



## Filing Receipt

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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

EL PASO ELECTRIC COMPANY'S RESPONSE TO  
TEXAS INDUSTRIAL ENERGY CONSUMERS'  
THIRD REQUEST FOR INFORMATION  
QUESTION NOS. TIEC 3-1 THROUGH TIEC 3-5

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TIEC 3-1:

Please refer to WP P-07 and EPE's response to CEP 4-6, Attachment 2. Please reconcile the adjusted energy, adjusted 4CP, and adjusted 12CP for New Mexico Rate 10 shown in WP P-07 with that shown in CEP 4-6, Attachment 2. Which depiction of New Mexico Rate 10 loads is correct?

RESPONSE:

The adjusted energy, adjusted 4CP and adjusted 12CP for New Mexico Rate 10 is depicted correctly on both WP P-7 and CEP 4-6, Attachment 2. The files are representing two different sets of allocators. WP P-7 reflects the class allocation factors, while CEP 4-6, Attachment 2 represents the jurisdictional allocation factors. In accordance with the Special Rate Contract, HAFB DG Military Solar Project approved in NMPRC Case No. 16-00224-UT is a renewable energy customer dedicated facility which has an impact in the class cost allocation, whereas other New Mexico solar projects are considered a New Mexico jurisdictional resource and do not impact the class cost allocation. Consequently, the adjusted energy, adjusted 4CP and adjusted 12CP for New Mexico Rate 10 in the class allocators provided in WP P-7 have been reduced by the energy and demand generated by the HAFB DG Military Solar Project.

Preparer: Juan P. Cardenas

Title: Economist – Staff

Sponsor: George Novela

Title: Director – Economic and Rate Research

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TIEC 3-2:

Please provide the Test Year employer-paid payroll tax expense, if any, associated with the following costs on a Total Company and Texas jurisdictional basis:

- a. Supplemental Retirement Plan
- b. Excess Benefit Plan

RESPONSE:

El Paso Electric Company ("EPE") pays checks to beneficiaries similar to payroll checks (benefit payments). EPE does not distinguish benefit payments between the Supplemental Retirement Plan and Excess Benefit Plan, as such, the payroll tax expense is not reported separately. Test Year employer-paid payroll tax expense on a Total Company and Texas jurisdictional basis, for both plans, is as follows:

<u>Total Company</u>	<u>TX Allocator</u>	<u>TX Amount</u>
\$ 46,418	0.794221	\$ 38,866

Preparer: Tammy Henderson

Title: Manager – Tax

Sponsor: Sean M. Ihorn

Title: Director – Tax

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TIEC 3-3:

Please refer to WP A-3 Adj 04 Pension Benefits, “a. Adj Expenses times cap rat” tab.

- a. Please provide the actuarial reports or other supporting documents that are the basis for the 2021 Actuarial Estimates for RIP, Excess Benefit Plan, SIP, and OPEB costs shown on Excel rows 46-53.
- b. Please reconcile the 2020 Actual per GL/Actuarial costs for RIP, Excess Benefit Plan, SIP, and OPEB shown on Excel rows 55-62 with the Total Per Book Costs for these items shown on Excel rows 21 and 23. For example, the Total Per Book OPEB cost shown on row 21 is (\$3,674,030) while the 2020 Actual cost per GL/Actuarial is (\$3,848,723). Why is the Per Book cost inconsistent with the actuarially-determined cost for these items?

RESPONSE:

- a. The actuarial reports prepared by Willis Towers Watson US LLC that are the basis for the 2021 Actuarial Estimates for RIP, Excess Benefit Plan, SIP, and OPEB costs shown on Excel rows 46-53 was provided in WP/G-2.1 UPDATE, pages 7 through 76, on the 45-day update to the Rate Filing Package.
- b. Please refer to the table below for the reconciliation of the 2020 Actual per GL/Actuarial costs for RIP, Excess Benefit Plan, SIP, and OPEB shown on Excel rows 55-62 to the Total Per Book Costs for these items shown on Excel rows 21 and 23. The difference between Total Per Book cost and the actuarially-determined cost for these items is due to audit, legal, actuarial and consulting fees incurred by El Paso Electric Company related to the benefit plans (presented as “Other Costs” in table below).

	2020 Actual per GL/Actuarial Net Periodic Benefit Cost	Other Costs	Total per Books Costs
RIP	\$ 4,591,228	\$ 233,691	\$ 4,824,919
Excess	900,686	44,405	945,091
SERP	1,041,445	29,374	1,070,819
Total	6,533,359	307,470	6,840,829
OPEB	(3,848,723)	174,693	(3,674,030)

Preparer: Karen Baca

Title: Senior Accountant – Technical  
Accounting

En Li

Manager – Financial Accounting

Sponsor: Cynthia S. Prieto

Title: Vice President – Controller

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TIEC 3-4:

Please refer to the Direct Testimony of Cynthia S. Prieto, pages 17-18, regarding bad debt expense:

- a. Please provide the workpaper in Excel format that derives the bad debt expense attributable to the COVID-19 pandemic of \$4,016,247.
- b. Please provide the workpaper in Excel format that derives the three-year average bad debt risk rate and the pandemic bad debt risk rate cited by Ms. Prieto.
- c. Please provide the actual bad debt expense incurred annually in 2017, 2018, 2019, and 2020, by jurisdiction and individual Texas customer class. If bad debt expense is not available by class, please provide this information for larger class groupings (e.g. Residential, Small Commercial and Industrial, Large Commercial and Industrial, Public Authorities) and indicate to which grouping each Texas customer class belongs.
- d. Please cite to where the actual 2020 bad debt expense amounts are shown in the EPE Regulatory Case Working Model - As Filed - Dkt 52195, Case Ledger, by row number.
- e. Please provide the breakdown of the COVID-19 bad debt expense of \$4,016,247 by jurisdiction and individual Texas customer class. If the COVID-19 bad debt expense is not available by class, please provide this information for larger class groupings (e.g. Residential, Small Commercial and Industrial, Large Commercial and Industrial, Public Authorities) and indicate to which grouping each Texas customer class belongs.

RESPONSE:

- a. Please refer to TIEC 3-4 Attachment 1, rows 17 to 20.

- b. Please refer to TIEC 3-4 Attachment 1, rows 1 to 15.
- c. Please refer to Schedule G-3.2 for the actual bad debt expense incurred annually in 2017, 2018, 2019, and 2020. Bad debt expense is not calculated by jurisdiction or customer class.
- d. The actual 2020 bad debt expense is shown in the EPE Regulatory Case Working Model - As Filed - Dkt 52195, Case Ledger tab, excel row number 2602.
- e. EPE does not break down bad debt expense by jurisdiction or customer class.

Preparer: Mayte Luna  
Adrian Hernandez

Title: Supervisor – Revenue Collection  
Senior Rate Analyst – Rates

Sponsor: Cynthia S. Prieto  
Adrian Hernandez

Title: Vice President – Controller  
Senior Rate Analyst – Rates



Line No.	Year	Accounts Receivable and Active Arrears Rate	Jan	Feb	Mar	Apr	May	June	July	August	September	October	November	December
1	2020	Total Accounts Receivable	\$ 31,056,984	\$32,302,016	\$33,998,419	\$35,077,871	\$41,710,747	\$58,242,565	\$68,876,422	\$70,589,832	\$79,007,165	\$68,675,432	\$51,802,583	\$ 47,845,441
2		Active Accounts Receivable Over 30 days in Arrears	4,302,570	4,075,568	5,744,029	6,592,086	6,834,517	7,191,787	11,167,583	14,532,309	15,550,688	23,011,857	20,656,844	19,622,214
3		Active Arrears Rate (1)	13.85%	12.62%	16.89%	18.79%	16.39%	12.35%	16.21%	20.59%	19.68%	33.51%	39.88%	41.01%
4	2019	Total Accounts Receivable	\$ 36,835,982	\$39,060,603	\$34,306,905	\$30,586,768	\$39,150,291	\$49,469,194	\$59,019,586	\$53,860,044	\$63,733,261	\$54,684,358	\$37,942,150	\$ 34,757,082
5		Active Accounts Receivable Over 30 days in Arrears	6,197,793	5,366,348	5,876,775	4,388,629	4,742,878	5,457,340	6,451,420	5,451,767	5,941,859	9,614,396	7,665,997	6,859,318
6		Active Arrears Rate	16.83%	13.74%	17.13%	14.35%	12.11%	11.03%	10.93%	10.12%	9.32%	17.58%	20.20%	19.74%
7	2018	Total Accounts Receivable	\$ 46,499,563	\$45,879,445	\$39,525,469	\$36,984,553	\$43,258,428	\$55,061,763	\$68,487,706	\$58,429,879	\$66,920,445	\$55,382,828	\$36,793,491	\$ 40,489,160
8		Active Accounts Receivable Over 30 days in Arrears	9,932,095	8,793,944	7,820,495	5,360,956	5,077,694	4,038,422	8,682,041	7,991,372	7,913,917	10,361,585	8,226,290	7,414,344
9		Active Arrears Rate	21.36%	19.17%	19.79%	14.50%	11.74%	7.33%	12.68%	13.68%	11.83%	18.71%	22.36%	18.31%
10	2017	Total Accounts Receivable	\$ 45,518,920	\$45,913,386	\$46,059,053	\$42,431,100	\$50,162,178	\$62,903,586	\$78,363,968	\$72,072,572	\$71,140,192	\$64,277,730	\$43,057,247	\$ 42,931,618
11		Active Accounts Receivable Over 30 days in Arrears	8,403,369	9,928,563	9,851,700	8,709,647	8,801,954	6,198,040	11,375,109	11,082,126	11,731,372	15,301,258	11,138,909	10,862,931
12		Active Arrears Rate	18.46%	21.62%	21.39%	20.53%	17.55%	9.85%	14.52%	15.38%	16.49%	23.80%	25.87%	25.30%
Pandemic Bad Debt Risk Rate Calculation (2)			Jan	Feb	Mar	Apr	May	June	July	August	September	October	November	December
13	2020	Active Arrears Rate	13.85%	12.62%	16.89%	18.79%	16.39%	12.35%	16.21%	20.59%	19.68%	33.51%	39.88%	41.01%
14	Less: 3-Year Active Arrears Rate Average (2017 - 2019)						16.46%	13.80%	9.41%	12.71%	13.06%	12.55%	20.03%	21.12%
15	Pandemic Bad Debt Risk Rate (3)						2.34%	2.59%	2.94%	3.51%	7.53%	7.14%	13.48%	17.07%
16	Active Accounts Receivable over 30 days in arrears to which COVID-19 arrears rate was applied (Total A/R over 30 days less Public Authority and Commercial & Industrial-Large)				\$13,419,809	\$13,272,732	\$13,272,732	\$ 6,455,932	\$ 9,703,320	\$12,510,982	\$16,065,375	\$20,576,656	\$19,977,966	\$ 19,827,682
17	COVID-19 estimated bad debts - calculated using additional arrears rate method - monthly				-	310,066	33,119	(153,283)	150,305	601,685	204,559	1,626,515	636,327	535,435
18	COVID-19 estimated bad debts - calculated using additional arrears rate method - year-to-date				-	310,066	343,186	189,903	340,209	941,894	1,146,453	2,772,969	3,409,295	3,944,730
19	Actual COVID-19 bad debts recorded - monthly					275,000	190,137	-	190,450	339,616	831,077	1,145,461	214,780	185,543
20	Actual COVID-19 bad debts recorded - year-to-date					275,000	465,137	465,137	655,587	995,203	1,826,280	2,971,741	3,186,521	4,016,247

(1) The active arrears rate is defined as accounts receivable for active accounts over 30 days in arrears as a percent of total accounts receivable for active accounts.

(2) The pandemic bad debt risk rate was effective in the calculation of bad debt expense for COVID-19 in March 2020.

(3) Percentages may not tie to other schedules due to rounding

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TIEC 3-5:

Please refer to Workpaper A-3, Adjustment No. 7, page 2.

- a. Please explain why the Company charged \$3,213,020 of COVID-19-related bad debts (Line No. 14) to regulatory assets and \$803,227 (Line No. 9) to expense. How did the Company determine the amount to charge to regulatory assets and the amount to charge to expense?
- b. Regarding the \$944,710 in Late payment fees not assessed to customers between March 2020 and October 2020 per PUCT orders, shown on Line No. 16, please provide the amount incurred by jurisdiction and individual Texas customer class. If this information is not available by class, please provide this information for larger class groupings (e.g. Residential, Small Commercial and Industrial, Large Commercial and Industrial, Public Authorities) and indicate to which grouping each Texas customer class belongs.

RESPONSE:

- a. During the calculation of the regulatory asset related to the uncollectible allowance due to the COVID-19 pandemic, El Paso Electric Company ("EPE") determined that there was a risk that the entire regulatory asset may not be recovered in future rate proceedings in all of the jurisdictions in which EPE operates. Therefore, EPE recorded a reserve for a portion of the regulatory asset of \$803,227, and this amount was charged to expense. The reserve expense was not reflected in the cost of service.
- b. Please refer to EPE's response to Staff 7-3 which details that 100% of the \$944,710 in late payment fees is from Small and Large Commercial and Industrial customers in the Texas jurisdiction.

Preparer: Mayte Luna  
Alma Arvizo

Title: Supervisor – Revenue Collection  
Manager – Revenue Accounting

Sponsor: Cynthia S. Prieto

Title: Vice President – Controller

The following files are not convertible:

TIEC 03-04\_Attachment 01.xlsx

Please see the ZIP file for this Filing on the PUC Interchange in order to access these files.

Contact [centralrecords@puc.texas.gov](mailto:centralrecords@puc.texas.gov) if you have any questions.