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August 26, 2021

Ana Maria Trevino
PUC Filing Clerk
Public Utility Commission of Texas Central Records
1701 N. Congress, Suite 8-100
Austin, Texas 78701

Re: SOAH Docket No. 473-21-2606, PUC Docket No. 52195
El Paso Electric Company's Supplemental Direct Testimony of David C. Hawkins

Dear Ms. Trevino

Attached, please find the Supplemental Direct Testimony of El Paso Electric Company witness David C. Hawkins that is being filed today, August 26, 2021, in PUC Docket No. 52195, *Application of El Paso Electric Company to Change Rates*.

Sincerely,

A handwritten signature in black ink that reads "Judith M. Parsons". The signature is written in a cursive style with a large, looped "J" and "P".

Judith M. Parsons
Senior Regulatory Case Manager

SOAH DOCKET NO. 473-21-2606
PUC DOCKET NO. 52195

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

PRELIMINARY ORDER
SUPPLEMENTAL DIRECT TESTIMONY
OF
DAVID C. HAWKINS
FOR
EL PASO ELECTRIC COMPANY

AUGUST 2021

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1 **I. Introduction**

2 Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

3 A. My name is David C. Hawkins. My business address is 100 North Stanton Street, El Paso,
4 Texas 79901-1341.

5
6 Q. ARE YOU THE SAME DAVID C. HAWKINS WHO FILED DIRECT TESTIMONY IN
7 THIS PROCEEDING ON BEHALF OF EL PASO ELECTRIC COMPANY ("EPE" OR
8 "COMPANY")?

9 A. Yes.
10

11 **II. Purpose of Supplemental Testimony**

12 Q. WHAT IS THE PURPOSE OF YOUR PRELIMINARY ORDER SUPPLEMENTAL
13 DIRECT TESTIMONY?

14 A. I address Preliminary Order Issue Nos. 41, 42, 49(b), and 51.
15

16 **III. FERC-Approved Tariff Transmission Revenues and Expenses**

17 Q. WHAT PRELIMINARY ORDER ISSUE DO YOU ADDRESS REGARDING EPE'S
18 FERC-APPROVED TARIFFS?

19 A. Issue No. 41 in the Preliminary Order asks, "what are the appropriate amounts, if any, for
20 transmission expenses and revenues under Federal Energy Regulatory Commission
21 (FERC)-approved tariffs to be recovered?" I address that issue below.
22

23 Q. DOES EPE HAVE ANY FERC-APPROVED TARIFFS UNDER WHICH IT PROVIDES
24 TRANSMISSION SERVICES TO OTHERS?

25 A. Yes. EPE has an Open Access Transmission Tariff ("OATT") under which it provides
26 non-discriminatory transmission services to third parties. In addition, EPE participates in
27 a regional tariff under which hourly non-firm point-to-point transmission service is
28 provided across multiple transmission systems under the participating members' OATTs.
29 This regional transmission service tariff is called the WestConnect Point-To-Point
30 Regional Transmission Service Tariff.
31

1 Q. PLEASE IDENTIFY THE DOCKETS IN WHICH FERC APPROVED THESE
2 TRANSMISSION TARIFFS.

3 A. FERC first approved EPE's OATT in the 1990s in FERC Docket No. OA96-200-000. The
4 Regional Transmission Service Tariff was approved by FERC for an experimental term in
5 2009 in FERC Docket No. ER09-409-000. The regional tariff has continued in effect
6 beyond its original term.

7 EPE witness Jennifer I. Borden addresses how EPE accounts for transmission
8 expenses and revenues in her Preliminary Order supplemental direct testimony.
9

10 Q. DOES EPE SERVE ITS WHOLESALE CUSTOMER, RIO GRANDE ELECTRIC
11 COOPERATIVE, INC., UNDER ONE OF THESE TRANSMISSION TARIFFS?

12 A. Yes. EPE provides transmission service to Rio Grande Electric Cooperative, Inc.
13 ("RGEC") under EPE's OATT. The type of OATT service provided by EPE to RGEC is
14 Network Integration Transmission Service. EPE witness Adrian Hernandez addresses the
15 allocation of transmission investment, cost, and revenues to RGEC in his Preliminary
16 Order supplemental direct testimony.
17

18 **IV. Renewable Energy Credits**

19 Q. WHAT PRELIMINARY ORDER ISSUE DO YOU ADDRESS REGARDING EPE'S
20 RENEWABLE ENERGY CREDITS?

21 A. Issue No. 42 asks, "what is the appropriate value of bundled renewable energy credits?" I
22 address that issue below. I understand this question to ask for the value that is placed on
23 RECs purchased by EPE when they were bundled with power in a purchased power
24 agreement ("PPA"). For example, such a PPA would be one that provides for a price per
25 megawatt-hour without any separate price for the renewable energy credits ("RECs") that
26 are also provided under the contract.
27

28 Q. WHAT IS THE APPROPRIATE VALUE OF EPE'S BUNDLED RECS?

29 A. First, EPE has two such contracts for which costs are allocated or assigned to Texas, those
30 being the 50-megawatt ("MW") Macho Springs PPA and the 10-MW Newman Solar PPA.
31 Both of those contracts have been through at least one rate proceeding and one fuel

reconciliation without any cost being assigned to the RECs received. Aside from the imputed capacity for those contracts, all other costs from these PPAs are currently, and have been in past fuel reconciliations, recovered through fuel. EPE uses RECs from the Newman Solar PPA to comply with Texas renewable portfolio standards ("RPS") requirements. Because power under the Macho Springs PPA comes from a generating resource located in New Mexico, its RECs cannot be used to comply with Texas RPS. Therefore, EPE sells RECs associated with the Macho Springs Solar PPA. EPE witness Jennifer Borden discusses the rate treatment for these sales in her supplemental testimony. I do not believe there is any regulatory purpose to be served by now separately accounting for the value of the RECs included in these PPAs.

However, if the Commission determines that a hypothetical value should be assigned, the appropriate value of EPE's bundled RECs should be based on the generation source location. For the Macho Springs PPA, the value of the RECs is the value EPE actually received for its REC sales from the Macho Springs PPA in 2020 that were good-faith, arms-length sales to entities who typically purchase such products. Table DCH-2S provides the latest REC sales made by EPE:

Table DCH-2S

Transaction	Sale Month/Year	REC Type	Product	RECs Sold	Price per REC	Sale Amount
1	April 2020	2019 Vintage - WREGIS	PCC2 - Energy Plus RECs	96,400	\$4.65	\$448,260.00
2*	June 2020	4th Quarter 2017 Vintage/2018 Vintage - WREGIS	PCC3 - REC Only	21,759	\$1.00	\$21,759.00
3	October 2020	2019 Vintage - WREGIS	PCC3 - REC Only	15,423	\$2.25	\$34,701.75
Average				133,582	\$3.78	\$504,720.75

*In June 2020, EPE sold 5,457 4th Quarter 2017 Vintage RECs and 16,302 2018 Vintage RECs for a total of 21,759 RECs.

As can be seen in Table DCH-2S above, the average cost per REC during the test year was \$3.78, which I believe is the appropriate value to impute to RECs EPE received from the Macho Springs PPA.

Because EPE utilizes the RECs associated with the Newman Solar PPA to comply with the RPS, the value of the associated RECs is comparable to RECs purchased by EPE to further satisfy Texas RPS requirements. EPE purchased Texas RECs for a price of \$0.60

1 per REC in 2020. I believe this is the appropriate value to impute to RECs received from
2 the Newman Solar PPA.

3 Furthermore, in order to ensure certainty of regulatory treatment for the benefit of
4 both EPE and customers, there is good cause to utilize the identified separate values for the
5 Macho Springs and Newman Solar PPAs to reflect RECs in base rates until EPE's next
6 base rate case, if the Commission decides to impute a cost to the RECs from these PPAs.
7 Also, given that the price of RECs can vary, to ensure certainty of regulatory treatment in
8 the future, for both customers and EPE, those are the values that should be used for the
9 remaining life of these contracts if the Commission chooses to separate out the value of the
10 RECs from these contracts.

11
12 Q. DO THE MACHO SPRINGS RECS HAVE ANY VALUE TO TEXAS CUSTOMERS?

13 A. Apart from the energy, no.
14

15 **V. Customer-Specific Contracts**

16 Q. WHAT PRELIMINARY ORDER ISSUE DO YOU ADDRESS REGARDING EPE'S
17 CUSTOMER-SPECIFIC CONTRACTS?

18 A. Issue No. 49(b) in the Preliminary Order is a question with several parts. Specifically,
19 Issue No. 49(b) asks, "does El Paso Electric have any customer-specific contracts for the
20 provision of transmission or distribution service? If so, identify each customer, and state
21 whether the contract has been presented for approval, and if so, in what docket. In addition,
22 has El Paso Electric appropriately allocated revenues and related costs associated with such
23 contracts? Do all allocation factors properly reflect the types of costs allocated?" I address
24 the majority of the parts of Issue No. 49(b) below. EPE witness Hernandez addresses the
25 portion of the question that addresses allocation of revenues and related costs regarding
26 such customer-specific contracts in his Preliminary Order supplemental direct testimony.
27

28 Q. DOES EPE HAVE ANY CUSTOMER-SPECIFIC CONTRACTS FOR THE
29 PROVISION OF TRANSMISSION OR DISTRIBUTION SERVICE THAT ARE
30 SUBJECT TO THE COMMISSION'S JURISDICTION?

31 A. All such transmission contracts EPE has are subject to FERC jurisdiction. EPE has no

1 customer-specific distribution contracts. Distribution services are provided at retail.

2
3 **VI. Wholesale Transmission Service at Distribution Voltage**

4 Q. WHAT PRELIMINARY ORDER ISSUE DO YOU ADDRESS REGARDING EPE'S
5 FERC-APPROVED TARIFFS?

6 A. Issue No. 51 in the Preliminary Order is a two-part question. The first part asks, "does
7 El Paso Electric provide wholesale transmission service at distribution voltage to
8 customers?" The second part asks, "if so, has El Paso Electric properly allocated costs to
9 and designed rates for those customers as required under PURA § 35.004(c)?" I address
10 both questions below.
11

12 Q. DOES EPE PROVIDE WHOLESALE TRANSMISSION SERVICE AT
13 DISTRIBUTION VOLTAGE TO ANY CUSTOMERS?

14 A. No, not at this time.
15

16 Q. IS THE SECOND QUESTION IN PRELIMINARY ORDER ISSUE NO. 51
17 APPLICABLE TO EPE?

18 A. No. PURA 35.004(c) states, "When an electric utility, electric cooperative, or transmission
19 and distribution utility provides wholesale transmission service within ERCOT at the
20 request of a third party, the commission shall ensure that the utility recovers the utility's
21 reasonable costs in providing wholesale transmission services necessary for the transaction
22 from the entity for which the transmission is provided so that the utility's other customers
23 do not bear the costs of the service." EPE does not provide transmission service within
24 ERCOT; therefore, PURA § 35.004(c) does not apply to EPE.
25

26 Q. DOES THIS CONCLUDE YOUR PRELIMINARY ORDER SUPPLEMENTAL
27 DIRECT TESTIMONY?

28 A. Yes, it does.