>

EL PASO ELECTRIC COMPANY
2015 TEXAS RATE CASE FILING
OPERATION AND MAINTENANCE EXPENSE
EMPLOYEE PENSIONS AND BENEFITS
SPONSOR: JENNIFER I. BORDEN
PREPARER: MELODY BOISSELIER
FOR THE TEST YEAR ENDED MARCH 31, 2015

WP-A/A-3/B1
WP/ A-3
ADJUSTMENT NO.4
PAGE 1 OF 19

Line No.	(a) Description	(b) Total Amount
	Employee Pensions and Benefits FERC Account No. 926000	
1	Expense Amount, As Adjusted	\$ 21,645,570
2	Less: Amount Per Book	22,359,120 (A)
3	Expense Adjustment	\$ (713,550)

Note:

(A) Excluding Palo Verde Project costs

Total FERC Account No. 926	\$ 31,018,894
Palo Verde Project Pensions and Benefits	(8,659,774)
Per Book Pensions and Benefits excluding Palo Verde	\$ 22,359,120

Justification for requested adjustment:

Adjust various pension and benefit costs to reflect latest actuarial study costs reflecting current expense levels.
The 401k costs were adjusted to reflect the Company's current contribution levels.
Compensation for financial performance in the long-term incentive plan and employee transition agreements were removed from Test Year Period costs.

EL PASO ELECTRIC COMPANY
 OPERATION AND MAINTENANCE EXPENSE
 EMPLOYEE PENSIONS AND BENEFITS
 SPONSOR: JENNIFER I. BORDEN
 PREPARER: MELODY BOISSELIER
 FOR THE TEST YEAR ENDED MARCH 31, 2015

WP-A/A-3/B1
 WP/ A-3
 ADJUSTMENT NO.4
 PAGE 2 OF 19

	(a)	(b)	(c)	(d)
Line No.	Description	Test Year Per Book	Adjustment	As Adjusted
1	Other Postemployment Benefits	\$ (1,136,792)	\$ 1,573,486 (A)	\$ 436,694
2	401 K Savings Plan	2,861,973	33,002 (B)	2,894,975
3	Retirement Income Plan	8,996,542	(208,210) (A)	8,788,332
4	Dental Insurance	227,507	-	227,507
5	Long & Short Term Disability	277,445	-	277,445
6	Performance & Restricted Shares	1,881,994	(1,105,814) (C)	776,180
7	Medical Expenses	6,753,846	-	6,753,846
8	Life Insurance	96,602	-	96,602
9	Other Employee Benefits	1,838,065	(1,006,014) (D)	832,051
10	Four Corners	561,938	-	561,938
11	Total	<u>\$ 22,359,120</u>	<u>\$ (713,550)</u>	<u>\$ 21,645,570</u>

Notes:

- (A) Adjust various pension and benefit costs to reflect latest actuarial study costs reflecting current expense levels.
- (B) The 401k costs were adjusted to reflect the Company's current contribution levels.
- (C) Removal of compensation for financial performance in the long-term incentive plan.
- (D) Removal of costs related to employee transition agreements.

EL PASO ELECTRIC COMPANY

SOAH Docket No. 473-17-2686

PUC Docket No. 46831

CEP's 10th, Q. No. CEP 10-2

Attachment 3

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EL PASO ELECTRIC COMPANY
OPERATION AND MAINTENANCE EXPENSE
INTERNAL WORKPAPER- ADJUSTMENTS by CAP RATE
EMPLOYEE PENSIONS AND BENEFITS

WP-A/A-3/B1
WP/ A-3
ADJUSTMENT NO 4
PAGE 3 OF 19

Line No.	(a) Description	(b) Total Per Book Costs	(c) Cap Rate	(d) 2015 EPE Per Book - Capitalized Amount	(e) 2015 EPE Per Book- Net Amount	(f) Adjustment to Service Costs Per 2015 Actuarial Estimate (Net of Cap)	(g) Other Adjustments	(h) Adjusted Expense
				(b) * (c)	(b) - (d)			(e)+(f)+(g)
1	Other Postemployment Benefits	(1,432,089)	20.62%	(295,297)	(1,136,792)	1,573,486	(1)-(2)	436,694
2	401 K Savings Plan	3,605,408	20.62%	743,435	2,861,973		33,002	2,894,975
3	Retirement Income Plan	11,333,511	20.62%	2,336,969	8,996,542	(208,210)	(3)-(4)	8,788,332
4	Dental Insurance	286,605	20.62%	59,098	227,507			227,507
5	Long & Short Term Disability	349,515	20.62%	72,070	277,445			277,445
6	Performance & Restricted Shares	2,370,867	20.62%	488,873	1,881,994		(1,105,814)	776,180
7	Medical Expenses	8,508,246	20.62%	1,754,400	6,753,846			6,753,846
8	Life Insurance	121,696	20.62%	25,094	96,602			96,602
9	Other Employee Benefits	2,315,527	20.62%	477,462	1,838,065		(1,006,014)	832,051
12	Total EPE Pensions & Benefits	27,459,286		5,662,103	21,797,182	1,365,276	(2,078,826)	21,083,632
10	Four Corners	561,938			561,938			561,938
11	Palo Verde	8,659,774			22,359,120			21,645,570
	Total Pensions & Benefits	36,680,998						
13	Capitalized Benefits	(5,662,103)						
14	Total	31,018,895						
15	Less Palo Verde	(8,659,774)						
16		22,359,121						

2015 Actuarial Estimate	(Gross)	(Net of Cap)
RIP	8,500,000	6,747,301
Excess	950,000	754,110
SERP	1,200,000	952,560
	10,650,000	8,453,971 (3)

OPEB	400,000	317,520 (1)
	11,050,000	8,771,491

2014 Actual Per GL/Actuarial	(Gross)	(Net of Cap)
RIP	8,857,639	7,031,194
Excess	900,819	715,070
SERP	1,153,839	915,917
	10,912,297	8,662,181 (4)

OPEB	(1,582,219)	(1,255,966) (2)
	9,330,078	7,406,215

EL Paso Electric Company
Calculation of 2014 Benefits and A&G Capitalization Rate
For the Test Year Ended March 31, 2015

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 ADJUSTMENT NO.4
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	<u>FERC 926000</u>
RAP Expense per GL	\$ 31,018,896
Less:	
JE 5211 Benefits Capitalized	(5,258,512)
JE 5051 A&G Capitalized	<u>(403,591)</u>
	<u>36,680,999</u>
Less:	
Payroll	-
Palo Verde	(8,659,774)
Four Corners	<u>(561,938)</u>
Expense (before capitalization)	<u>\$ 27,459,287</u>

	Expense Total	
	Before Capitalization	% of Total
JE 5211 Benefits Capitalized	5,258,512	27,459,287 19.15%
JE 5051 A&G Capitalized	403,591	27,459,287 1.47%
Total % Benefits and A&G Capitalized		<u>20.62%</u>

Capitalized Benefits

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Cost Repository - CR - Summary		
CR COST REPOSITORY - SV		
Account	GL Journal Category	Amount
926000	5051-CAPITALIZED A&G EXP	(\$403,591.12)
926000	5211-BENEFITS-CAPITAL	(\$5,258,511.71)
		(\$5,662,102.83)

(403,591.00)
(5,258,512.00)

Cost Repository - CR - Summary		
CR COST REPOSITORY - SV		

CRITERIA

CRITERIA

Account = 926000
Amount Type = Actuals
GL Journal Category in 5051-CAPITALIZED A&G EXP, 5211-BENEFITS-CAPITAL
Month Number BETWEEN 201404 AND 201503



CRITERIA

CRITERIA

Account = 926000
Amount Type = Actuals
Company in (Company 98 Rollup) (Structure 2)
Month Number BETWEEN 201404 AND 201503

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ADJUSTMENT NO.4
PAGE 6 OF 19

Account	GL Journal Category	Amount
926000	6194-ACCR/FC EXP	\$491,196.00
926000	6198-FC EXP ADJ	\$70,741.90
	Total Four Corners	<u>\$561,937.90</u>
926000	6804-PALO VERDE O&M ACCR	\$10,829,000.00
926000	6807-PALO VERDE O&M ADJ	<u>(\$2,169,225.82)</u>
	Total Palo Verde	<u>\$8,659,774.18</u>

Cost Repository - CR Summary

CRITERIA

CRITERIA

Account = 926000
Amount Type = Actuals
Company in {Company 98 Rollup} (Structure 2)
Month Number BETWEEN 201404 AND 201503

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Account	Account Description	Project	Project Description	Amount	Amount Rounded	
926000	EMPLOYEE PENSIONS & BE	AP761	PENSIONS	9,199,892.16	9,199,892	a
926000	EMPLOYEE PENSIONS & BE	AP762	401K	3,605,407.97	3,605,408	
926000	EMPLOYEE PENSIONS & BE	AP763	OPEB	(1,432,088.76)	(1,432,089)	
926000	EMPLOYEE PENSIONS & BE	AP764	SERP	1,175,264.64	1,175,265	a
926000	EMPLOYEE PENSIONS & BE	AP765	EXCESS BENEFIT PLAN	958,353.62	958,354	a RIP = Sum of a'
926000	EMPLOYEE PENSIONS & BE	AP766	MEDICAL INSURANCE	8,508,245.70	8,508,246	11,333,511
926000	EMPLOYEE PENSIONS & BE	AP767	LIFE INSURANCE	121,695.69	121,696	
926000	EMPLOYEE PENSIONS & BE	AP768	DENTAL INSURANCE	286,604.60	286,605	
926000	EMPLOYEE PENSIONS & BE	AP769	LT & ST DISABILITY INSURA	349,514.85	349,515	
926000	EMPLOYEE PENSIONS & BE	AP770	STK RELATED BENEFITS	2,370,866.92	2,370,867	
926000	EMPLOYEE PENSIONS & BE	Various	PALO VERDE	8,659,774.18	8,659,774	
926000	EMPLOYEE PENSIONS & BE	Various	FOUR CORNERS	561,937.90	561,938	
926000	EMPLOYEE PENSIONS & BE	Various	CAPITALIZED BENEFITS	(5,662,103.00)	(5,662,103)	
926000	EMPLOYEE PENSIONS & BE	Various	OTHER EMPLOY BENEFITS	2,315,529.30	2,315,529	
				<u>31,018,895.77</u>	<u>31,018,897</u>	
Added by Reg Accounting				Remove PV	8,659,774	
				Rounding	(2)	
					22,359,121	
				Schedule G-15	22,359,121	
				Variance	-	

El Paso Electric Company
Electric World's Flag - Projected 2005-2006 Revenue

[illegible][illegible]

[illegible]

1

El Paso Electric Company
Investment Budget Statement - Projected 2015-2019 Expenses

	Actual 2014	Projected 2015	Projected 2016	Projected 2017	Projected 2018	Projected 2019
Beginning of Year Funded Balance	\$ 102,450,000	\$ 100,000,000	\$ 100,000,000	\$ 100,000,000	\$ 100,000,000	\$ 100,000,000
Accumulated Projected Benefit (Expense)	\$ 102,450,000	\$ 100,000,000	\$ 100,000,000	\$ 100,000,000	\$ 100,000,000	\$ 100,000,000
Pay Related Assets	\$ 102,450,000	\$ 100,000,000	\$ 100,000,000	\$ 100,000,000	\$ 100,000,000	\$ 100,000,000
Pay Related Liabilities	\$ 102,450,000	\$ 100,000,000	\$ 100,000,000	\$ 100,000,000	\$ 100,000,000	\$ 100,000,000
Pay Related Net	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Accumulated Other Comprehensive Income	\$ 102,450,000	\$ 100,000,000	\$ 100,000,000	\$ 100,000,000	\$ 100,000,000	\$ 100,000,000
Accumulated Other Comprehensive Loss	\$ 102,450,000	\$ 100,000,000	\$ 100,000,000	\$ 100,000,000	\$ 100,000,000	\$ 100,000,000
Total Accumulated Other Comprehensive Income	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
2015 Year Expenses	\$ 28,444,910	\$ 28,444,910	\$ 28,444,910	\$ 28,444,910	\$ 28,444,910	\$ 28,444,910
Service Cost (2017)	\$ 4,464,000	\$ 4,464,000	\$ 4,464,000	\$ 4,464,000	\$ 4,464,000	\$ 4,464,000
Interest Cost	\$ 4,464,000	\$ 4,464,000	\$ 4,464,000	\$ 4,464,000	\$ 4,464,000	\$ 4,464,000
Expected Return on Assets	\$ 4,464,000	\$ 4,464,000	\$ 4,464,000	\$ 4,464,000	\$ 4,464,000	\$ 4,464,000
Amortization of (Gain) Loss	\$ 4,464,000	\$ 4,464,000	\$ 4,464,000	\$ 4,464,000	\$ 4,464,000	\$ 4,464,000
Amortization of Prior Service Cost	\$ 4,464,000	\$ 4,464,000	\$ 4,464,000	\$ 4,464,000	\$ 4,464,000	\$ 4,464,000
Net Periodic Pension Cost (Pension Expense)	\$ 18,432,410	\$ 18,432,410	\$ 18,432,410	\$ 18,432,410	\$ 18,432,410	\$ 18,432,410
Key Assumptions Used to Determine Expense						
Discount Rate	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%
Long Term Rate of Return on Assets (After Tax)	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%
Mortality	2014 Table 90C	2014 Table 90C	2014 Table 90C	2014 Table 90C	2014 Table 90C	2014 Table 90C
Initial Term	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%
Term Cost	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%
Year Charge Term is Based	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%
Market-Related Value of Assets	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%
Average Future Vesting Liability	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%
Cash Flow	\$ 28,444,910	\$ 28,444,910	\$ 28,444,910	\$ 28,444,910	\$ 28,444,910	\$ 28,444,910
Expected Contributions	\$ 28,444,910	\$ 28,444,910	\$ 28,444,910	\$ 28,444,910	\$ 28,444,910	\$ 28,444,910
Expected Benefits	\$ 28,444,910	\$ 28,444,910	\$ 28,444,910	\$ 28,444,910	\$ 28,444,910	\$ 28,444,910
Actual Benefit Payments	\$ 28,444,910	\$ 28,444,910	\$ 28,444,910	\$ 28,444,910	\$ 28,444,910	\$ 28,444,910

2015 Projected
400,000

Notes:
1. Projections are based on current data as of January 1, 2014 and also projections prepared for RTR. The active membership is assumed to remain stable for future years.
2. The projected return on assets is based on the 2014 data from the report dated January 1, 2014.
3. The projected return on assets is based on the December 31, 2014 data from the report dated January 1, 2014.
4. The cost estimates include annual employee contributions of \$1.00 per month for 2014 and \$1.00 per month for 2015 and thereafter.

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 ADJUSTMENT NO.4
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EL PASO ELECTRIC COMPANY
 2015 TEXAS RATE CASE FILING
 SCHEDULE G-15: MONTHLY O&M EXPENSE
 SPONSOR: RUSSELL GIBSON
 PREPARER: PATRICIA MASTERS/JENNIFER BORDEN
 FOR THE TEST YEAR ENDED MARCH 31, 2015

Copy

Line No.	FERC Acct.	(a) Description	(n) Total
<u>Administrative & General Expense</u>			
<u>Operation</u>			
107	920000	Administrative & General Salaries	28,534,750
108	921000	Office Supplies & Expenses	5,194,608
109	923000	Outside Services Employed	15,298,587
110	924000	Property Insurance	2,198,948
111	924000	Property Insurance - PV	801,372
112	925000	Injuries & Damages	4,696,795
113	925000	Injuries & Damages - PV	671,513
114	926000	Employee Pensions & Benefits	22,359,121
115	926000	Employee Pensions & Benefits - PV	8,659,775
116	928000	Regulatory Commission Expenses	1,655,364
117	928000	Regulatory Commission Expenses - PV	3,156,740
118	930100	General Advertising Expenses	963,767
119	930200	Miscellaneous General Expenses	5,222,746
120	930200	Miscellaneous General Expenses - PV	13,297,609
121	931000	Rents	732,267
122		Total Operation	113,443,962
123	935000	Maintenance of General Plant	5,830,921
124		Total Administrative & General Expense	119,274,883

Source- Financial Accounting

El Paso Electric Company
Restricted and Performance Stock
Summary of Compensation Cost for Prior Period
As of 3/31/2015

	3/31/2015	3/31/2014	3/31/2015	3/31/2014
1st Quarter-Current Year	277,050.00	277,050.00	736,971.00	744,660.26
4th Quarter-Prior Year	320,687.00	220,964.50	812,878.00	708,326.80
3rd Quarter-Prior Year	301,115.00	198,725.00	654,332.00	640,365.06
2nd Quarter-Prior Year	206,962.00	380,642.00	1,130,800.06	619,762.95
	1,105,814.00	1,252,737.50	3,463,727.99	2,713,115.07

Summary of Restricted and Performance Stock for 2015

	Grand Total	Restricted Expense	Tax
1st Quarter-Current Year	1,014,021.00	1,000,000.00	32.00%
4th Quarter-Prior Year	997,000.00	1,000,000.00	32.00%
3rd Quarter-Prior Year	955,438.00	1,000,000.00	32.00%
2nd Quarter-Prior Year	1,337,762.06	1,300,000.00	32.00%
Total 12 Months Ended:	4,307,221.06	4,300,000.00	32.00%

Summary of Restricted and Performance Stock for 2014

	Grand Total	Restricted Expense	Tax
1st Quarter-Current Year	1,057,066.26	1,100,000.00	32.00%
4th Quarter-Prior Year	929,291.30	900,000.00	32.00%
3rd Quarter-Prior Year	939,090.06	900,000.00	32.00%
2nd Quarter-Prior Year	1,000,404.95	1,000,000.00	32.00%
Total 12 Months Ended:	3,965,852.57	3,900,000.00	32.00%

Decreases to be in stock expenditures table.
Included by equity Priced.

MSB
4/17/15
4/20/15
Wednesday, April 15, 2015

EL PASO ELECTRIC COMPANY

SOAH Docket No. 473-17-2686
PUC Docket No. 46831
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EL PASO ELECTRIC COMPANY

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- Queries for OPEB and Pension Benefits (SERVICE COSTS ONLY)

WP-A/A-3/B1
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ADJUSTMENT NO.4
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Cost Repository - CR - Summary		
CR COST REPOSITORY SV		
Account	Project	Amount
926000 - EMPLOYEE PENSIONS & BEN	AP763 - OPEB	(\$1,582,219.00)
		(\$1,582,219.00)

(1,582,219)

Cost Repository - CR - Summary		
CR COST REPOSITORY SV		

CRITERIA

CRITERIA

Account = 926000
Amount Type = Actuals
Company in {Company 98 Rollup} (Structure 2)
GL Journal Category = 6236-OTHR PST RET BEN-106
Month Number BETWEEN 201404 AND 201503
Project = AP763

Cost Repository - CR - Summary		
CR COST REPOSITORY SV		
Account	Project	Amount
926000 - EMPLOYEE PENSIONS & BEN	AP761 - PENSIONS	\$8,587,639.00
		\$8,587,639.00

8,857,639

Cost Repository - CR - Summary		
CR COST REPOSITORY SV		

CRITERIA

CRITERIA

Account = 926000
Amount Type = Actuals
Company in {Company 98 Rollup} (Structure 2)
GL Journal Category = 6239-RETIRE INCOME PLAN
Month Number BETWEEN 201404 AND 201503

Cost Repository - CR - Summary		
CR COST REPOSITORY SV		
Account	Project	Amount
926000 - EMPLOYEE PENSIONS & BEN	AP765 - EXCESS BENEFIT PLAN	\$900,819.00
		\$900,819.00

900,819

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Cost Repository - CR - Summary
CRITERIA
Account = 926000
Amount Type = Actuals
Company in {Company 98 Rollup} (Structure 2)
GL Journal Category = 6248-SUP PNSN EXP-SUP RET
Month Number BETWEEN 201404 AND 201503
Project = AP764

Cost Repository - CR - Summary		
CR COST REPOSITORY - SV		
Account	Project	Amount
926000 - EMPLOYEE PENSIONS & BEN	AP764 - SERP	\$1,153,839.00
		\$1,153,839.00

1,153,839

WP-A/A-3/B1
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El Paso Electric Company
Calculation of 401(k) Expenses

Description	Amount	
Test year 401(k) expense	\$ 3,605,408	Gross 401(k)
Divided by: Test year gross payroll including incentive compensation	<u>\$ 93,374,012</u>	(Adjustment 3 p3)
401(k) expense percent of payroll	3.861254%	
Times: Requested gross payroll	<u>\$ 94,450,715</u>	(Adj 3, p2, lines 9+12)
Requested 401(k) expense	\$ 3,646,982	
Benefit O&M %	<u>79.38%</u>	
	2,894,975	
Less: Test year expense	<u>\$ 2,861,973</u>	
Adjustment to 401(k) expense	<u><u>33,002</u></u>	

EL PASO ELECTRIC COMPANY

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11/18/09

EL PASO ELECTRIC COMPANY
OPERATION AND MAINTENANCE EXPENSE
EMPLOYEE PENSIONS AND BENEFITS
FOR THE TEST YEAR ENDED JUNE 30, 2009

SCHEDULE A-3
ADJUSTMENT NO. 4
PAGE 1 OF 2

Line No.	(a) Description	(b) Total Amount
	Employee Pensions and Benefits Pension and OPEB Expense Only FERC Account No. 926000	
1	Book Amount, As Adjusted	\$ 16,956,928
	Less:	
2	Amount Per Books	<u>9,923,350</u>
3	Adjustment	\$ <u>7,033,578</u>
4	Five-Year Average Expense Ratio	<u>81.15%</u>
5	Expense Adjustment	<u><u>5,707,749</u></u>

Justification for requested adjustment:

Adjust pension and OPEB costs to reflect latest actuarial studies
Sponsored by David Carpenter

EL PASO ELECTRIC COMPANY

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EL PASO ELECTRIC COMPANY
OPERATION AND MAINTENANCE EXPENSE
EMPLOYEE PENSIONS AND BENEFITS
FOR THE TEST YEAR ENDED JUNE 30, 2009

SCHEDULE A-3
ADJUSTMENT NO. 4
PAGE 2 OF 2

Line No.	(a) Description	(b) Test Year Per Book	(c) Adjustment	(d) As Adjusted
1	OPEB	\$ 4 6,572,047	\$ 1,784,881	\$ 8,356,928
2	Pension Benefits	3,351,303	5,248,697	8,600,000
3	Total	\$ 9,923,350	\$ 7,033,578	\$ 16,956,928

(A) This amount includes the transition obligation in the same amount as included in the test year per books.

$$6,200,000 + 2,156,928 = 8,356,928$$

DOCKET NO. 37690

APPLICATION OF EL PASO ELECTRIC	§	PUBLIC UTILITY COMMISSION
COMPANY TO CHANGE RATES, TO	§	
RECONCILE FUEL COSTS, TO ESTABLISH	§	OF TEXAS
FORMULA-BASED FUEL FACTORS, AND	§	
TO ESTABLISH AN ENERGY EFFICIENCY	§	
COST RECOVERY FACTOR	§	

DIRECT TESTIMONY OF

DAVID G. CARPENTER

FOR

EL PASO ELECTRIC COMPANY

(REVENUE REQUIREMENT)

DECEMBER 2009

DIRECT TESTIMONY
DAVID G. CARPENTER

1 Q. Pensions and Other Postemployment Benefits (Section 36.065)

2 Q. HAS THE COMPANY CALCULATED ITS PENSION AND POSTEMPLOYMENT
3 BENEFITS EXPENSES IN ACCORDANCE WITH SECTION 36.065?

4 A. Yes, it has reflected pensions and other post-employment benefits in revenue
5 requirements based upon actuarial studies in accordance with generally accepted
6 accounting standards. The Company has not established a reserve account for
7 pension and other post-employment benefit expenses in accordance with
8 Section 36.065(b).

9

10 V. EPE'S COST OF SERVICE AND RATE BASE

11 Q. BEFORE DISCUSSING THE SPECIFIC SCHEDULES YOU SPONSOR, ARE
12 THERE ANY NOTEWORTHY ITEMS YOU WISH TO DISCUSS CONCERNING
13 THE COMPANY'S CAPITAL INVESTMENTS AND ITS PLANT IN SERVICE
14 VALUES?

15 A. Yes, there are two such items: First, how the Company is presenting the capital
16 additions it has made since its last rate case, and, second, the value of the PVNGS
17 included in rate base and cost of service for Texas ratemaking purposes.

18

19 A. Capital Additions Since the Last Rate Case

20 Q. HOW IS THE COMPANY PRESENTING THE CAPITAL ADDITIONS IT HAS MADE
21 SINCE ITS LAST RATE CASE?

22 A. The Company's last base rate case was Docket No. 12700, which was filed in
23 January 1994, used a test year ending June 30, 1993, and was decided in August
24 1995. Since that case, the Company has made over \$1.2 billion in capital additions
25 necessary to continue fulfilling its obligation to serve. The Company is going beyond

EL PASO ELECTRIC COMPANY

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DOCKET NO. 40094

APPLICATION OF EL PASO ELECTRIC	§	PUBLIC UTILITY COMMISSION
COMPANY TO CHANGE RATES AND	§	
TO RECONCILE FUEL COSTS	§	OF TEXAS

DIRECT TESTIMONY OF

NATHAN T. HIRSCHI

FOR

EL PASO ELECTRIC COMPANY

(REVENUE REQUIREMENT)

FEBRUARY 1, 2012

DIRECT TESTIMONY
NATHAN T. HIRSCHI

249

Pensions and Benefits (Adjustment 4)

1
2 Q. PLEASE DISCUSS THE ADJUSTMENT TO PENSIONS AND BENEFITS.

3 A. This adjustment increases pension cost, Postretirement Benefits Other Than
4 Pensions ("OPEB") and medical costs to reflect the expected cost of those benefit
5 programs in 2012. The actuarial study supporting the requested amounts for
6 pension and OPEB costs is included in Schedule G-2.1 and supported by
7 Mr. Carpenter. Per PURA 36.065 and Subst. Rule 25.231(b)(1)(H) OPEB is
8 recorded in accordance with GAAP - see Schedules G-2.1 and G-2.2. Thus revised
9 actuarial estimates were obtained to propose the 2012 OPEB cost adjustments. It
10 should be noted that the estimated discount rate used to establish 2012 expense has
11 now been set in accordance with GAAP at 4.3% rather than 4.6% used in the
12 estimate. As a result, pension and OPEB costs included in the adjustment are
13 understated. The medical costs were developed by the Company's benefit plan
14 insurance broker (in consultation with our medical claims processor - Blue Cross
15 Blue Shield of Texas). The insurance broker utilized historic medical cost trends in
16 developing the estimates.

17 The long-term incentive amount that has been requested does not include the
18 portion of the compensation expense (totaling \$1,457,845) that was calculated
19 utilizing financial based measures. As a result, the Company is asking for only the
20 amount of long-term incentives that relate to retention incentives.

Decommissioning Expense (Adjustment 5)

21
22
23 Q. PLEASE DESCRIBE THE ADJUSTMENT TO DECOMMISSIONING EXPENSE.

24 A. The Company has calculated the amount of decommissioning funding that is
25 necessary to provide for the removal of the three Palo Verde nuclear units at the end
26 of their operating life including the 20 year life extension approved by the Nuclear

EL PASO ELECTRIC COMPANY

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DOCKET NO 44941

APPLICATION OF EL PASO ELECTRIC § PUBLIC UTILITY COMMISSION
COMPANY TO CHANGE RATES § OF TEXAS

DIRECT TESTIMONY
OF
JENNIFER I. BORDEN
FOR
EL PASO ELECTRIC COMPANY

AUGUST 2015

1 A. The non-financial incentive O&M expense ratio is applied to total Company non-
2 financial incentive expense to calculate the amount that is expected to be expensed
3 to utility O&M accounts. In addition to non-financial incentive costs that should be
4 expensed to utility O&M, total non-financial incentive costs include amounts that
5 should be expensed to other income and expenses as well as amounts that are
6 capitalized. By applying the ratio to total gross non-financial incentive costs, the
7 annualized amounts that are unrelated to O&M expense are excluded from the
8 Company's request for O&M expense. This methodology is consistent with the
9 treatment used in adjusting the capitalized financial incentive compensation adjusted
10 out of plant in service discussed later in my testimony.

11

12 Q. WHAT IS THE TOTAL ADJUSTMENT AMOUNT TO THE TEST YEAR SALARIES
13 AND WAGES?

14 A. The resulting adjustment included in the revenue requirements Test Year is
15 \$1,448,099. Adjustments 13 and 25 also contain an adjustment to salaries and
16 wages and will be discussed later in my testimony.

17

18 Pensions and Benefits (Adjustment 4)

19 Q. PLEASE DISCUSS THE ADJUSTMENT TO PENSIONS AND BENEFITS.

20 A. Adjustment No. 4 reduces Test Year pension and benefits expense in the net
21 amount of \$713,550 to reflect known and measurable costs as follows:

22 1. Pension and post-retirement benefits other than pensions ("OPEB") were
23 adjusted by \$1,365,276 to reflect the 2015 actuarial estimates prepared by
24 PricewaterhouseCoopers. EPE witness Hirschi discusses the pension and
25 OPEB plans in his testimony;

1 2. The 401(k) costs were adjusted by \$33,002 to reflect the Company's current
2 contribution level. These costs reflect the changes in the 401(k) plan and are
3 discussed by EPE witness Hirschi;

4 3. Costs for employee transition agreements of \$1,006,014 were removed from the
5 Test Year costs; and

6 4. The Test Year long-term incentive plan costs were reduced by \$1,105,814 to
7 exclude the portion of the compensation expense that was calculated utilizing
8 financial-based measures.

9 Along with payroll expense, a portion of the adjusted pension and benefit expense is
10 also capitalized to construction work in progress and expensed to other income and
11 expenses. Thus, the various annual costs for pension and benefits are net of those
12 amounts capitalized and expensed to other income and expenses

13

14 Decommissioning Expense (Adjustment 5)

15 Q. PLEASE DESCRIBE THE ADJUSTMENT TO DECOMMISSIONING EXPENSE.

16 A. The Company has calculated the amount of decommissioning funding that is
17 necessary to provide for the removal of the three nuclear units at PVNGS at the end
18 of their operating life, including the 20-year life extension approved by the Nuclear
19 Regulatory Commission in 2011. The decommissioning funding is based on the
20 decommissioning estimate included in the decommissioning study sponsored by
21 EPE witness Francis Seymore. As EPE witness Lisa Budtke explains, based on the
22 current amount of the decommissioning funds, together with expected returns, the
23 Company is requesting no decommissioning funds in this case. In addition EPE is
24 requesting the Asset Retirement Obligation ("ARO") accretion expense for local fossil
25 fuel plants totaling \$108,261. The net adjustment to the per book ARO accretion

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SOAH DOCKET NO. 473-10-1677

APPLICATION OF EL PASO ELECTRIC COMPANY TO CHANGE RATES, TO RECONCILE FUEL COSTS, TO ESTABLISH FORMULA-BASED FUEL FACTORS, AND TO ESTABLISH AN ENERGY EFFICIENCY COST RECOVERY FACTOR	§ § § § § § § § §	PUBLIC UTILITY COMMISSION OF TEXAS
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ORDER

This Order addresses the application of El Paso Electric Company (EPE) for authority to change rates, to establish formula-based fixed fuel factors, and to establish an energy efficiency cost recovery factor consistent with the Joint Motion to Implement Stipulation and Agreement and to Approve Interim Rates (Agreement) signed by all of the parties to this proceeding.¹ This docket was processed in accordance with applicable statutes and Public Utility Commission of Texas (Commission) rules. EPE, Commission Staff, the City of El Paso (City), the Office of Public Utility Counsel (OPUC), the Texas State Agencies, Texas Industrial Energy Consumers (TIEC), Freeport-McMoRan Copper & Gold, Inc. (Freeport-McMoRan), Wal-Mart Stores Texas, LLC and Sam's East, Inc. (Wal-Mart), and the United States Department of Defense and All Other Federal Executive Agencies (DOD/FEA) (collectively, Signatories) filed the Agreement, which resolves all issues in this proceeding. Consistent with the Agreement, EPE's application is approved.

The Commission adopts the following findings of fact and conclusions of law:

I. Findings of Fact

Procedural History

1. On December 9, 2009, EPE submitted an application to the Commission seeking the following:

¹ Reflecting the recommendation of all the parties, the fuel reconciliation phase of this case has been severed and placed into *Application of El Paso Electric Company to Reconcile Fuel Costs (Severed From PUC Docket No. 37690)*, SOAH Docket No. 473-10-4554, Docket No. 38361 (pending).

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- an overall increase in annual Texas retail revenues of \$51.6 million, or 12.9% percent, over its adjusted test year revenues (exclusive of fuel revenues and energy efficiency costs);
 - reconciliation of its fuel and purchased power costs for the Reconciliation Period of March 2007 through June 2009;
 - approval of a formula-based fixed fuel factor under P.U.C. SUBST. R. 25.237(a)(1); and
 - approval of an Energy Efficiency Cost Recovery Factor (EECRF) under P.U.C. SUBST. R. 25.181(f), along with the recovery within the EECRF of the energy efficiency costs that EPE was allowed to defer for future recovery in Docket No. 35612.²
2. EPE proposed an effective date that would permit the new base rates to be implemented beginning July 1, 2010.
3. EPE used the 12-month test year beginning July 1, 2008 through June 30, 2009.
4. Notice of EPE's application was published once each week for four consecutive weeks in a newspaper having general circulation in each county in EPE's Texas service territory. In addition, EPE provided individual notice to EPE's Texas retail customers; each municipality within EPE's service area with original jurisdiction over EPE's retail rates; and Commission Staff, OPUC, and the City, who were all the parties to EPE's last fuel reconciliation proceeding, Docket No. 34695.³
5. EPE timely filed appeals with the Commission of actions of the following municipalities exercising original jurisdiction within their service territory: Town of Anthony, Town of

² Application of El Paso Electric Company to Defer Energy Efficiency Costs Under PURA § 39.905 and P.U.C. SUBST. R. 25.181(f), Docket No. 35612, Order (Sep. 12, 2008).

³ Petition of El Paso Electric Company to Reconcile Fuel Costs and Revenues and Request to Recover Mine Closing Costs, Docket No. 34695, Order (Jul. 21, 2008).

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Horizon City, Town of Clint, Town of Vinton, Town of Van Horn and City of Socorro.
All such appeals were consolidated for determination in this docket.

6. The following parties were granted intervenor status in this docket: OPUC, the Texas State Agencies, the City, TIEC, Freeport-McMoRan, DOD/FEA and Wal-Mart. Commission Staff was also a participant in this docket.
7. On December 9, 2009, the Commission referred this case to the State Office of Administrative Hearings (SOAH) to conduct an evidentiary hearing and preparation of a proposal for decision, if necessary.
8. On December 17, 2009, the SOAH Administrative Law Judge (ALJ) filed Order No. 1, suspending the effective date of the proposed tariff changes for 150 days until June 14, 2010. The effective date was subsequently extended by EPE until September 1, 2010.
9. On January 15, 2010, the Commission issued the Preliminary Order setting forth the issues to be addressed in this proceeding.
10. On April 23, 2010, the ALJ filed Order No. 7, granting an unopposed motion to extend the procedural schedule indefinitely in order to facilitate settlement negotiations among the parties.
11. On June 16, 2010, the Signatories filed the Agreement, together with their Joint Motion to facilitate consideration and implementation of the Agreement. The Agreement is signed by all of the parties to this proceeding.
12. On June 22, 2010, the ALJ filed Order No. 14, implementing the Signatories' Joint Motion by admitting into evidence EPE's application, direct testimony and exhibits, notice affidavits, and the Agreement and its attachments, and severing and placing into a

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new docket the fuel reconciliation phase of the case for resolution of the one issue that was not settled. After the severance, the proceeding was also dismissed from the SOAH docket and returned to the Commission for further processing as a settled case.

13. Order No. 14 also granted the Signatories' request that EPE be authorized to implement the new base rates, fuel factor and EECRF on an interim basis, effective July 1, 2010. These interim rates were subject to refund or surcharge in accordance with P.U.C. PROC. R. 22.125(e). The Signatories intend that the Commission approve as permanent rates the same rates placed into effect on an interim basis.

Description of the Agreement

14. The Signatories to the Agreement agree that its overall terms and conditions result in just and reasonable rates and that the public interest will be served by resolution of the issues addressed herein in the manner prescribed by the Agreement.

Base Rates

15. The Agreement provides for an overall \$17.150 million dollar base rate increase in EPE's Texas retail service areas, effective for service on or after July 1, 2010.
16. The Agreement provides that the post-bankruptcy fresh start values for the Palo Verde Nuclear Generating Station (Palo Verde) as of June 30, 2009, proposed by EPE, with retirements adjusted to the fresh start basis, are accepted and will be used as the basis for that investment in this and future dockets, except that the jurisdictional allocation is subject to review on a prospective basis in future proceedings.
17. The Agreement provides that all additions to electric plant in service from July 1, 1993 through June 30, 2009, are reasonable and necessary and are to be included in rate base; except that in future rate cases, EPE's investment in the Copper gas turbine will be excluded from rate base, and EPE will not include depreciation on the Copper gas turbine in revenue requirements in future cases.

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18. The Agreement provides that the investment in EPE's new Customer Information System (CIS) is included in rate base, and the related amortization (depreciation) is included in cost of service. The CIS system will be amortized over a 10-year period.
19. The Agreement provides that EPE shall include the loss on reacquired debt associated with the refinancing of the first mortgage bonds in 2005 in the cost of debt in future rate proceedings.
20. The Agreement provides that effective July 1, 2010, EPE shall utilize a return on equity of 10.125% for purposes of calculating Allowance for Funds Used During Construction (AFUDC) and for calculating carrying costs pursuant to P.U.C. SUBST. R. 25.181(f)(7) regarding deferred energy efficiency costs.
21. The Agreement provides that EPE's proposed depreciation rates shall be utilized but are subject to review on a going-forward basis in future rate proceedings.
22. The Agreement provides that the balance of accumulated depreciation as of June 30, 2009, shown on Schedule D-1 of the Rate Filing Package, reflecting the 2002 depreciation study that EPE began using in 2004, shall be used.
23. The Agreement provides that EPE will be allowed Palo Verde decommissioning funding of \$7 million on a Texas jurisdictional basis, but that this funding shall be subject to review and adjustment on a going-forward basis in future proceedings.
24. The Agreement provides that any Renewable Energy Credits (RECs) that EPE purchases will not be recovered as a fuel expense.
25. The Agreement provides how the authorized revenue increases shall be allocated among customer classes.

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26. The Agreement provides for an agreed tariff that was implemented on an interim basis.
27. The Agreement provides that EPE will amortize all rate case expenses of EPE and the City incurred in this case, including those incurred in the severed fuel reconciliation docket for litigation of the Four Corners final mine closing costs. EPE will amortize total rate case expenses in the total amount of \$4,683,853 over a two-year period. Of this amount, \$740,000 represents reimbursable rate case expenses of the City of El Paso.
28. Under the Agreement, EPE will reimburse the City of El Paso for its rate case expenses within 20 days of the City's invoice to EPE.

Fuel Factor

29. The Agreement provides that EPE will implement a fuel factor adjustment formula effective July 1, 2010. The formula is calculated using the following steps:
 - a. The fuel and purchased power costs are separated into two parts.
 - b. One part, the Historical Portion Costs, which will be based on the Monthly Fuel Reports that EPE files pursuant to P.U.C. SUBST. R. 25.82 and 25.238, consists of actual nuclear fuel expense, coal expenses, Four Corners Mine Reclamation costs, and any credits or costs for nitrogen oxides (NO_x) or sulfur oxides (SO_x) emissions credits.
 - c. The second part, the "Projected Market Adjusted Costs," includes the remainder of eligible fuel costs, which primarily consists of natural gas and purchased power expenses.
 - d. The Projected Market Adjustment will be developed based upon average Permian Basin natural gas futures prices for the rate year divided by the simple average of the Permian Basin natural gas prices for the 12-month historical period. The simple average of the historical period will be the simple average of the 12 monthly averages, each of which include the daily prices weighted by volumes traded.

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- e. The average Permian Basin natural gas futures prices for the rate year will be determined by using the average of Permian Basin natural gas futures prices for the rate year for the most recent 10-day period as published in the New York Mercantile Exchange futures contracts listing.
 - f. The Projected Market Adjusted Costs, which primarily consists of natural gas and purchased power expenses, is multiplied by the Projected Market Adjustment.
 - g. These Projected Market Adjusted Costs are added to the Historical Portion Costs to derive the Total Fixed Fuel Factor Costs.
 - h. The Total Fixed Fuel Factor Costs are divided by the actual sales for the 12-month historical period to derive the Fixed Fuel Factor.
 - i. The latest Commission-approved voltage level multipliers are applied to this average fuel factor rate to derive a fixed fuel factor by voltage level.
30. When the Commission resolves the issue of the amount of the Four Corners final mine reclamation costs that are recoverable, EPE shall include an amortization of the amount in the fuel factor calculations pursuant to the formula.
31. Under the Agreement and the proposed formula, EPE should implement a revised composite fuel factor of \$.029394 per kWh, effective with the first billing cycle of the July 1, 2010 billing month.
32. The Agreement provides that EPE will retain 10% of the margins from off-system sales and credit to fuel costs 90% of the off-system sales margins beginning July 1, 2010.
33. The Agreement provides that expenses recorded in Account 509 and revenues recorded in Account 411.8 from the purchase and sale of nitrous oxides or sulfur dioxide emissions allowances will be allowed as eligible fuel expense going forward and included in EPE's fixed fuel factor.

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34. The Agreement also provides that Palo Verde performance standards are revised to reflect the increase in Palo Verde capacity.

Energy Efficiency

35. The Agreement provides that EPE will implement an EECRF effective July 1, 2010.
36. In Docket No. 35612, EPE was authorized to defer the costs of complying with the energy efficiency requirements of PURA⁴ § 39.905 and to recover the deferred costs through an EECRF upon the June 30, 2010, expiration of the rate freeze.
37. The Agreement provides that EPE will amortize over a three-year period the energy efficiency costs deferred under the order in Docket No. 35612.
38. The Agreement provides that to the extent that the costs were estimated for the period July 1, 2009 to June 30, 2010, those costs shall be trued-up to actual expense in EPE's pending EECRF proceeding, Docket No. 38226.⁵
39. The agreed-upon EECRF is based on the amount of deferred energy efficiency costs and projected energy efficiency costs included in EPE's requested EECRF of \$2,594,665 allocated to the eligible customer classes on a program-by-program basis using energy as the allocator. The factors by class are:

⁴ Public Utility Regulatory Act, TEX. UTIL. CODE ANN. §§ 11.001-66.016 (Vernon 2007 & Supp. 2009).

⁵ *Application of El Paso Electric Company for Approval to Revise its Energy Efficiency Cost Recovery Factor*, SOAH Docket No. 473-10-4554, PUC Docket No. 38226 (pending).

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<u>Rate</u>	<u>Description</u>	<u>Per Kilowatt-hour (kWh)</u>
01	Residential Service	\$0.00093
02	Small Commercial Service	\$0.00083
07	Outdoor Recreational Lighting Service	\$0.00049
08	Gov't Street Lighting and Signal Service	\$0.00049
11	Municipal Pumping Service	\$0.00120
21	Water Heating	\$0.00122
22	Irrigation Service	\$0.00070
24	General Service	\$0.00132
25	Large Power Service	\$0.00070
34	Cotton Gin Service	\$0.00049
41	City and County Service	\$0.00128
43	University Service	\$0.00116
46	Cogeneration/Small Power—Maintenance Service	\$0.00057
47	Cogeneration/Small Power—Backup Service	\$0.00057

Consistency of the Agreement with PURA and Commission Requirements

40. The Agreement is the result of good faith negotiations by the parties, and these efforts, as well as the overall result of the Agreement viewed in light of the record as a whole, support the reasonableness and benefits of the terms of the Agreement.
41. The total level of the Texas retail revenue requirement contemplated by the Agreement will allow EPE the opportunity to earn a reasonable return over and above its reasonable and necessary operating expenses.
42. The revenue requirement stipulated in the Agreement is consistent with applicable provisions of PURA Chapter 36 and Commission rules.
43. A return on equity of 10.125% only for purposes of calculating AFUDC and for calculating carrying costs pursuant to P.U.C. SUBST. R. 25.181(f)(7) regarding deferred energy efficiency costs, is reasonable.

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44. It is reasonable for purposes of this proceeding to adopt the depreciation rates proposed by EPE in its direct case. The adopted depreciation rates are set forth in Schedule D-4 to the Rate Filing Package, Attachment 1 to this Order.
45. It is reasonable to adopt the post-bankruptcy fresh start values for Palo Verde proposed by EPE, with retirements adjusted to the fresh start basis, in this docket and in future dockets.
46. The record supports the inclusion in rate base of all of EPE's additions to electric plant in service from July 1, 1993 through June 30, 2009, except for EPE's investment in the Copper gas turbine, which shall be excluded from rate base.
47. It is reasonable to include EPE's investment in the new CIS in rate base and the related amortization (depreciation) in cost of service. In addition, it is reasonable to amortize the costs of the CIS system over a 10-year period.
48. It is reasonable for EPE to include the loss on reacquired debt associated with the refinancing of the first mortgage bonds in 2005 in the calculation of the weighted cost of debt in future rate proceedings as proposed by EPE in this case.
49. For purposes of this proceeding, it is reasonable to adopt the balance of accumulated depreciation reflecting the 2002 depreciation study that EPE began using in 2004.
50. It is reasonable to allow EPE to collect \$7 million on a Texas jurisdictional basis for Palo Verde decommissioning funding subject to review and adjustment on a going-forward basis in future proceedings.
51. It is reasonable that EPE not recover the costs of RECs it purchases as fuel expenses.
52. The proposed miscellaneous service charges are reasonable.

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53. It is reasonable that EPE amortize its rate case expenses of \$4,683,853, which include \$740,000 of reimbursable expenses of the City of El Paso, over a two-year period.
54. It is reasonable for EPE to reimburse the City of El Paso for rate case expenses within 20 days of the City's invoice to EPE.
55. The allocation of the revenue increase among customer classes as described in Attachment 2 to the Agreement is just and reasonable.
56. The settled rate design reflected in the rate schedules included in Attachment 2 to this Order, including the additional tariff provisions reflected therein and in Sections 2 and 3 of EPE's proposed tariff, is just and reasonable.
57. The proposed formula for calculating the fuel factors is reasonable.
58. EPE has calculated the proposed fuel factors in compliance with the formula.
59. The proposed fuel factors utilize a Commission-approved adjustment to account for line losses corresponding to the voltage at which EPE provides electric service pursuant to P.U.C. SUBST. R. 25.237(c)(2)(B).
60. Consistent with the Agreement, the proposed formula-based fuel factor and the specific fixed fuel factors to be effective July 1, 2010, provide reasonable estimates of the eligible fuel costs during the time period that they are applicable and are therefore reasonable and should be approved.
61. The EECRF under the Agreement conforms to the requirements of the decision in Docket No. 35612 and P.U.C. SUBST. R. 25.181(f) in the costs that it includes, and the assignment and allocations to the classes are appropriate.

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II. Conclusions of Law

1. EPE is a public utility as that term is defined in PURA § 11.004(1) and an electric utility as that term is defined in PURA § 31.002(6).
2. The Commission exercises regulatory authority over EPE and jurisdiction over the subject matter of this application pursuant to PURA §§ 14.001, 32.001, 32.101, 33.002, 33.051, 36.001-36.111, 36.203 and 39.905.
3. This docket was processed in accordance with the requirements of PURA and the Texas Administrative Procedure Act, TEX. GOV'T CODE ANN. Chapter 2001 (Vernon 2008 & Supp. 2009).
4. EPE provided notice of the application in compliance with PURA § 36.103 and P.U.C. PROC. R. 22.51(a) and (b).
5. The Agreement, taken as a whole, is a just and reasonable resolution of all the issues it addresses, results in just and reasonable rates, terms and conditions, is consistent with the relevant provisions of PURA, and is consistent with the public interest.
6. The revenue requirement, cost allocation, revenue distribution, and rate design contemplated by the Agreement result in rates that are just and reasonable, comply with the ratemaking provisions of PURA, and are not unreasonably discriminatory or preferential.
7. EPE's rates resulting from the Agreement are just and reasonable and meet the requirements of PURA § 36.003.
8. Under P.U.C. SUBST. R. 25.237(a), fuel factors may be determined using a Commission-approved, utility-specific fuel factor formula, which may be approved in a general rate change proceeding.

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9. The amounts collected by EPE under the stipulated fixed fuel factors are subject to final review by the Commission under PURA § 36.203 and P.U.C. SUBST. R. 25.236(d) in EPE's next applicable fuel-reconciliation proceeding.
10. EPE's petition, as reflected in the Agreement, to establish a formula-based fixed fuel factor and to establish specific fixed fuel factors effective July 1, 2010, meets the requirements set out in P.U.C. SUBST. R. 25.237. Approval of both the formula and the specific fixed fuel factors represents a reasonable resolution of the fuel-factor issues in this proceeding and is consistent with the Commission's rules, the requirements of PURA, and the public interest.
11. Under PURA § 39.905 and P.U.C. SUBST. R. 25.181, EPE is qualified to file for an EECRF to be effective with the June 30, 2010, termination of the freeze period.
12. The agreed EECRF conforms to the requirements of P.U.C. SUBST. R. 25.181. The forecast of EECRF costs is reasonable, the assignments and allocations are appropriate, and the calculations of the EECRF are in accordance with P.U.C. SUBST. R. 25.181(f).
13. The Agreement resolves all issues pending in this docket.
14. The tariff sheets and rate schedules included in the Agreement are just and reasonable and accurately reflect the terms of the Agreement.
15. The Commission's adoption of a final order consistent with the Agreement satisfies the requirements of the Administrative Procedure Act, TEX. GOV'T CODE ANN. §§ 2001.051 and 2001.056 (Vernon 2008 & Supp. 2009) without the necessity of a decision on contested case issues resulting from a hearing on the merits.
16. The requirements for informal disposition pursuant to P.U.C. PROC. R. 22.35 have been met in this proceeding.

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III. Ordering Paragraphs

In accordance with these findings of fact and conclusions of law, the Commission issues the following order:

1. Consistent with the Agreement, EPE's application is approved.
2. Consistent with the Agreement, the rates, terms, and conditions described in this Order are approved.
3. Consistent with the Agreement, the tariffs, rate schedules and riders approved on an interim basis in Order No. 14 are approved.
4. Within 20 days of the date of this Order, EPE shall file a clean record copy of the approved tariff to be stamped "Approved" by Central Records and retained for future reference.
5. EPE shall deposit \$7 million, Texas jurisdictional, into the Palo Verde Decommissioning Fund on an annual basis until further order of this Commission.
6. EPE shall observe the depreciation rates approved in this Order until further order.
7. EPE may include the loss on reacquired debt associated with the refinancing of the first mortgage bonds in 2005 in the calculation of its weighted cost of debt in future rate proceedings.
8. Effective July 1, 2009, recovery of sulfur dioxide (SO₂) and nitrous oxide (NO_x) emissions revenues recorded in Account 411.8 and expenses recorded in Account 509 will be allowed as eligible fuel expense going forward and included in EPE's fixed fuel factor.

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ORDER

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9. EPE's costs for purchases of RECs will not be recovered as fuel expenses.
10. EPE will credit to fuel costs 90% of off-system sales margins and retain 10% of off-system sales margins, effective July 1, 2010.
11. Palo Verde performance standards are revised to reflect the increase in Palo Verde capacity.
12. EPE's fixed fuel factor tariff reflecting an agreed composite fuel factor of \$.029394 per kWh to be charged beginning with the billing month of July 2010 is approved as depicted on Attachment 2 to this Order.
13. EPE is authorized to apply the agreed EECRF to customers' bills on and after July 1, 2010. The EECRF shall be in effect until an adjusted EECRF is made effective for EPE pursuant to P.U.C. SUBST. R. 25.181(f).
14. No later than May 1 of each year, EPE is required to apply to adjust the EECRF pursuant to P.U.C. SUBST. R. 25.181(f). The costs included in EPE's EECRF are subject to reconciliation pursuant to P.U.C. SUBST. R. 25.181(f)(13).
15. Because the final approved rates are the same as the interim rates, no refunds or surcharges of the interim rates are necessary.
16. Entry of this Order consistent with the Agreement does not indicate the Commission's endorsement of any principle or methodology that may underlie the Agreement. Entry of this Order should not be regarded as precedent as to the appropriateness of any principle or methodology underlying the Agreement.

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17. All other motions, requests for entry of specific findings of fact, conclusions of law, and ordering paragraphs, and any other requests for general or specific relief, if not expressly granted in this order, are hereby denied.

SIGNED AT AUSTIN, TEXAS on the 30th day of July 2010.

PUBLIC UTILITY COMMISSION OF TEXAS


BARRY T. SMITHERMAN, CHAIRMAN


DONNA L. NELSON, COMMISSIONER


KENNETH W. ANDERSON, JR., COMMISSIONER

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PUC DOCKET NO. 40094
SOAH DOCKET NO. 473-12-427512 MAY 23 AM 10:29
PUBLIC UTILITY COMMISSION
FILING CLERK

APPLICATION OF EL PASO	§	PUBLIC UTILITY COMMISSION
ELECTRIC COMPANY TO CHANGE	§	
RATES AND TO RECONCILE FUEL	§	OF TEXAS
COSTS	§	

ORDER

This Order addresses the application of El Paso Electric Company (EPE or Company) for authority to change base rates and reconcile fuel costs for the period July 2009 through September 2011. An unopposed stipulation and agreement (agreement) was signed by a majority of the parties (signatories) that resolves all base rate issues in this case and calls for the dismissal of the fuel reconciliation request, so that it can be taken up in a later proceeding. Consistent with the agreement, EPE's application is approved.

The Commission adopts the following findings of fact and conclusions of law:

I. Findings of Fact**Procedural History**

1. On February 1, 2012, EPE filed an application to the Commission seeking an increase of \$13.766 million in EPE's base rates for firm service, an increase of \$3.173 million in EPE's rates for interruptible service, a surcharge for an anticipated \$8.658 million of rate case expenses, and an increase of \$0.658 million in service charge and other miscellaneous revenues, which altogether would provide a base rate increase of \$26.255 million or 5.6% annually, together with tariff changes.
2. EPE also sought to reconcile its fuel and purchased power costs and fuel factor revenues for July 1, 2009 through September 30, 2011.
3. The 12-month test year used in EPE's application was October 1, 2010 through September 30, 2011.

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4. Notice of EPE's application was published once a week for four consecutive weeks in a newspaper having general circulation in each county in EPE's Texas service territory. In addition, EPE provided individual notice to EPE's Texas retail customers; each municipality within EPE's service area with original jurisdiction over EPE's retail rates; and all parties to EPE's last rate case, *Application of El Paso Electric Company to Change Rates, to Reconcile Fuel Costs, to Establish Formula-Based Fuel Factors, and to Establish an Energy Efficiency Cost Recovery Factor*, Docket No. 37690, Order (Jul 30, 2010).
5. EPE timely filed appeals with the Commission of actions of the following municipalities exercising original jurisdiction within their service territory: Town of Anthony; Town of Horizon City; Town of Clint; Village of Vinton; Town of Van Horn; and City of Socorro. All such appeals were consolidated for determination in this docket.
6. The following parties were granted intervenor status in this docket: the City of El Paso (City); the Office of Public Utility Counsel (OPC); the Texas State Agencies; Texas Industrial Energy Consumers; Freeport-McMoRan Copper & Gold, Inc.; Wal-Mart Stores Texas, LLC and Sam's East, Inc.; Commercial Metals Company; ArcelorMittal Vinton, Inc.; Solar Energy Industries Association; El Paso Solar Energy Association; Ysleta Independent School District; El Paso Independent School District; Socorro Independent School District; San Elizario Independent School District; the Housing Authority of the City of El Paso; Region 19 Education Service Center; El Paso County Community College District; the United States Department of Defense and All Other Federal Executive Agencies; and W. Silver, Inc. Commission Staff also participated in this docket.
7. On February 2, 2012, the Commission referred this case to the State Office of Administrative Hearings (SOAH) to conduct an evidentiary hearing and preparation of a proposal for decision.
8. On February 2, 2012, the SOAH Administrative Law Judge (ALJ) issued Order No. 2, which, per the agreement of EPE to extend the effective date of the proposed rate change

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in its statement of intent by 58 days, suspended the effective date of the proposed rate and tariff changes until October 1, 2012.

9. On March 8, 2012, the Commission issued a preliminary order setting forth the issues to be addressed in this proceeding.
10. On April 6, 2012, the SOAH ALJ issued Order No. 4, which granted the parties' motion to extend the procedural schedule indefinitely in order to facilitate settlement negotiations.
11. On April 19, 2012, the signatories filed the agreement, together with their unopposed motion to facilitate consideration and implementation of the agreement. The agreement is signed by all of the parties listed in finding of fact 6, except for OPC, Region 19 Education Service Center, El Paso Community College District, San Elizario Independent School District, Ysleta Independent School District, El Paso Independent School District, Socorro Independent School District, and the Housing Authority of the City of El Paso who do not oppose the agreement.
12. On April 27, 2012, the SOAH ALJ issued Order No. 7, admitting into evidence EPE's application, direct testimony and exhibits, notice affidavits, and the agreement and its attachments. The proceeding was also dismissed from the SOAH docket and returned to the Commission for further processing as a settled case.
13. Order No. 7 also granted the signatories' request that EPE be authorized to implement the new base rates on an interim basis, effective with EPE's May 2012 billing month. These temporary rates were subject to refund or surcharge in accordance with P.U.C. PROC. R. 22.125(e). The signatories intend that the Commission approve as permanent rates the same rates placed into effect on an interim basis.
14. On May 11, 2012, the Office of Public Utility Counsel filed a statement of position regarding the agreement, and on May 17, 2012, Commission Staff filed a motion to strike the statement of position.

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SOAH Docket No. 473-12-4275

Order

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Description of the Agreement

15. The signatories agree that the agreement's overall terms and conditions result in just and reasonable rates and that the public interest will be served by resolution of the issues addressed herein in the manner prescribed by the agreement.

Base Rates

16. The agreement provides for an overall revenue reduction of \$15,000,000 per annum consisting of a \$13.5 million base rate decrease and a \$1.5 million decrease for residential customers to be credited by means of a rider. The \$15,000,000 reduction is calculated using EPE's existing base rates in EPE's Texas retail service areas as expressed in its February 1, 2012 application, effective with EPE's May 2012 billing month, for bills rendered on or after May 1, 2012.
17. The agreement provides that it does not change the return on equity set in Docket No. 37690 for purposes of calculating AFUDC and for calculating carrying costs pursuant to P.U.C. SUBST. R. 25.181(f)(7) regarding deferred energy efficiency costs.
18. The agreement provides that EPE will utilize its proposed gas-fired generating unit depreciation rates, along with the transmission and distribution depreciation rates approved by the New Mexico Public Regulation Commission for EPE's use in New Mexico. For all other depreciation rates, EPE will utilize those rates approved in Docket No. 37690.
19. The agreement provides that EPE will be allowed Palo Verde decommissioning funding of \$3.6 million annually on a Texas jurisdictional basis, but that this funding shall be subject to review and adjustment on a going-forward basis in future proceedings.
20. Exhibit 2 of the agreement illustrates how the authorized revenue decrease shall be distributed among the customer classes.¹ In the agreement, the signatories recognize that the cost of service study prepared by EPE for this case suggests that EPE's existing rates contain inter-class subsidies, and further state that, without prejudicing their rights to propose alternative cost allocation methodologies or revenue distribution approaches in

¹ Exhibit 4 of the agreement compares current and settlement rates for Residential Basic Service and Small Commercial Service usage.

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future proceedings, the signatories agree that it is desirable to eliminate inter-class subsidies.

21. The agreement specifies that EPE's tariffs shall include a new economic development rate with discounts in the demand charge. The discounts are reflected as a credit in the applicable tariff.
22. The agreement provides for agreed tariffs effective, on an interim basis, with EPE's May 2012 billing month.
23. The agreement provides that EPE will amortize all rate case expenses of the Company and the City incurred in this case, over a two-year period. EPE will not request recovery of such rate case expenses in any future proceeding. Rate case expenses shall include all expenses incurred by EPE for Docket No. 40094, the parallel proceedings filed with the cities, and the response to the City of El Paso's show cause order of October 4, 2011, and temporary rate order of November 15, 2011, including the reimbursement of municipal rate case expenses.
24. The agreement provides that for the period beginning May 1, 2012, until the effective date of the rate change resulting from EPE's next rate proceeding, any revenues collected by EPE pursuant to the power factor adjustment charges in excess of an annual amount of \$250,000 shall be credited to fuel costs. Pursuant to P.U.C. SUBST. R. 25.3(b), the signatories request a good cause exception of P.U.C. SUBST. R. 25.236(a) to permit these revenues to be treated as a credit to fuel costs. The signatories agree that allowing the return of these revenues to all customers without having to create a separate rider to do so constitutes good cause.
25. The agreement provides that for each rate class that is receiving a reduction under this agreement except for Rate Schedule No. 01, Residential Service Rate, Rate Schedule No. 24, General Service Rate, and Rate Schedule No. 25, Large Power Service Rate, the rate design within the class of that class's distributed reduction shall be an equal percentage reduction to each component of the base rate charge, as reflected in the agreed tariffs. For Rate Schedule No. 01, Residential Service Rate, the reduction shall be applied as a rider on a per kilowatt-hour (kWh) basis during the summer months, as

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reflected in the agreed tariffs. For Rate Schedule No. 24, General Service Rate, 60% of the distributed reduction shall be applied to reduce the demand charge and the remaining 40% shall be applied to reduce the other components of the base rate charge, as reflected in the agreed tariff. For Rate Schedule No. 25, Large Power Service Rate, all of the distributed reduction shall be applied to reduce the demand charge, as reflected in the agreed tariff.

Fuel Reconciliation

26. Under the agreement EPE withdraws its request to reconcile fuel costs for the period July 1, 2009 through September 30, 2011, and the signatories agree that EPE's request should be dismissed.
27. The signatories agree that EPE should be granted a good cause exception to P.U.C. SUBST. R. 25.236(b) to allow the dismissal of the pending fuel reconciliation request and the inclusion in the next fuel reconciliation of more than three years of reconcilable data. EPE will be allowed to file its next fuel reconciliation request (covering a period beginning July 1, 2009) with the base rate case EPE expects to file in 2013, but if EPE does not make a base rate case filing in 2013, then EPE will file a separate fuel reconciliation request with a reconciliation period ending no later than June 30, 2013. The signatories agree that this treatment of the pending fuel reconciliation being part of an overall comprehensive settlement of the pending rate proceedings constitutes good cause for granting these exceptions to P.U.C. SUBST. R. 25.236(b).

Consistency of the Agreement with PURA and Commission Requirements

28. The agreement is the result of good faith negotiations by the parties, and these efforts, as well as the overall result of the agreement viewed in light of the record as a whole, support the reasonableness and benefits of the terms of the agreement.
29. The revenue requirement stipulated in the agreement is consistent with applicable provisions of the Public Utility Regulatory Act, TEX. UTIL. CODE ANN. §§ 11.001-66.016 (Vernon 2007 & Supp. 2011) (PURA), Chapter 36 and Commission rules.

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30. It is reasonable for purposes of this proceeding to not change the return on equity set in Docket No. 37690 for purposes of calculating AFUDC and for calculating carrying costs pursuant to P.U.C. SUBST. R. 25.181(f)(7) regarding deferred energy efficiency costs.
31. It is reasonable for purposes of this proceeding to adopt the depreciation rates proposed by the agreement. The adopted depreciation rates are set forth in attachment 1 to this Order.
32. It is reasonable to allow EPE to collect \$3.6 million annually on a Texas jurisdictional basis for Palo Verde decommissioning funding subject to review and adjustment on a going-forward basis in future proceedings.
33. It is reasonable that EPE amortize its rate case expenses over a two-year period.
34. The distribution of the revenue decrease among customer rate classes is just and reasonable.
35. The settled rate design reflected in the rate schedules included in exhibit 3 to the agreement is just and reasonable.
36. EPE's economic development rate rider, Schedule No. 33, which offers discounts to the demand charge, is reasonable.
37. The treatment of revenues collected after May 1, 2012, up until the effective date of EPE's next rate change from EPE's power factor adjustment charges is reasonable.
38. There is good cause to allow the power factor revenues to be credited to fuel costs.
39. The withdrawal and dismissal of EPE's fuel reconciliation request is reasonable under these circumstances, as is the requested good cause exception to P.U.C. SUBST. R. 25.236(b), which allows EPE to withdraw the current fuel reconciliation and to include the period July 1, 2009 through September 30, 2011 in a 2013 proceeding.

II. Conclusions of Law

1. EPE is a public utility as that term is defined in PURA § 11.004(1) and an electric utility as that term is defined in PURA § 31.002(6).

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2. The Commission exercises regulatory authority over EPE and jurisdiction over the subject matter of this application pursuant to PURA §§ 14.001, 32.001, 32.101, 33.002, 33.051, 36.001-36.111, 36.203 and 39.905.
3. This docket was processed in accordance with the requirements of PURA, the Texas Administrative Procedure Act, TEX. GOV'T CODE ANN. Chapter 2001 (Vernon 2008 & Supp. 2011), and Commission rules.
4. EPE provided notice of its application in compliance with PURA § 36.103 and P.U.C. PROC. R. 22.51(a) and (b).
5. The agreement, taken as a whole, is a just and reasonable resolution of all the issues it addresses, results in just and reasonable rates, terms and conditions, and is consistent with the relevant provisions of PURA.
6. EPE's rates resulting from the agreement are just and reasonable and meet the requirements of PURA § 36.003.
7. The new economic development rate is a discounted rate pursuant to PURA § 36.007.
8. The agreement resolves all issues pending in this docket.
9. The tariff sheets and rate schedules included in the agreement are just and reasonable and accurately reflect the terms of the agreement.
10. The Commission's adoption of a final order consistent with the agreement satisfies the requirements of TEX. GOV'T CODE ANN. §§ 2001.051 and 2001.056 without the necessity of a decision on contested case issues resulting from a hearing on the merits.
11. The requirements for informal disposition pursuant to P.U.C. PROC. R. 22.35 have been met in this proceeding

III. Ordering Paragraphs

In accordance with these findings of fact and conclusions of law, the Commission issues the following order:

1. Consistent with the agreement, EPE's application is approved.

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2. Consistent with the agreement, the tariffs, rate schedules, and riders approved on an interim basis in Order No. 7 are approved as final.
3. Within 20 days of the date of this Order, EPE shall file a clean record copy of the approved tariff to be stamped "Approved" by Central Records and retained for future reference.
4. EPE shall deposit \$3.6 million, Texas jurisdictional, into its Palo Verde decommissioning funds on an annual basis until further order of this Commission.
5. EPE shall observe the depreciation rates approved in this Order until changed by further order of the Commission.
6. Because the final approved rates are the same as the temporary rates, no refunds or surcharges of the temporary rates are necessary.
7. EPE is granted a good cause exception to P.U.C. SUBST. R. 25.236(a) and shall include power factor adjustment revenues that are in excess of \$250,000 annually as a credit to fuel costs as provided by the agreement.
8. EPE is granted a good cause exception to P.U.C. SUBST. R. 25.236(b) and will be allowed to file its next fuel reconciliation request (covering a period beginning July 1, 2009) with the base rate case it expects to file in 2013, but no later than December 31, 2013.
9. The Commission approves EPE's economic development tariff.
10. The Commission approves the treatment of revenues collected after May 1, 2011, under EPE's power factor adjustment charges.
11. The entry of this Order consistent with the agreement does not indicate the Commission's endorsement of any principle or methodology that may underlie the agreement. Further, the entry of this Order should not be regarded as precedent as to the appropriateness of any principle or methodology underlying the agreement.
12. The Commission grants Commission Staff's motion to strike the statement of position filed on May 11, 2012 by the Office of Public Utility Counsel.

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13. All other motions, requests for entry of specific findings of fact, conclusions of law, and ordering paragraphs, and any other requests for general or specific relief, if not expressly granted in this Order, are hereby denied.

SIGNED AT AUSTIN, TEXAS the 22nd day of May 2012.

PUBLIC UTILITY COMMISSION OF TEXAS


DONNA L. NELSON, CHAIRMAN


KENNETH W. ANDERSON, JR., COMMISSIONER


ROLANDO PABLOS, COMMISSIONER

PUC DOCKET NO. 44941
SOAH DOCKET NO. 473-15-5257

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APPLICATION OF EL PASO ELECTRIC
COMPANY TO CHANGE RATES

§
§
§

PUBLIC UTILITIES COMMISSION
FILING CLERK
OF TEXAS

ORDER

This Order addresses the application of El Paso Electric Company (EPE) for authority to change rates. An amended and restated stipulation and agreement was executed that resolves all of the issues in this proceeding. The application is approved.

The Commission adopts the following findings of fact and conclusions of law:

I. Findings of Fact

Introduction and Procedural History

1. EPE is an electric utility, a public utility, and a utility.
2. On August 10, 2015, EPE filed an application with the Commission seeking approval of a \$71,483,595 Texas jurisdiction retail increase in base (non-fuel) and other miscellaneous revenues and changes to the structure and terms of its tariff.
3. Concurrent with the filing of the application with the Commission, EPE filed a similar petition and statement of intent with each incorporated municipality in its Texas service area that has original jurisdiction over its rates.
4. EPE proposed an effective date of September 14, 2015.
5. EPE also requested that, if the new rates were suspended for a period beyond 155 days after August 10, 2015, then final rates will relate back and be made effective for consumption on and after the 155th day after August 10, 2015, which equates to consumption on and after January 12, 2016.
6. EPE used the 12-month test year beginning April 1, 2014 through March 31, 2015.
7. Notice of EPE's application was published once each week for four consecutive weeks in a newspaper having general circulation in each county in EPE's Texas service territory. In addition, EPE provided individual notice to EPE's Texas retail customers, each municipality within EPE's service area with original jurisdiction over EPE's retail rates,

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- and each party to EPE's last fuel reconciliation, *Application of El Paso Electric Company to Reconcile Fuel Costs*, Docket No. 41852, Order (Jul. 11, 2014).
8. EPE timely appealed to the Commission the actions of the following municipalities exercising original jurisdiction within their service territory: City of El Paso, Town of Anthony, Town of Horizon City, Town of Clint, Village of Vinton, Town of Van Horn, City of San Elizario, and City of Socorro. All such appeals were consolidated for determination in this docket.
 9. The following parties were granted intervenor status in this docket: City of El Paso (CEP), Office of Public Utility Counsel (OPUC), the State of Texas agencies and institutions of higher education (State Agencies), Texas Industrial Energy Consumers (TIEC), Freeport-McMoran Copper & Gold, Inc. (FMI), ArcelorMittal USA LLC (AM),¹ Wal-Mart Stores Texas, LLC and Sam's East, Inc. (collectively, Walmart), W Silver, Inc. (W Silver), U.S. Department of Defense and all other Federal Executive Agencies (DoD/FEA), ECO ELP, Inc. (ECO ELP), Coalition of Cities Served by El Paso Electric (consisting of the municipalities of the City of San Elizario, City of Clint, and City of Horizon City) (Coalition), Ysleta Independent School District (ISD), El Paso ISD, Socorro ISD, Clint ISD, San Elizario ISD, Fabens ISD, Anthony ISD, Canutillo ISD, Tornillo ISD, El Paso County, Housing Authority of City of El Paso, Region 19 Education Service Center, and El Paso County Community College District (collectively, Rate 41 Group), Sunrun Corporation (Sunrun), Energy Freedom Coalition of America (EFCA), NRG Residential Solar Solutions, LLC (NRG), Solar Energy Industries Association (SEIA), City of Socorro, and Rockney Bacchus, *pro se*. Commission Staff also participated in this docket.
 10. On August 11, 2015 the Commission referred this case to the State Office of Administrative Hearings (SOAH) to conduct an evidentiary hearing and prepare a proposal for decision, if necessary.

¹ ArcelorMittal USA LLC was purchased by Bayou Steel Group during the course of this proceeding. Bayou Steel Group is the successor-in-interest to the intervenor ArcelorMittal USA LLC and the facility is now known as BD Vinton, LLC. For ease in reference and consistent with the intervention, Bayou Steel Group will be referred to as ArcelorMittal USA LLC (AM) in the text of this Order.

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11. On August 14, 2015, SOAH issued Order No. 1, establishing among other things, the suspension of the effective date of the proposed tariff changes for 150 days until February 11, 2016.
12. On September 11, 2015, the Commission issued the preliminary order, setting forth the issues to be addressed in this proceeding.
13. On December 31, 2015, SOAH issued Order No. 9, granting EPE's motion to sever the rate case expense issues and establishing *Review of Rate Case Expenses Incurred by El Paso Electric Company and Municipalities in Docket No. 44941*. SOAH Docket No. 473-16-1685, Docket No. 45475 (Docket No. 45475).
14. On January 22, 2016, SOAH issued Order No. 13, granting EPE's request to abate the procedural schedule to facilitate settlement negotiations among the parties.
15. On March 29, 2016, EPE and a majority of the parties moved to implement a non-unanimous stipulation and agreement and approve interim rates (March settlement agreement). The March settlement agreement would resolve all issues in this case except one contested revenue requirement issue involving EPE's interest in Units 4 and 5 of the Four Corners power plant.
16. The parties who signed and filed the March settlement agreement were EPE, Commission Staff, CEP, State Agencies, TIEC, FMI, AM, W Silver, DoD/FEA, Coalition, City of Socorro, Rate 41 Group, Walmart, NRG, and SEIA.
17. Rockney Bacchus did not sign the March settlement agreement but did not oppose it.
18. OPUC, ECO ELP, Sunrun, and EFCA opposed the March settlement agreement, though they did not oppose the interim rates specified in the March settlement agreement.
19. On March 31, 2016, SOAH issued Order No. 16, approving an uncontested interim rate increase of \$37 million to be charged in bills beginning April 1, 2016, and subject to surcharge or refund.
20. On April 5, 2016 OPUC, ECO ELP, Sunrun, and EFCA requested that a hearing be held on the March settlement agreement and that EPE be ordered to issue additional notice to

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address the scope of the March settlement agreement concerning the proposed treatment of residential customers with distributed generation (DG).

21. On April 25, 2016, SOAH issued Order No. 19, establishing a procedural schedule for a hearing on the merits of the March settlement agreement. Order No. 19 also rejected the request by OPUC, ECO ELP, Sunrun, and EFCA that EPE issue additional notice concerning the March Settlement Agreement's residential customer DG tariff provision.
22. On May 2, 2016, OPUC, ECO ELP, Sunrun, and EFCA appealed the ruling in SOAH Order No. 19 concerning notice.
23. On May 4, 2016, the signatories to the March settlement agreement filed the first amendment to the March settlement agreement.
24. On May 23, 2016, the Commission issued the Order on Appeal of SOAH Order No. 19, which granted the appeal and required EPE to reissue notice.
25. On July 15, 2016, EPE and other parties filed in this proceeding and in Docket No. 45475 the amended and restated agreement, which would settle and resolve all issues in this proceeding, including a revenue requirement issue involving EPE's interest in Units 4 and 5 of the Four Corners power plant and all issues in Docket No. 45745 concerning the recovery of rate case expenses. The fact that the residential customer DG tariff provision is not proposed in the amended and restated agreement obviated the need for additional notice required by the Commission's Order on Appeal of SOAH Order No. 19.
26. Along with the amended and restated agreement, EPE and other parties also filed a joint motion to implement it.
27. The following parties are signatories to the amended and restated agreement: EPE, Commission Staff, CEP State Agencies, TIEC, FMI, AM, W Silver, DoD/FEA, Coalition, City of Socorro, Rate 41 Group, Walmart, NRG, SEIA, OPUC, ECO ELP, Sunrun and EFCA (collectively, Signatories). Rockney Bacchus neither joins nor opposes the amended and restated agreement. The amended and restated agreement is thus uncontested.
28. On July 25, 2016, SOAH issued Order No. 24 in Docket No. 44941 and Order No. 3 in Docket No. 45475, consolidating the proceedings, admitting the various exhibits identified

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in Order No. 24 into evidence, including the amended and restated agreement and testimony from EPE and Commission Staff in support of the amended and restated agreement, dismissing the consolidated proceeding from the SOAH docket, and returning the matter to the Commission for further processing as a settled case.

29. On August 4, 2016, EPE filed updated rate case expense information. CEP and Coalition filed updated information on August 5, 2016 and the City of Socorro filed its rate case expense information on August 8, 2016. On August 9, Commission Staff moved to admit the supplemental testimony of Mark Filarowicz into the record. On August 10, 2016, EPE moved for admission of the rate case expense invoices with supporting affidavits. On August 11, 2016, the Commission's administrative law judge issued Order No. 1. admitting additional evidence in the record of this proceeding.

Description of the Amended and Restated Agreement

30. The signatories agree that the amended and restated agreement results in just and reasonable rates.

Overall Revenues

31. The amended and restated agreement provides that EPE should receive an overall increase of \$37 million in Texas base rate and other revenues, effective for electricity consumed on and after January 12, 2016.
32. This rate increase should be collected through interim rates in bills on and after April 1, 2016. (Amended and restated Agreement art. I.A.1.)

Four Corners Issue

33. The amended and restated agreement provides that EPE receive an incremental increase of \$3.7 million in annual revenue requirement for base rates (in addition to the \$6,081,409 deemed to be included in the \$37 million increase) associated with its interest in Units 4 and 5 of the Four Corners power plant (Four Corners incremental rate amount). The \$3.7 million Four Corners incremental rate amount is in addition to, and shall not result in a reduction to, the \$37 million rate increase.
34. The \$3.7 million Four Corners incremental rate amount shall apply to consumption on and after January 12, 2016, and except for the relate back time period subject to PURA

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§ 36.211, recovery shall be through a rider terminating on July 12, 2017, 18 months after the relate back date. (Amended and restated Agreement art. I.B.)

Plant Additions

35. The amended and restated agreement provides that EPE's additions to plant in service from July 1, 2009 through March 31, 2015 are deemed reasonable and necessary and included in rate base, with two exceptions: the Copper gas turbine (which continues to be excluded from rate base) and the Newman Elevated Solar Facility (whose rate base treatment is reserved for EPE's next rate proceeding).
36. This plant in service provision has no bearing on the Four Corners incremental rate recovery amount. (Amended and restated agreement art. I.C.)

Return on Equity

37. The amended and restated agreement provides EPE shall utilize a return on equity of 9.7% only for purposes of calculating allowance for funds used during construction. (Amended and restated agreement art. I.D.)

Depreciation

38. The amended and restated Agreement specifies the adjusted depreciation rates proposed by the city of El Paso witness Jacob Pous shall be utilized effective January 1, 2016. These depreciation rates are shown on Attachment A to the amended and restated agreement.
39. The amended and restated agreement also provides that effective January 1, 2016, EPE will record all gains or losses for the retirement of transportation equipment as a component of accumulated provision for depreciation and amortization of electric plant (FERC Account Number 108). (Amended and restated agreement art. I.E.)

State Income Tax

40. Under the amended and restated Agreement, effective January 1, 2016, EPE will begin normalizing state income tax expense, and amortizing over a 15-year period the test year-end balance of accumulated deferred state income tax expense that has not yet been included in cost of service. (amended and restated agreement art. I.F.)

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Nuclear Decommissioning

41. Under the amended and restated agreement, effective February 1, 2016, EPE's rates will be deemed not to include funding for the Palo Verde Nuclear Generating Station decommissioning:
42. EPE shall be allowed, in its discretion, to make whatever contributions to the decommissioning funds, if any, it deems prudent or necessary. (Amended and restated agreement art. I.G.)

Environmental Consumables

43. Under the amended and restated agreement, effective January 1, 2016, the expenses for environmental consumables will be removed from base rates and be recovered as eligible fuel costs. (Amended and restated agreement art. I.H.)

Allocation of the \$37 Million Revenue Increase and Four Corners Incremental Rate Amount

44. The amended and restated agreement specifies how (a) the \$37 million revenue increase is allocated among the rate classes in Attachment B to the amended and restated agreement, and (b) the \$3.7 million Four Corners incremental rate amount is allocated among the rate classes in Attachment C to the amended and restated agreement. (Amended and restated agreement art. I.I.)

Rate Design and Tariff Approval

45. The amended and restated agreement also addresses tariff and rate design issues (Amended and restated agreement art. I.J.) as follows:
- The customer charge for Rate 1, Residential Service shall be set at \$6.90.
 - The application fees under EPE's Schedule DG shall not apply to residential customers.
 - The customer charge for Rate 2, Small General Service shall be set at \$9.95.
 - The customer charge for Rate 24, General Service shall be set at \$27.50, with the balance of the increase distributed to this class to be accomplished by increasing the other base charges by an equal percentage.
 - A rate limiter will be applied for Rate 24, General Service, regarding houses of worship.

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- A rate limiter will be applied for the two customer accounts migrating from Rate 43 to Rate 25, Large Power Service.
- The increase distributed to Rate 41 shall be applied by increasing each of the components of the monthly base rate by an equal percentage. EPE also agrees to provide for informational purposes in its next rate proceeding a cost of service analysis that presents Rate 41 as a separate class even if EPE proposes to eliminate the class in that proceeding.
- EPE's proposed provision for Highly Variable Demand is not adopted.
- EPE's proposed Schedule CS, Community Solar Rate is not being adopted in this proceeding because it is subject to a separate pending proceeding.
- EPE's existing Demand and Energy Loss Factors shall remain in effect. EPE agrees to submit a System Loss Study in EPE's 2016 Fuel Reconciliation proceeding for applicability in the fuel reconciliation period beginning April 1, 2016.
- A modified time of use (TOU) rate for residential customers shall be offered that is based on an on-peak period of 4 months and 6 hours/day, with a Customer charge of \$8.40 per customer per month.
- EPE's proposed tariff language changes with rates for the various classes consistent with the amended and restated agreement shall be approved upon final resolution of this case.

Rate Case Expenses Recovery:

46. Under the amended and restated Agreement, EPE shall be entitled to rate recovery of its and its municipalities' rate case expenses incurred through the later of (a) July 8, 2016, or (b) 14 days prior to the date of the open meeting in which the Commission first considers a final order implementing the amended and restated agreement (rate case expense deadline) less \$600,000.
- a. The Commission first considered a final order on August 18, 2016, which means the agreed cut-off date for rate case expenses under the amended and restated agreement is August 4, 2016.