



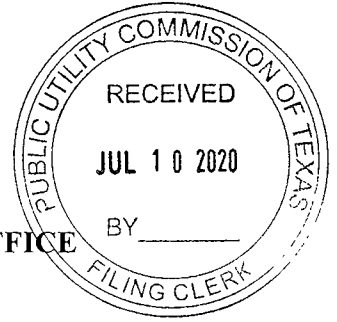
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SOAH DOCKET NO. 473-20-3633
PUC DOCKET NO. 50806



APPLICATION OF EL PASO	§	BEFORE THE STATE OFFICE
ELECTRIC COMPANY TO ADJUST	§	
ITS ENERGY EFFICIENCY COST	§	OF
RECOVERY FACTOR AND	§	
ESTABLISH REVISED COST CAP	§	ADMINISTRATIVE HEARINGS

COMMISSION STAFF'S STATEMENT OF POSITION

COMES NOW the Staff (Staff) of the Public Utility Commission of Texas (Commission), representing the public interest, and files this Commission Staff's Statement of Position. In support, Staff shows the following:

I. BACKGROUND

On May 1, 2020, El Paso Electric Company (EPE) filed an application to adjust its energy efficiency cost recovery factor (EECRF) and request to establish a revised cost cap. On June 12, 2020, the State Office of Administrative Hearings (SOAH) administrative law judge (ALJ) issued SOAH Order No. 2, which required Staff to file direct testimony by July 10, 2020. Therefore, this pleading is timely filed.

II. STATEMENT OF POSITION

Staff has reviewed the application filed by EPE and supports the application as filed. As detailed in the attached memoranda of Therese Harris with the Commission's Infrastructure Division and Ruth Stark and Adrian Narvaez with the Commission's Rate Regulation Division Staff's review and analysis indicates that the application substantially meets the requirements of 16 Texas Administrative Code (TAC) §§ 25.181 and 25.182. EPE has also shown good cause to revise its cost cap for the commercial classes. Therefore, the Commission should approve EPE's application as filed and authorize recovery of \$5,977,584 comprised of the following:

1. EPE's forecasted energy efficiency costs of \$4,685,552 for program year 2021;
2. Projected evaluation, measurement, and verification (EM&V) expenses for program year 2020 in the amount of \$57,378;
3. An adjustment of \$2,455, including interest, for EPE's net under-recovery of program year 2019 energy-efficiency costs;
4. Rate-case expenses in the amount of \$56,641 participation in Docket No. 49496;¹ and
5. A performance bonus of \$1,175,558.

Staff further supports the rate classes proposed by EPE, which reflect the retail rate classes approved in EPE's most recent base-rate proceeding. Finally, Staff has verified that EPE correctly calculated its proposed 2021 rate-class factors, which are based on a reasonable allocation of EECRF cost components to each rate class, and shown in the table below.

Rate Class	EECRF Charge
Residential Service Rate	\$ 0.001010
Small Commercial Service Rate	\$ 0.000933
Outdoor Recreational Lighting Service Rate	(\$ 0.000002)
Governmental Street Lighting Service Rate	\$ 0.000302
Governmental Traffic Signal Service	\$ 0.000422
Time-Of-Use Municipal Pumping Service Rate	\$ 0.000017
Water Heating	(\$ 0.000035)
Irrigation Service	\$ 0.000037
General Service Rate	\$ 0.000928
Large Power Service Rate (excludes transmission)	\$ 0.001585
Cotton Gin Service Rate	\$ 0.000482
City and County Service Rate	\$ 0.003493

III. CONCLUSION

Staff supports approval of EPE's application to adjust its EECRF as filed.

¹ *Application of El Paso Electric Company to Adjust its Energy Efficiency Cost Recovery Factor and Establish Revised Cost Cap*, Docket No. 49496 (Nov. 21, 2019).

Dated: July 10, 2020

Respectfully Submitted,

**PUBLIC UTILITY COMMISSION OF TEXAS
LEGAL DIVISION**

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**SOAH DOCKET NO. 473-20-3633
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CERTIFICATE OF SERVICE

I certify that, unless otherwise ordered by the presiding officer, notice of the filing of this document was provided to all parties of record via electronic mail on July 10, 2020, in accordance with the Order Suspending Rules, issued in Project No. 50664.

s/ Kourtnee Jinks
Kourtnee Jinks

Public Utility Commission of Texas

Memorandum

To: Kourtnee Jinks, Legal Division

From: Therese Harris, Director of Infrastructure Analysis and Mapping, Infrastructure Division

Subject: **Docket No. 50806**, *Application of El Paso Electric Company to Adjust Its Energy Efficiency Cost Recovery Factor and Establish Revised Cost Cap*

Date: July 10, 2020

On May 1, 2020, El Paso Electric Company (EPE or Company) filed an Application to Revise its Energy Efficiency Cost Recovery Factor (EECRF) and Establish Revised Cost Cap under Public Utility Regulatory Act (PURA), Tex. Util. Code Ann. § 39.905, Goal for Energy Efficiency, and 16 Texas Administrative Code (TAC) § 25.181, Energy Efficiency Goal and § 25.182, Energy Efficiency Cost Recovery Factor.

In its Application, EPE requested \$5,977,584 to be recovered through its EECRF in program year 2021. This amount is comprised of the following components: \$4,685,522 in energy efficiency program expenses forecasted for the 2021 program year; \$2,455 for net under-recovery of energy efficiency costs in the 2019 program year; \$56,641 in proceeding expenses for the proceeding in 2019; \$57,378 for forecasted evaluation, measurement, and verification (EM&V) contractor costs for review of the 2020 program year to be collected in 2021; and a performance bonus of \$1,175,558 for 2019 energy efficiency program performance.

My review included examination of the reasonableness of EPE's forecasted 2021 energy efficiency expenses; review of EPE's request for a good cause exception to its commercial cost cap; verification that EPE's requested demand and energy goals for the 2021 program year complied with 16 TAC § 25.181(e) and that EPE's proposed line loss is reasonable; confirmation of the forecasted EM&V contractor costs; review of EPE's requested performance bonus for the 2019 program year to verify compliance with 16 TAC § 25.182(e); and a review of EPE's energy efficiency expenses recovered in the 2019 program year to verify that they were reasonable and necessary to reduce demand and energy growth.

Based upon my review of EPE's Application and accompanying work papers, I have determined that EPE's total requested energy efficiency expenses for the 2021 program year, that include a request for good cause exception to EPE's commercial cost cap under to 16 TAC § 25.1821(e)(2), are reasonable. The Company's requested administrative costs are reasonable

and fall below the caps set in 16 TAC § 25.181(g); the Company's demand and energy goal complies with 16 TAC § 25.181(e), and the proposed line loss is reasonable; EPE's 2021 hard-to-reach program is designed to achieve savings no less than 5% of the Company's total demand reduction goal under to 16 TAC § 25.181(e)(3)(F); the Company's requested performance bonus for program year 2019 was calculated in accordance with 16 TAC § 25.182(e) and appropriately reduced to reflect the percentage that EPE exceeded the commercial cost cap established by 16 TAC § 25.182(d)(7)(B);¹ and EPE's 2019 program costs were reasonable and necessary to achieve demand and energy savings.

Based upon my review of the Application, as described above, I conclude that the Application is reasonable and meets the requirements of 16 TAC §§ 25.181 and 25.182.

¹ Because the Commission granted EPE a good cause exception for a higher EECRF cost cap for its commercial customers for the 2019 program year, EPE reduced its calculated performance bonus to reflect the method approved in Docket No 48332. *Application of El Paso Electric Company to Adjust its Cost Recovery Factor and Establish Revised Cost Cap*, Docket No. 48332, Finding of Fact No. 42A (Jan. 17, 2019). This method reduces the performance bonus otherwise permitted by § 25.182(e), by the percentage by which EPE exceeded the applicable costs caps under 16 TAC § 25.182(d)(7).

Public Utility Commission of Texas

Memorandum

To: Kourtnee Jinks, Legal Division

From: Ruth Stark, Rate Regulation Division

Subject: Docket No. 50806, *Application of El Paso Electric Company to Adjust Its Energy Efficiency Cost Recovery Factor and Establish Revised Cost Cap*

Date: July 10, 2020

This memo presents the accounting review and analysis of the request of El Paso Electric Company (EPE or the Company) to revise its energy efficiency cost recovery factor (EECRF) for program year 2021 under § 39.905 of the Public Utility Regulatory Act (PURA)¹ and 16 Texas Administrative Code (TAC) §§ 25.181 and 25.182. In this proceeding EPE requests approval to revise its EECRF for 2021 to a total amount of \$5,977,584 based on the following five components:

- 1) projected 2021 energy efficiency program costs of \$4,685,552;
- 2) a performance bonus based on the Company's 2019 energy efficiency program performance of \$1,175,558;
- 3) expenses for the prior year (2019) proceeding, Docket No. 49496,² of \$56,641;
- 4) a true-up adjustment of \$2,455, including interest, for EPE's 2019 net EECRF under-recovery; and
- 5) projected evaluation, measurement, and verification (EM&V) costs allocated to EPE by the Commission of \$57,378.³

My review was limited to the following three items: calculation of interest on the 2019 under-recovered balance, confirmation that EPE did not include any financially based incentive compensation in its requested EECRF administration expenses, and the reasonableness of the rate-case expenses incurred by EPE and the City of El Paso in Docket No. 49496.

¹ Public Utility Regulatory Act, Tex. Util. Code §§ 11.001-66.017 (PURA).

² *Application of El Paso Electric Company to Adjust its Energy Efficiency Cost Recovery Factor and Establish Revised Cost Cap*, Docket No. 49496, Order (Nov. 21, 2019).

³ Application at 2.

EPE correctly calculated interest on its 2019 under-recovery by applying the interest rates established by the Commission for over- and under-recoveries for calendar years 2019 and 2020.

In response to discovery, EPE noted that it “included no incentive compensation costs paid to EPE employees in the Energy Efficiency Cost Recovery Factor for the years 2019, 2020, and 2021, and included no estimated amounts for incentive compensation costs paid to EPE employees in its request related to those program years.”⁴

EPE is requesting inclusion of its own Docket No. 49496 rate-case expenses of \$46,364 as well as the expenses of the City of El Paso in the amount of \$10,277 for a total request of \$56,641. The recovery of rate-case expenses incurred by utilities and municipalities in EECRF proceedings is set forth in 16 TAC § 25.182(d)(3), which provides that only expenses for the immediately previous EECRF proceeding are to be included in the EECRF calculation. Additionally, the standard that governs the determination of the reasonableness of rate-case expenses is 16 TAC § 25.245. Based on the evidence provided by the Company and the City of El Paso, the rate-case expenses requested for Docket No. 49496 comply with the criteria outlined therein. Specifically:

- The requested amount of rate-case expenses does not include fees paid to, tasks performed by, or time spent on a task by an attorney or other professional that were either extreme or excessive.
- The requested amount of rate-case expenses does not include expenses incurred for lodging, meals and beverages, transportation, or other services or materials that were either extreme or excessive.
- The requested amount of rate-case expenses does not contain any amounts for duplication of services or testimony.
- The requested amount of rate-case expenses is not disproportionate, excessive, or unwarranted in relation to the nature and scope of the EECRF proceeding for which EPE and the City of El Paso are seeking recovery or reimbursement.

Based on my review as described above, I am proposing no adjustments to EPE’s request to revise its EECRF for the 2021 program year.

⁴ El Paso Electric Company’s Response to Commission Staff’s Second Request for Information, Question No. Staff 2-1 (Jun. 25, 2020).

Public Utility Commission of Texas

Memorandum

To: Kourtnee Jinks, Legal Division

From: Adrian Narvaez, Tariff & Rate Analysis, Rate Regulation Division

Date: July 10, 2020

Re: **Docket No. 50806** – *Application of El Paso Electric Company to Adjust its Energy Efficiency Cost Recovery Factor and Establish Revised Cost Cap*

On May 1, 2020, El Paso Electric Company (EPE) filed an application requesting approval of its Energy Efficiency Cost Recovery Factor (EECRF) for the 2021 year (2021 EECRF application). EPE filed its application pursuant to Public Utility Regulatory Act, Tex. Util. Code §§ 11.001-66.017 and 16 Texas Administrative Code (TAC) §§ 25.181 and 25.182. In its 2021 EECRF application, EPE sought approval of its 2021 EECRF in the amount of \$5,977,584. This amount is comprised of the following:

- a. Efficiency expenses of \$4,685,552 forecasted for the 2021 program year;
- b. Plus \$2,455 for the under-recovery of energy efficiency costs for 2019 energy efficiency costs;
- c. Plus a \$1,175,558 energy efficiency performance bonus based on EPE's energy efficiency achievements in 2019;
- d. Plus \$56,641 in 2019 total EECRF proceeding expenses;
- e. Plus \$57,378 in 2021 in evaluation, measurement and verification expenses.

My review of EPE's 2021 EECRF application included an examination of the assignment and allocation of the various EECRF components to the rate classes, as well as the mathematical calculation of the EECRF rates. The following are EPE's proposed per-kWh EECRF factors:

<u>Rate Class</u>	<u>EECRF Charge</u>
Residential Service Rate	\$ 0.001010
Small Commercial Service Rate	\$ 0.000933
Outdoor Recreational Lighting Service Rate	(\$ 0.000002)
Governmental Street Lighting Service Rate	\$ 0.000302
Governmental Traffic Signal Service	\$ 0.000422
Time-Of-Use Municipal Pumping Service Rate	\$ 0.000017
Water Heating	(\$ 0.000035)

Irrigation Service	\$ 0.000037
General Service Rate	\$ 0.000928
Large Power Service Rate (excludes transmission)	\$ 0.001585
Cotton Gin Service Rate	\$ 0.000482
City and County Service Rate	\$ 0.003493

Based upon my review of EPE's 2021 EECRF Application and accompanying work papers, I have determined that EPE's proposed assignments and allocations of the various EECRF components to the rate classes are reasonable and consistent with 16 TAC § 25.182, and that the rates have been calculated correctly.