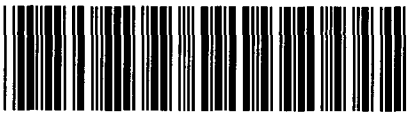

Control Number: 46831

Item Number: 554

Addendum StartPage: 0

**SOAH DOCKET NO. 0473-17-2686**
**PUC DOCKET NO. 46831**

| | | |
|---|---|---|
| **APPLICATION OF EL PASO ELECTRIC COMPANY FOR AUTHORITY TO CHANGE RATES** | **§** | **BEFORE THE STATE OFFICE OF ADMINISTRATIVE HEARINGS** |

# WORKPAPERS TO THE:

**DIRECT TESTIMONY OF**
**KIT PEVOTO**
**ON BEHALF OF**
**The University of Texas at El Paso**

**June 26, 2017**

554

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

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

EL PASO ELECTRIC COMPANY'S RESPONSE TO
FREEPORT MCMORAN INC.'S SIXTH REQUEST FOR INFORMATION
QUESTION NOS. FMI 6-1 THROUGH FMI 6-2

FMI 6-2:

Reference the supplemental response to FMI 2-12. Which rate classes constitute the "commercial and industrial small" customer class category?

RESPONSE:

Please see FMI 6-2 Attachment 1 for the rate classes included in the commercial and industrial small customer class category.

| | | | |
|---|---|---|---|
| Preparer: | Adrian Hernandez | Title: | Senior Rate Analyst-Rates & Regulatory Affairs |
| | Alma Arvizo | | Manager-Customer Accounting |
| Sponsor: | Adrian Hernandez | Title: | Senior Rate Analyst-Rates & Regulatory Affairs |
| | Russell G. Gibson | | Vice President-Controller |

Texas

| Rate Class | Description | *** Customer Class *** Commercial & Industrial - Small | Commercial & Industrial - Large | Sales to Public Authorities |
|---|---|---|---|---|
| 1 | Residential Service | | | x |
| 2 | Small General Service | x | | x |
| 7 | Outdoor Recreational Lighting Service | x | | x |
| 11 | Municipal Pumping Service | | | x |
| 11TU | Time-of-Use Municipal Pumping Service - TOU | | | x |
| 15 | Electrolytic Refining Service | | x | |
| 22 | Irrigation Service | x | | x |
| 24 | General Service | x | | x |
| 25 | Large Power Service | x | x | x |
| 26 | Petroleum Refinery Service | | x | |
| 28 | Area Lighting Service | x | x | x |
| 30 | Electric Furnace | | x | |
| 31 | Military Reservation Service | | | x |
| 34 | Cotton Gin Service | x | | |
| 41 | City and County Service | | | x |
| WH | Water Heating Service | x | | x |

New Mexico

| Rate Class | Description | *** Customer Class *** Commercial & Industrial - Small | Commercial & Industrial - Large | Sales to Public Authorities |
|---|---|---|---|---|
| 1 | Residential Service | | | x |
| 3 | Small General Service | x | | x |
| 4 | General Service | x | | x |
| 5 | Irrigation Service | x | | x |
| 7 | City and County Service | | | x |
| 8 | Water,Sewage,Storm Sewage Pumping or Sewage Disposal | x | | x |
| 9 | Large Power Service | x | x | x |
| 10 | Military Research and Development Power | | | x |
| 12 | Private Area Lighting Service | x | | x |
| 19 | Seasonal Agriculture Processing Service | x | | |
| 25 | Outdoor Recreational Lighting Service | x | | x |
| 26 | State University Service | | | x |

accurately describe Schedule O-1.6's derivation of a load factor based on a single month of data, the ALJs reject the balance of Cities' assertions. Cities failed to take into account that Mr. Pollock used all 12 of the test year's months to identify the four coincident peaks of June, July, August, and September. According to SWEPCO witness Alan R. Graves, the information in Schedule O-1.6 "provides the system load factor for the test year and each month of the test year, along with corresponding monthly energy and peak demand values."[901] Although Mr. Pollock could have reasonably relied only on that information based on Mr. Graves' testimony, Mr. Pollock also reviewed SWEPCO's Form 1 filings with the FERC to confirm that SWEPCO had a uniform data set for this information.[902] When Mr. Pollock obtained that confirmation, he then used the 4CP information to derive a load factor of 58%, considerably lower than the 65% derived by Mr. Aaron.[903]

The ALJs also find unpersuasive Cities' argument about a lack of consistency between the data shown in Schedule O-1.6 and in Schedule O-1.1. The two schedules had dissimilar purposes. Schedule O.16 showed unadjusted data;[904] while Schedule O-1.1 Mr. Aaron's adjustments, including number of customers by rate class, abnormal weather, and annualization of customer counts.[905] For the same reasons, the ALJs find unpersuasive Cities' argument about a lack of consistency between Schedule O-1.6 and Mr. Aaron's Exhibit JOA-3. Mr. Aaron testified that he prepared Exhibit JOA-3 to reduce SWEPCO's peak monthly demands to account for customer-supplied resources and to remove VEMCO's load.[906] The ALJs recommend that the Commission find that the monthly totals in Schedule O-1.16 were the appropriate data on which to calculate a system load factor and that Mr. Pollock's calculation of 58% was proper.

---

[901] SWEPCO Ex. 61 (Graves Direct) at 6.

[902] Tr. 985-86; TIEC Ex. 28.

[903] TIEC Ex. 2 (Pollock Cross-Rebuttal) at 17 and Exhibit JP-29.

[904] SWEPCO Ex. 61 (Graves Direct) at 6.

[905] SWEPCO Ex. 50 (Aaron Direct) at 7.

[906] SWEPCO Ex. 50 (Aaron Direct) at 25-26.

June, July, August, and September, adjusted for losses (4CP).[37] Commission Staff, TIEC, State Agencies, and Occidental contested SPS's calculation. Those opposing SPS's calculation argued that SPS's system load factor should instead be based on the single highest peak demand measured during the test year, adjusted for losses (1CP).

In the PFD, the SOAH ALJs recommended that the Commission adopt SPS's proposal to use a 4CP-system-load factor. The SOAH ALJs noted 4CP was used when setting rates for Southwestern Public Service Company (SWEPCO) in Docket No. 40443. The SOAH ALJs also concluded that parties advocating for a 1CP load factor did not establish how 1CP will result in more proper cost allocation.[38] The Commission, however, is persuaded by the evidence of those parties, including TIEC, that assert use of a 1CP factor is more consistent with how SPP plans transmission and how SPS plans and builds its generation and transmission systems.[39] Further, in deposition, SPS's witness Mr. Luth acknowledged that a 1CP load factor is reasonable.[40] To reflect its decision of this issue, the Commission deletes proposed findings of fact 246 through 256 and instead adopts new findings of fact 246A through 251A.

### C. Allocation of Radial Transmission Lines

In its application, SPS allocated the costs of its looped transmission lines to all classes based on each class's total contribution to the Texas retail average-and-excess-demand four coincident peaks (AED-4CP). For radial transmission lines, SPS made two proposals: direct assignment of the costs of radial transmission lines used to serve a single customer class and use of the AED-4CP allocation method for the costs of radial transmission lines that provide service to more than one customer class.[41] Numerous parties opposed SPS's proposed allocations regarding its radial transmission lines. TIEC, Occidental, DOE, and Amarillo Recycling Company asserted that, consistent with prior practice, the cost of an SPS radial transmission line should be allocated only to those classes that receive service from the line. In contrast, Commission Staff and OPUC advocated that all of SPS's transmission lines, including the radial

---

[37] SPS Ex. 61, Evans rebuttal at 18.

[38] PFD at 226-228.

[39] TIEC Ex. 2, Pollock Dir. T. at 27; State Agencies Ex. 1, Pevoto Dir. T. at 8-9.

[40] TIEC Ex. 65, Luth Deposition at 67.

[41] SPS Ex. 61, Evans Rebuttal T. at 26.

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

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

EL PASO ELECTRIC COMPANY'S SUPPLEMENTAL RESPONSE TO FREEPORT MCMORAN INC.'S SECOND REQUEST FOR INFORMATION QUESTION NOS. FMI 2-1 THROUGH FMI 2-20

FMI 2-11:

Provide the uncollectible expense amount actually incurred for each jurisdiction.

SUPPLEMENTAL RESPONSE:

The Company does not specifically identify uncollectible expense to each jurisdiction. However, the actual net bad debt write-off's by jurisdiction for the twelve months October 2015 through September 2016 is as follows:

| Net Bad Debt Write-Offs by Jurisdiction | | |
|---|---|---|
| New Mexico | $ | 634,594 |
| Texas | | 1,501,917 |
| Total Net Write-Offs | $ | 2,136,511 |

Preparer: Alma Arvizo Title: Manager-Customer Accounting

Sponsor: Russell G. Gibson Title: Vice President-Controller

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

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

EL PASO ELECTRIC COMPANY'S SUPPLEMENTAL RESPONSE TO FREEPORT MCMORAN INC.'S SECOND REQUEST FOR INFORMATION QUESTION NOS. FMI 2-1 THROUGH FMI 2-20

FMI 2-12:

In its RFI response to FMI 1.4, the Company states that it does not aggregate or itemize bad debt expense by revenue class or customer class. Provide a best estimate of uncollectible expense by rate class based on your review of collections by rate class.

SUPPLEMENTAL RESPONSE:

The net bad debt write-off's (gross write-off's less recoveries) by customer class for the twelve months October 2015 through September 2016 is as follows:

| Net Bad Debt Write-Offs by Customer Class | | |
|---|---|---|
| Residential | $ | 1,839,164 |
| Commercial and Industrial Small | | 297,347 |
| Total Net Bad Debt Write-Offs | $ | 2,136,511 |

There were no net bad debt write-off's in any other Customer Class.

Preparer: Alma Arvizo Title: Manager-Customer Accounting

Sponsor: Russell G. Gibson Title: Vice President-Controller

(d., e., and f.) Base Rate, Fuel, and Total Revenues

| Rate Class | Base Rate | Fuel | Total |
|---|---|---|---|
| 02 - Small General Service | $24,201.12 | $5,074.51 | $29,275.63 |
| 07 - Outdoor Recreational | $3,483.86 | $917.43 | $4,401.29 |
| 08 - Street Lighting | $2,788.38 | $237.59 | $3,025.97 |
| 22 - Irrigation | $3,856.63 | $1,009.46 | $4,866.09 |
| 24 - General Service | $422,867.92 | $154,362.51 | $577,230.43 |
| 25 - Large Power | $2,471,697.61 | $1,214,556.85 | $3,686,254.46 |
| 29 - Area Lighting | $7,506.84 | $1,909.48 | $9,416.32 |
| **Total** | **$2,936,402.36** | **$1,378,067.83** | **$4,314,470.19** |

(g. and h.) Average Load Factor and Average Power Factor
EPE's billing system does not track load factor and power factor values for all accounts. The load factor values below are calculated using actual monthly measured energy, demand amounts and average monthly hours (730).

| Rate Class | Load Factor | Power Factor |
|---|---|---|
| 02 - Small General Service | N/A | N/A |
| 07 - Outdoor Recreational | N/A | N/A |
| 22 - Irrigation | N/A | N/A |
| 24 - General Service | 0.50 | 0.944 |
| 25 - Large Power | 0.64 | 0.923 |

Preparer: Manuel Carrasco Title: Supervisor-Rates & Regulatory Affairs

Sponsor: Manuel Carrasco Title: Supervisor-Rates & Regulatory Affairs

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

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

EL PASO ELECTRIC COMPANY'S RESPONSE TO
FREEPORT MCMORAN INC.'S SECOND REQUEST FOR INFORMATION
QUESTION NOS. FMI 2-1 THROUGH FMI 2-20

FMI 2-1:

Explain fully the difference between the system load factor of 50.67% in Schedule O-01.06 and the system load factor of 51.9255% on page 4 of 12 in Workpaper P-07.

RESPONSE:

The difference between the system load factor of 50.67% shown in Schedule O-01.06 and the system load factor of 51.9255% reported on page 4 in Workpaper P-7 is due to the following reasons:

1. The native system MWh represents the actual energy produced at source for the test year, while energy used in calculating the system load factor shown in Workpaper P-7 is the adjusted "at source" energy from Schedule O-1.4 (pages 21-24). The adjusted "at source" energy has been annualized for customers and has been adjusted for weather and energy efficiency. See page 4 line 8 through page 13 line 9 of the direct testimony of EPE witness Manuel Carrasco for a description of the customer annualization process and the weather and energy efficiency adjustments.
2. The native system MW of 1,892 shown in Schedule O-1.6 is also different from the demand used in calculating the system load factor of 51.9255% which is the adjusted coincident demand "at source" from Schedule O-1.4 (pages 5-8). EPE uses the estimated class load and coincidence factors with the adjusted energy that has been annualized for customers and adjusted for energy efficiency and weather normalized to estimate monthly maximum and coincident demand by rate class and jurisdiction.
3. Energy and demand used in calculating the load factor shown in Workpaper P-7 does not include interruptible energy and demand.

Preparer: Enedina Soto Title: Economist - Senior

Sponsor: George Novela Title: Manager - Economic Research