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

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

EL PASO ELECTRIC COMPANY'S RESPONSE TO COMMISSION STAFF'S SEVENTH REQUEST FOR INFORMATION QUESTION NOS. STAFF 7-1 THROUGH STAFF 7-7

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SEPTEMBER 16, 2021

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STAFF 7-1:

Please refer to Schedule B-1 and WP B-1, Adjustments to Rate Base, Working Cash. Please provide EPE's calculation of the ($3,405,792) working cash amount with a reconciliation to Exhibit DSD-2 to Daniel Dane's testimony which shows a working cash allowance of ($3,903,773). Please also include a detailed explanation and calculation of the "Reconciling adjustment" that appears on line 41 of Exhibit DSD-2 and any similar adjustment included in the reconciliation provided in response to this question.

RESPONSE:

In responding to the information request, El Paso Electric Company ("EPE") identified a discrepancy between the "Palo Verde O&M" and "Other O&M" amounts reflected in the calculation supporting WP B-1 and Exhibit DSD-2. Specifically, the amounts reflected in the calculation supporting WP B-1 did not reflect the adjustment to Palo Verde O&M and Other O&M for pre-payments and materials and supplies charged to O&M that is footnoted in Exhibit DSD-2. EPE will file an errata to address this discrepancy.

Furthermore, because the cash working capital requirement is included in rate base it impacts revenues and related taxes, which in turn impact cash working capital in an iterative manner. EPE uses an iterative process to determine the final revenues and related taxes, and the "Reconciling adjustment" reflected on line 41 of Exhibit DSD-2 is the result of minor differences that result from that process.

Preparer:	Meredith Stone	Title:	Project Manager – Concentric Energy Advisors, Inc.
Sponsor:	Daniel S. Dane	Title:	Senior Vice President – Concentric Energy Advisors, Inc.
	Cynthia S. Prieto		Vice President – Controller

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STAFF 7-2:

Please refer to testimony of Cynthia Prieto at page 16, line 29 which states "The CC&B system reduced the time between when a meter is read and when a bill is sent, which improved cash flow and is reflected in reduced cash working capital requirements." Please reconcile this statement with the increase in revenue lag days from 40.6 days in EPE's last rate case (Docket No. 46831, Schedule E-4) to 44.4 days in the current case (Schedule E-4, Exhibit DSD-2).

RESPONSE:

The calculation of the revenue lag in the current rate case is in Exhibit DSD-3 of the testimony of El Paso Electric Company ("EPE") witness Daniel S. Dane, page 1, line 5, column (B). The calculation of the revenue lag in the prior rate case is in Exhibit DSD-3 of the testimony of EPE witness Dane, page 1, line 5, column (E). The customer care and billing system was implemented in 2010 (i.e., prior to EPE's last rate case), and thus was reflected in the billing lag component of 1.0 of the revenue lag in both the last rate case and the current rate case.

The increase in the revenue lag from 40.6 days in EPE's last rate case to 44.4 days in the current case was driven primarily by an increase in the retail revenue collections lag from 23.7 days in the last rate case to 27.6 days in the current case (line 3 of Exhibit DSD-3). The retail revenue collections lag increased due to the longer time it took retail customers to remit payment for service in the test year in the current rate case versus the last rate case. As discussed in the direct testimony of EPE witness Cynthia S. Prieto, this was due to factors outside of EPE's control such as the economic impacts of the COVID-19 pandemic and related moratoriums on disconnection.

Preparer:	Alejandra Guevara	Title:	Senior Accountant – Technical
Sponsor:	Cynthia S. Prieto Daniel S. Dane	Title:	Vice President – Controller Senior Vice President – Concentric Energy Advisors, Inc.

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STAFF 7-3:

Please refer to WP A-3, Adj. 7, COVID-19 costs, page 2 of 2. Please provide a detailed calculation of the $944,710 amount identified as forfeited discounts.

RESPONSE:

El Paso Electric Company ("EPE") charges Late Payment Penalties ("LPP") in accordance with 16 Texas Administrative Code § 25.28, which allows a penalty of 5% on delinquent commercial and industrial customer bills. EPE calculated the amount of LPP that would have been earned had the disconnection moratorium, per PUCT Docket No. 50664, not been in place. This was calculated as 5% of delinquent bills totaling $18,894,200 from Texas commercial and industrial customers from March 13, 2020 through October 15, 2020, to arrive at a total of $944,710, which was included in WP A-3, Adj. 7, COVID-19 costs, page 2 of 2. Late payment penalties are reflected in miscellaneous revenues, which are an offset to cost of service.

Preparer: En Li — Title: Manager – Financial Accounting

Sponsor: Cynthia S. Prieto — Title: Vice President – Controller

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STAFF 7-4:

Please refer to the response to CEP 1-27. Please provide the referenced 2022 retirement dates for Rio Grande Unit 7 and Newman Units 1 and 2. Are the dates referenced in this response the dates certain for the retirement of each unit?

RESPONSE:

The planned retirement dates referenced in CEP 1-27 were December 2022 for all three units. Present plans are for Rio Grande Unit 7 and one of the Newman units to be retired in 2022 as previously planned.

El Paso Electric Company's ("EPE") 2021 Integrated Resource Plan ("IRP") is not yet finalized and is planned to be filed on September 16, 2021. The most current draft of the 2021 IRP indicates it may be beneficial to extend the retirement date for one of the Newman units by five years; however, the prudence of such an extension will be evaluated alongside other bids in future procurements for generation resources.

Preparer:	Omar Gallegos	Title:	Senior Director – Resource Planning Management
Sponsor:	David C. Hawkins	Title:	Vice President – Strategy and Sustainability

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STAFF 7-5:

Please separately provide the gross plant balance for the Rio Grande Unit 7 and Newman Units 1 and 2 as well as the accumulated depreciation for each unit. For each of these units, please also provide all other costs by unit by FERC account that are reflected in EPE's requested cost of service including, but not limited to, operations and maintenance expense, depreciation expense, insurance expense, and non-reconcilable fuel expense.

RESPONSE:

Please see STAFF 7-5, Attachment 1 for a schedule showing the gross plant and accumulated depreciation balance at December 31, 2020, for Rio Grande Unit 7, Newman Unit 1 and Newman Unit 2. The attachment also includes costs by unit and FERC account that are reflected in El Paso Electric Company’s cost of service, including operations and maintenance and depreciation expense. The schedule does not include any Common costs and are shown on a total company and Texas jurisdictional basis.

While the costs included in the Attachment reflect significant amounts for maintenance expense on units that are projected to retire at the end of 2022, similar amounts for maintenance will be incurred in the future on the facilities (units) that replace them (such as Newman Unit 6).

Please note that (1) insurance expense is recorded at the corporate and not at the plant level and (2) non-reconcilable fuel expense is not applicable at the generating unit level.

Preparer: Larry J. Hancock — Title: Manager – Plant Accounting

Sponsor: Larry J. Hancock — Title: Manager – Plant Accounting

El Paso Electric Company
Net Plant and Operating Costs for
Newman Units 1 & 2 and Rio Grande 7
As of and for the Year Ended December 31, 2020

Total Company Amounts

Account	Newman Unit 1	Newman Unit 2	Rio Grande Unit 7
101001 - ELECTRIC PLANT IN SERVICE	$ 28,596,963	$ 26,142,835	$ 14,815,011
108001 - ACCUM DEPRTN	(25,063,423)	(20,521,950)	(12,363,818)
Net Plant	**$ 3,533,540**	**$ 5,620,885**	**$ 2,451,193**
403000 - DEPRECIATION EXPENSE	$ 735,342	$ 551,410	$ 126,062
408100 - TAXES OTH INC TX-OPER	24,503	9,848	54,628
502000 - STEAM EXPENSES	4,300	-	449,369
505000 - ELECTRIC EXPENSES	174	-	-
506000 - MISC STEAM POWER EXP	67,986	41,881	-
507000 - RENTS	89,929	-	-
510000 - MAINT SUPERVISION & ENG	-	-	789
511000 - MAINT OF STRUCTURES	-	191	-
512000 - MAINT OF BOILER PLANT	935,265	331,543	655,348
513000 - MAINT OF ELECTRIC PLANT	1,471,826	290,332	569,943
514000 - MAINT OF MISC STEAM PLANT	10,959	166	37,399
920000 - ADMIN & GEN SALARIES	107	61	46
921000 - OFFICE SUPPLIES & EXP	23	13	10
925000 - INJURIES AND DAMAGES	1,244	603	1,647
926000 - EMPLOYEE PENSIONS & BEN	109,566	43,863	270,299
	$ 3,451,223	$ 1,269,911	$ 2,165,540

Texas Jurisdictional Portion

Account	Newman Unit 1	Newman Unit 2	Rio Grande Unit 7
101001 - ELECTRIC PLANT IN SERVICE	$ 23,209,581	$ 21,217,787	$ 12,024,011
108001 - ACCUM DEPRTN	(20,341,725)	(16,655,820)	(10,034,599)
Net Plant	**$ 2,867,856**	**$ 4,561,967**	**$ 1,989,413**
403000 - DEPRECIATION EXPENSE	$ 596,811	$ 447,530	$ 102,313
408100 - TAXES OTH INC TX-OPER	19,718	7,925	43,960
502000 - STEAM EXPENSES	3,385	-	364,680
505000 - ELECTRIC EXPENSES	137	-	-
506000 - MISC STEAM POWER EXP	55,178	33,991	-
507000 - RENTS	72,987	-	-
510000 - MAINT SUPERVISION & ENG	-	-	623
511000 - MAINT OF STRUCTURES	-	155	-
512000 - MAINT OF BOILER PLANT	736,192	260,974	515,856
513000 - MAINT OF ELECTRIC PLANT	1,158,544	228,534	448,629
514000 - MAINT OF MISC STEAM PLANT	8,626	131	29,438
920000 - ADMIN & GEN SALARIES	87	49	38
921000 - OFFICE SUPPLIES & EXP	19	11	8
925000 - INJURIES AND DAMAGES	1,010	490	1,336
926000 - EMPLOYEE PENSIONS & BEN	88,925	35,599	219,377
	$ 2,741,618	$ 1,015,388	$ 1,726,260

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STAFF 7-6:

Please refer to the testimony of Cynthia Prieto at page 26, line 27 which states, "the Company's total amortization will change annually as ADIT begins to reverse for each asset and vintage" and page 27, line 8 which explains that "the Company has forecasted its amortization of protected excess ADIT from the TCJA for the years 2020, 2021, and 2022." Please provide the amounts and associated detailed calculations of EPE's forecasted amortization of protected excess ADIT for each of the years beginning in 2020 and ending in 2026. Please also provide the actual amount of protected excess ADIT for calendar year 2020 when the tax return is filed. If the actual amortization of protected excess ADIT for 2020 is different from the projection for 2020, please provide a detailed reconciliation and explanation.

RESPONSE:

Please see El Paso Electric Company's ("the Company") response to CEP 10-6, Attachments 3 to 9 for the forecasted amortization of protected excess accumulated deferred income taxes from the Tax Cuts and Jobs Act of 2017 ("TCJA") for 2020 through 2026 on a total company basis. The Company's 2020 federal income tax return will not be filed until October 15, 2021, and the calculation of the final amortization of the excess ADIT from the TCJA for 2020 will be completed once the income tax return is filed. The Company will provide an update after the calculation has been completed.

Preparer: Tamera Henderson — Title: Manager – Tax

Sponsor: Cynthia S. Prieto — Title: Vice President – Controller

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STAFF 7-7:

Please refer to the testimony of Cynthia Prieto at page 27, beginning at line 22 which states, "In other words, instead of a tax liability that the company expected, before the enactment of the TCJA, to pay back to the government at the then-current 35% tax rate, this amount represents a deferred income tax asset - or expected future savings - that must now be recovered from customers." Does this mean that the change in tax rate from 35% to 21% caused a deferred tax liability to change to a deferred tax asset? If so, please provide a detailed explanation and calculations for how the decrease in tax rate caused the change from a tax liability to a tax asset.

RESPONSE:

No, the referenced statement to El Paso Electric Company ("EPE") witness Cynthia Prieto's direct testimony, page 27, lines 22 through 25, does not mean that the tax rate reduction from 35% to 21% caused a deferred tax liability to change to a deferred tax asset. EPE has both accumulated deferred income tax ("ADIT") assets and ADIT liabilities as listed on Schedule G-7.4. As discussed in the testimony of EPE witness Cynthia Prieto, ADIT liabilities and excess ADIT related to ADIT liabilities represent amounts that need to be returned to customers and therefore these amounts reduce rate base. ADIT assets and excess ADIT related to ADIT assets represent amounts that need to be collected from customers and therefore are added to rate base. The change in the federal income tax rate that resulted from the TCJA resulted in changing ADIT liabilities to excess ADIT liabilities and ADIT assets to excess ADIT assets.

Preparer:	Tamera Henderson	Title:	Manager – Tax
Sponsor:	Cynthia S. Prieto	Title:	Vice President – Controller

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