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APPLICATION OF EL PASO ELECTRIC §
COMPANY FOR A TRANSMISSION §
COST RECOVERY FACTOR §
§

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SUPPLEMENTAL DIRECT TESTIMONY IN SUPPORT OF
UNCONTESTED SETTLEMENT

OF

JAMES SCHICHTL

FOR

EL PASO ELECTRIC COMPANY

SEPTEMBER 2019

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I. INTRODUCTION

1
2 Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

3 A. My name is James Schichtl. My business address is 100 North Stanton Street, El Paso,
4 Texas 79901.

5
6 Q. ARE YOU THE SAME JAMES SCHICHTL THAT PREVIOUSLY FILED
7 TESTIMONY IN THIS PROCEEDING?

8 A. Yes.
9

10 **II. PURPOSE OF SUPPLEMENTAL SETTLEMENT TESTIMONY**

11 Q. WHAT IS THE PURPOSE OF YOUR SUPPLEMENTAL SETTLEMENT
12 TESTIMONY?

13 A. My supplemental settlement testimony describes and supports the Settlement
14 Agreement (the Agreement) in this case. All the parties to this proceeding either
15 support or do not oppose the Agreement, which settles and resolves all issues in this
16 proceeding.

17 **III. SUMMARY OF THE AGREEMENT**

18 Q. COULD YOU PLEASE DESCRIBE THE AGREEMENT?

19 A. The Agreement, along with its attachment, has been filed separately and
20 contemporaneously with the filing of this testimony. In the interest of avoiding
21 unnecessary duplication, I have not attached it, but it should be considered with this
22 testimony as being sponsored by me. The Signatories to the Agreement, which are
23 EPE, the City of El Paso, the City of Socorro, Vinton Steel, LLC, Texas Industrial
24 Energy Consumers, and the Staff of the Public Utility Commission of Texas, request

1 that the Commission approve and implement the Agreement. The only other party to
2 this proceeding, Freeport McMoran, Inc., has indicated that it does not oppose the
3 Agreement.

4 Q. Q. PLEASE DESCRIBE THE KEY ELEMENTS OF THE AGREEMENT.

5 A. Key elements of the Agreement include the following:

- 6 a) The Signatories agree to a TCRF annual revenue requirement of \$7,510,407.
- 7 b) The agreed-to revenue requirement includes a \$500,000 reduction to the
8 revenue requirement requested by EPE in its application.
- 9 c) The Signatories agree that this revenue requirement is properly recoverable
10 pursuant to the Commission's TCRF rule, 16 TAC § 25.239, subject to true-up
11 provided for in subsection (f) of that rule.
- 12 d) The Signatories agree that the TCRF baseline as presented in my Exhibit JS-3-
13 E of my direct testimony should be approved for future applications until
14 modified in EPE's next comprehensive base-rate proceeding.
- 15 e) With regard to the Isleta ROW renewal investment, the Signatories agreed to
16 the following:
 - 17 1. No determination of the prudence, reasonableness and necessity
18 of the costs of that payment is being made at this time.
 - 19 2. A determination of the prudence, reasonableness and necessity
20 of the Isleta ROW payment will be made in EPE's next comprehensive
21 base-rate proceeding, at which time the determination will be applied
22 prospectively in base rates without retroactive application or a
23 reconciliation.
 - 24 3. Notwithstanding the agreement regarding the Isleta ROW, the
25 parties agree that the compromise revenue requirement reached here in
26 total results in just and reasonable rates.
 - 27 4. For the purpose of compromise and agreed resolution of this
28 case, in any TCRF that EPE may file before its next comprehensive
29 base-rate proceeding, the parties agree to a continuing credit adjustment

1 of \$500,000 to the TCRF revenue requirement in such proceeding(s) for
2 purposes of resolving any issues concerning the Isleta ROW renewal
3 investment in that proceeding.

4
5 Q. HAVE THE PARTIES AGREED TO THE TCRF RATES THAT RESULT FROM
6 THE AGREEMENT?

7 A. Yes, the agreed TCRF rate schedule is attached to the Agreement.
8

9 **IV. REASONABLENESS OF AGREEMENT**

10 Q. WHAT IS THE COMPANY'S POSITION REGARDING COMMISSION
11 ADOPTION OF THE AGREEMENT?

12 A. The Staff and the City of El Paso filed testimony in opposition to EPE's application.
13 The Staff proposed only a load-growth adjustment, and CEP contested only one capital
14 project included in EPE's request. The Agreement represents a reasonable resolution
15 of the contested issues raised in this case, and it should be adopted by the Commission
16 as the basis for setting this TCRF. The Agreement is the product of informed
17 consideration and analysis by all Signatories following discovery and an opportunity
18 to file testimony. The Agreement results in a revenue requirement that is lower than
19 that proposed by EPE in its application.

20 The settlement revenue requirement represents a reduction of \$500,000 to
21 EPE's requested TCRF and, as provided by 16 TAC § 25.239(f), the TCRF will be
22 subject to a true-up in a future base rate proceeding.

23 The Signatories agree that support of the Agreement does not indicate
24 endorsement or approval of any principle or methodology that may underlie the
25 Agreement. The Agreement represents reasonable give and take from all parties

1 involved and represents a reasonable overall compromise and settlement of issues
2 raised in this proceeding.

3

4 Q. DOES THIS CONCLUDE YOUR TESTIMONY?

5 A. Yes, it does.