



## Filing Receipt

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

**APPLICATION OF EL PASO ELECTRIC  
COMPANY TO CHANGE RATES**

**PUBLIC UTILITY COMMISSION  
OF TEXAS**

**THE UNITED STATES DEPARTMENT OF DEFENSE AND ALL OTHER FEDERAL  
EXECUTIVE AGENCIES' NOTICE OF FILING DIRECT TESTIMONY OF  
FELIPE A. SALCEDO**

The United States Department of Defense and all other Federal Executive Agencies (“DoD/FEA”) files the Direct Testimony of Felipe A. Salcedo, together with accompanying exhibits. This notice includes the following:

1. Affidavit of Felipe A. Salcedo
2. Direct Testimony of Felipe A. Salcedo; Exhibit FAS-1 and FAS-2
3. Schedules FAS-1, FAS-2, FAS-3, and FAS-4

October 22, 2021

Respectfully submitted,

/s/ Kyle J Smith  
\_\_\_\_\_  
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**CERTIFICATE OF SERVICE**

I, Kyle J Smith, representative for DoD/FEA, hereby certify that a copy of DoD/FEA's Notice of Filing Direct Testimony of Felipe A. Salcedo was served on all parties of record in this proceeding on October 22, 2021 by electronic mail.

/s/ Kyle J Smith \_\_\_\_\_  
Kyle J Smith

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

<b>APPLICATION OF EL PASO ELECTRIC COMPANY TO CHANGE RATES</b>	§ § §	<b>BEFORE THE STATE OFFICE OF ADMINISTRATIVE HEARINGS</b>
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**Affidavit Of Felipe A. Salcedo**

<b>STATE OF MARYLAND COUNTY OF HOWARD</b>	) )	<b>ss:</b>
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I, Felipe A. Salcedo, being duly sworn state that the Direct Testimony, schedules, and exhibits for introduction into evidence in Public Utility Commission of Texas Docket No. 52195 were prepared by me or under my supervision, control, and direction; that the Direct Testimony, schedules, and exhibits are true and correct to the best of my information, knowledge and belief; and that I would give the same testimony orally and would present the same schedules, and exhibits if asked under oath.

Dated at Howard County, Maryland, this 12<sup>th</sup> day of October, 2021.

Signature: \_\_\_\_\_

Name: Felipe A. Salcedo

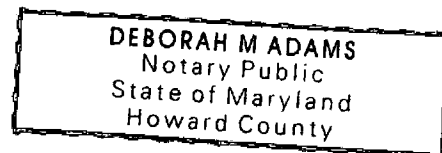
Date: October 12, 2021

Subscribed and sworn to before me this 12th day of October, 2021.

\_\_\_\_\_  
*Deborah M Adams*

Notary Public, State of Maryland

My Commission expires: 2/2023



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

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

**DIRECT TESTIMONY**

**OF**

**FELIPE A. SALCEDO**

**ON BEHALF OF**

**THE UNITED STATES DEPARTMENT OF DEFENSE  
AND ALL OTHER FEDERAL EXECUTIVE AGENCIES**

**October 22, 2021**

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## **SCHEDULES AND EXHIBITS**

**Schedule FAS-1** – RCF-RGRT and NON-RGRT Balances, RCF Interest Rate, and Commitment Fees Computation

**Schedule FAS-2** – RCF Commitment Fees by Year – Calendar Years 2018 through 2021

**Schedule FAS-3** – Summary of COVID-19 Related Adjustments to Cost of Service, Rate Base, and Rider Recovery

**Schedule FAS-4** – Recommended Allocation of the COVID-19 Rider to the Different Texas Retail Rate Classes

**Exhibit FAS-1** – Copies of Requests for Information Referenced in Testimony

**Exhibit FAS-2** – Summary of Educational Background, Qualifications, and Professional Experience

**DIRECT TESTIMONY OF FELIPE A. SALCEDO**

**PUC DOCKET NO. 52195**

**I. INTRODUCTION**

**Q. PLEASE STATE YOUR NAME, OCCUPATION, AND BUSINESS ADDRESS.**

**A.** My name is Felipe A. Salcedo. I am a Senior Economist at Exeter Associates, Inc. (“Exeter”), an energy, economics, and regulatory consulting firm specializing in economic and financial issues pertaining to public utilities. My business address is 10480 Little Patuxent Parkway, Suite 300, Columbia, MD 21044.

**Q. PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND AND QUALIFICATIONS.**

**A.** I hold a Bachelor’s degree in Economics from the Universidad Colegio Mayor de Nuestra Señora del Rosario in Bogotá, Colombia, and a Master of Science degree in Finance from Georgia State University in Atlanta, Georgia. I am a Certified Government Financial Manager (“CGFM”), a professional certification awarded by the Association of Government Accountants (“AGA”) to individuals who demonstrate competency in governmental accounting, auditing, and financial reporting. I am currently enrolled in the graduate certificate program from New Mexico State University (“NMSU”) in Public Utility Regulation & Economics, with an anticipated graduation date of fall 2021.

**Q. PLEASE DESCRIBE YOUR PROFESSIONAL EXPERIENCE.**

**A.** I have over 17 years of experience in the public utility industry. From 2005-2012, I worked for Public Resources Management Group Inc. (“PRMG”).<sup>1</sup> My final job title at PRMG was Senior Rate Analyst. PRMG is a financial and management consulting

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<sup>1</sup> In 2019, PMRG was acquired by Raftelis Financial Consultants, Inc.



1 firm specializing in strategic, financial, economic, and business planning services, with  
2 a focus on the public enterprise sector. At PRMG, I provided a full range of financial,  
3 rate, management, and consulting services to publicly owned utilities and local  
4 governments.

5 In 2012, I joined Exeter as an Economist. At Exeter, I have provided extensive  
6 economic and financial consulting services to the U.S. federal government. Studies  
7 completed include forecasting of energy prices and economic impacts of energy policy;  
8 reviewing and assessment of utility services contracts and rates (electricity, natural gas,  
9 potable water, reclaimed water, and wastewater); and assessment of electric demand  
10 response opportunities for the federal government.

11 Also at Exeter, I provide litigation support on behalf of the federal government  
12 in electric rate case and other regulatory filings affecting U.S. Department of Defense  
13 (“DOD”) and U.S. Department of Energy (“DOE”) installations. I have reviewed,  
14 analyzed, and actively participated in dozens of utility rate filings, including in support  
15 of the DOE and its work as the lead Federal Executive Agency (“FEA”) for the ongoing  
16 Southwestern Public Service Company (“SPS”) general rate case,<sup>2</sup> and in previous  
17 SPS’s filings. A summary of my educational background, qualifications, and  
18 professional experience is presented in Exhibit FAS-2.

19 **Q. ON WHOSE BEHALF ARE YOU APPEARING?**

20 **A.** I am presenting testimony on behalf of the DOD and all other Federal Executive  
21 Agencies (“FEA”) (collectively, “DOD/FEA”).

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<sup>2</sup> *Application of Southwestern Public Service Company for Authority to Change Rates*, Docket No. 51802.

1 **Q. PLEASE DESCRIBE EPE’S ELECTRIC SERVICE TO THE MAJOR**  
2 **MILITARY INSTALLATIONS LOCATED IN EPE’S TEXAS**  
3 **JURISDICTIONAL SERVICE AREA.**

4 **A.** There is one major military installation receiving electric service from El Paso Electric  
5 Company (“EPE” or “Company”) in its Texas jurisdictional service territory: Fort  
6 Bliss. There are several other FEA customers that are also served by EPE under  
7 different general service rate schedules. Fort Bliss is currently served under EPE’s  
8 Schedule No. 31 – Military Reservation Service Rate and under EPE’s Schedule No.  
9 38 – Noticed Interruptible Power Service. In a typical year, Fort Bliss purchases over  
10 332 million kilowatt-hours (“kWh”) of energy, and pays EPE about \$15 million  
11 annually. Consumption at Fort Bliss represents about 5% of EPE’s total annual energy  
12 sales.<sup>3</sup>

13 **Q. PLEASE SUMMARIZE THE ECONOMIC CONTRIBUTIONS OF FORT**  
14 **BLISS TO THE ECONOMY OF THE STATE OF TEXAS.**

15 **A.** The Texas Comptroller of Public Accounts estimates that Fort Bliss contributed over  
16 \$25 billion to Texas’ economy in 2019.<sup>4</sup> In that year, Fort Bliss provided direct  
17 employment in the State to 47,045 people, and indirect employment to 83,898  
18 additional individuals.<sup>5</sup> In fact, the government sector, which includes the different  
19 FEA, accounts for about 22% of total non-farm employment in the City of El Paso.<sup>6</sup>

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<sup>3</sup> Using EPE’s billing determinants from Schedule Q-07.00.

<sup>4</sup> FORT BLISS, Economic Impact on the Texas Economy, 2019 -  
<https://comptroller.texas.gov/economy/economic-data/military/fort-bliss.php>, as referenced in the Direct  
Testimony of George Novela, p. 32.

<sup>5</sup> Id. Amount includes 28,969 full-time-equivalent active-duty DOD personnel.

<sup>6</sup> Direct Testimony of George Novela, p. 30, lines 8-10.

1 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS PROCEEDING?**

2 **A.** Exeter was retained by DOD/FEA to assist in the evaluation of the rate filing submitted  
3 by EPE. I have reviewed the proposed increase to revenues on behalf of the DOD/FEA  
4 that the Company has requested in this proceeding. In my testimony, I present my  
5 findings regarding certain Company adjustments to its cost of service and rate base (the  
6 COVID-19 regulatory asset), as well as findings related to the Company's proposal for  
7 rider recovery of certain COVID-19-related costs. Issues not specifically addressed in  
8 my testimony should not be deemed to provide support for EPE's filing with respect to  
9 those issues.

10 **Q. IN CONNECTION WITH THIS CASE, HAVE YOU PERFORMED AN**  
11 **EXAMINATION AND REVIEW OF THE COMPANY'S TESTIMONY,**  
12 **SCHEDULES, EXHIBITS, AND WORKPAPERS?**

13 **A.** Yes. I have reviewed the Company's testimony, schedules, exhibits, workpapers, and  
14 accounting adjustments. I have also reviewed EPE's responses to discovery requests  
15 from the DOD/FEA, the City of El Paso, Public Utility Commission of Texas ("PUCT"  
16 or "Commission") Staff ("PUCT Staff"), the Texas Office of Public Utility Counsel  
17 ("OPUC"), and other parties.

18 **Q. HAVE YOU PREPARED EXHIBITS AND SCHEDULES TO ACCOMPANY**  
19 **YOUR TESTIMONY?**

20 **A.** Yes. I have prepared Exhibit FAS-1, which provides copies of the Requests for  
21 Information ("RFIs") referenced in my testimony; and Exhibit FAS-2, which provides  
22 a summary of my educational background, qualifications, and professional experience.  
23 In Schedule FAS-1, I calculate the Revolving Credit Facility ("RCF") Commitment  
24 Fees. Schedule FAS-2 shows the annual RCF Commitment Fees by calendar year from  
25 2018 through 2020. Schedule FAS-3 summarizes my adjustments to the Company's

1 cost of service, and my recalculation of the amounts recorded to the COVID-19  
2 regulatory asset. Schedule FAS-4 provides my recommended allocation of the  
3 Company's proposed Schedule No. COVID-19 Project No. 50664 Asset Surcharge  
4 ("COVID-19 rider") to the different Texas retail rate classes.<sup>7</sup>

5 **II. SUMMARY AND RECOMMENDATIONS**

6 **Q. PLEASE SUMMARIZE THE RATE RELIEF REQUESTED BY EPE IN ITS**  
7 **FILING.**

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<sup>7</sup> The Company is proposing to establish the COVID-19 rider as referenced in EPE's Schedule Q-8.8, p. 157.

1     **A.**     As indicated in the direct testimony of EPE witness Adrian Hernandez, EPE has  
2             calculated a base rate net revenue requirement level for its Texas jurisdiction of  
3             \$578,705,760, which exceeds current annual retail base revenue by \$41,817,778,  
4             equivalent to a 7.79% retail service rate increase.<sup>8</sup> Of the \$41,817,778 rate increase, the  
5             Company is proposing to recover \$39,296,582 through firm electric service retail rates;  
6             \$325,136 through interruptible (non-firm) electric service retail service rates; and  
7             \$2,196,060 through the Company's newly proposed COVID-19 rider. EPE's rate  
8             increase request is derived on the Company's weighted average cost of capital  
9             ("WACC") in this case of 7.985%, which reflects a proposed return on equity ("ROE")  
10            of 10.3%, and a capital structure consisting of 51% equity.<sup>9</sup> DOD/FEA witness  
11            Maureen Reno's direct testimony addresses EPE's cost of capital and capital structure  
12            issues. Ms. Reno recommends a WACC of 7.50%, calculated based on her  
13            recommended ROE level of 9.35% and a capital structure with 51% equity.<sup>10</sup>  
14            DOD/FEA witness Larry Blank's direct testimony addresses EPE's class cost of service  
15            and retail rate design issues.

16     **Q.     PLEASE SUMMARIZE YOUR RECOMMENDATIONS AND**  
17             **ADJUSTMENTS TO THE COMPANY'S COST OF SERVICE, RATE BASE,**  
18             **AND RIDER RECOVERY.**

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<sup>8</sup> Direct Testimony of Adrian Hernandez, pp. 17-18 and Table AH-1. Amount includes EPE's proposed rate increase for interruptible (non-firm) retail service, and EPE's recovery through the new proposed COVID-19 rider.

<sup>9</sup> Direct Testimony of Lisa D. Budtke, p. 9 and Schedule K-01 posted.

<sup>10</sup> Direct Testimony of Maureen Reno, p. 5.

1     **A.**     The cost of service adjustments I recommend are as follows:

- 2             • Removal of \$571,211 (Total Company basis) in RCF Commitment Fees in  
3             EPE's cost of service request in this case,<sup>11</sup> as these costs should be excluded  
4             from operating expenses. These costs are debt financing costs or borrowing  
5             fees, instead of operating expenses.
- 6             • The Company is proposing to increase its operating expenses level by including  
7             cost savings achieved from cost reductions related to COVID-19.<sup>12</sup> My  
8             recommendation is to exclude these cost savings from operating expenses, as  
9             the Company has not demonstrated that these cost reductions are not permanent.  
10            During the historical Test Year, while achieving these cost savings, the  
11            Company was able to provide adequate electric service to ratepayers; thus,  
12            inclusion of the cost savings (which increases EPE's operating expenses) would  
13            provide a direct financial windfall to EPE's shareholders. My recommended  
14            adjustment reduces the Company's proposed cost of service request by  
15            \$768,725 (Total Company basis).<sup>13</sup>
- 16            • The Company is also proposing to include the cost savings in the regulatory  
17            balance of the COVID-19 regulatory asset. I agree with this regulatory  
18            treatment of the cost savings for the regulatory asset only. Thus, my  
19            recommendation for exclusion of cost savings is only applicable to EPE's  
20            operating expenses, as described above, and not to the COVID-19 regulatory  
21            asset balance. That is, the cost savings should only be included in the COVID-  
22            19 regulatory asset balance (which reduces the balance of the asset, as shown  
23            later in Table FAS-7), and not in cost of service.

24           Adjustments related to amounts recorded to the COVID-19 regulatory asset:

- 25           • I recommend that the Company not be allowed to accrue carrying costs (interest  
26           and return) on the COVID-19 regulatory asset balance. This adjustment  
27           eliminates EPE's carrying costs request of \$199,870 (Total Company basis).  
28           (See Table FAS-7, Line No. 13). However, the Company should be permitted

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<sup>11</sup> Reduction to EPE's Miscellaneous General Expenses.

<sup>12</sup> Direct Testimony of Cynthia S. Prieto, p. 37.

<sup>13</sup> As shown later in this testimony in Table FAS-7, Line No. 3.

1 to recover the annual amortization of the COVID-19 regulatory asset through  
2 the COVID-19 rider.

- 3 • Consistent with my recommendation above, I also recommend that for  
4 ratemaking purposes, the Company is not authorized to include the unamortized  
5 balance of the asset, e.g., \$5,563,549 (Total Company basis) as requested by  
6 the Company for the COVID-19 regulatory asset in rate base.<sup>14</sup>
- 7 • While my recommendation is that, for ratemaking purposes, the unamortized  
8 portion of the asset be excluded from rate base, for tracking the annual COVID-  
9 19 rider recovery, I recommend that the jurisdictional allocator be applied  
10 correctly. As presented by the Company, the entire unamortized balance of the  
11 COVID-19 regulatory asset has been allocated to the Texas jurisdiction using  
12 the DIRECT\_TX jurisdictional allocator, while using other allocators (like  
13 LABOR) for cost recovery. The use of the DIRECT\_TX allocator for  
14 unamortized balance allocation purposes is erroneous, as a portion of the  
15 balance must be allocated to the New Mexico jurisdiction, as presented  
16 elsewhere in EPE's proposals.<sup>15</sup> Table FAS-5 shows an example of how this  
17 allocator would be applied, using EPE's original request for reference.
- 18 • I recommend that the Company not be allowed to record any further amounts  
19 to the COVID-19 regulatory asset balance for future years, other than the  
20 amounts approved in this proceeding. The Company should also not be allowed  
21 to record any further bad debt expense to the regulatory asset for future years  
22 (adjustments after the Test Year). Finally, the Company should be directed to  
23 "true-up" the COVID-19 rider for exact cost recovery, and only be allowed to  
24 lower the recorded level for collection of accounts receivables or other  
25 adjustments.

26 Recommendations to amortization level and allocation of COVID-19 rider recovery:

- 27 • I propose a five-year period of recovery for the COVID-19 rider, as opposed to  
28 the Company-proposed amortization over three years. The longer recovery  
29 period would mitigate the cost impact on ratepayers. See Table FAS-6 for my  
30 proposed annual COVID-19 rider recovery amounts, by retail rate class.

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<sup>14</sup> WP B-1 Adj 03 Reg Assets and Liab., and Excel file "EPE Regulatory Case Working Model – As Filed – Dkt 52195," Tab "Jurisdiction Allocation," Cell J3058.

<sup>15</sup> For reference, the use of the DIRECT\_TX allocator is found in the Excel file "EPE Regulatory Case Working Model – As Filed – Dkt 52195," Tab "Jurisdiction Allocation," Cell K3058.

- 1           • As shown later in Table FAS-7 of my testimony, my recommended level of  
2 costs to be recorded to the COVID-19 regulatory asset is \$8,145,453 (Total  
3 Company basis). Under an amortization period of five years, the annual amount  
4 for COVID-19 rider recovery is \$1,629,091. (*See* Table FAS-7, Line No. 18.)  
5 On a Texas Jurisdictional basis, my recommended level of annual recovery is  
6 \$1,286,078. (*See* Table FAS-7, Line No. 19.) Table FAS-6 in my testimony  
7 shows my proposed annual COVID-19 rider recovery amounts, allocated by  
8 retail rate class.

9   **Q.   HOW IS THE REMAINDER OF YOUR TESTIMONY ORGANIZED?**

10   **A.**   Throughout the remainder of my testimony, I document and explain each of the  
11 adjustments to EPE's cost of service level, rate base (COVID-19 regulatory asset), and  
12 COVID-19 rider recovery. These adjustments are organized into sections  
13 corresponding to the issue being addressed.



1           **III. ADJUSTMENTS TO EPE'S COST OF SERVICE NOT RELATED TO THE**  
2                                   **COVID-19 PANDEMIC**

3    **Revolving Credit Facility Commitment Fees**

4    **Q.     PLEASE BRIEFLY DESCRIBE EPE'S RCF.**

5    **A.**     As described by EPE witness Lisa D. Budtke in her direct testimony, EPE maintains  
6           the RCF for short-term financing of utility operations, ongoing utility construction  
7           projects, and bridge financing of nuclear fuel, through the Rio Grande Resources Trust  
8           II ("RGRT").<sup>16</sup> Ms. Budtke also testifies that under the RCF, the Company can borrow  
9           up to \$400 million, and EPE pays RCF Commitment Fees of 0.175% on a quarterly  
10          basis for any unused amount of the balance.<sup>17</sup> As described in EPE Schedule C-6.10,  
11          there is also a management fee of \$11,812.50 per quarter related to the RGRT  
12          operations, and there are other RCF costs related to borrowing fees (interest costs).<sup>18</sup>

13   **Q.     PLEASE BRIEFLY DESCRIBE EPE'S RIO GRANDE RESOURCES TRUST**  
14           **II ("RGRT").**

15   **A.**     EPE finances its portion of its nuclear fuel for the Palo Verde Generating Station  
16           ("PVGS") through the RGRT. Nuclear fuel purchases are financed through short- and  
17           long-term debt. For short-term debt, the RGRT is funded through borrowings from the  
18           joint RCF. However, debt proceeds from the RCF are not only used by EPE to finance  
19           nuclear fuel costs, but can also be used to meet EPE's general working capital  
20           requirements.<sup>19</sup> The RGRT is also financed via long-term debt issuance. For example,

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<sup>16</sup> Direct Testimony of Lisa D. Budtke, pp. 4-5.

<sup>17</sup> Id., p. 17.

<sup>18</sup> Based on LIBOR plus a margin for Eurodollar borrowings, and Prime Rate plus a margin for Alternate Base Rate (ABR) borrowings. *See* EPE Schedule C-6.10.

<sup>19</sup> EPE Schedule C-6.10.

1 since its last general rate case (Docket No. 46831), the RGRT issued \$65 million in  
2 Long-Term Senior Guaranteed Notes.<sup>20</sup>

3 **Q. IS THE COMPANY PROPOSING TO INCLUDE THE SHORT-TERM RCF**  
4 **DEBT OR THE RGRT LONG-TERM DEBT IN ITS CAPITAL STRUCTURE**  
5 **FOR RATEMAKING PURPOSES IN THIS CASE?**

6 **A.** No. As explained by Ms. Budtke, all debt obligations related to the RGRT, including  
7 long-term debt and RCF balances, are not included as a debt component in the capital  
8 structure requested by the Company in this case.<sup>21</sup> Additionally, as testified by Ms.  
9 Burke, "... the RGRT debt does not impact the Company's cost of debt in this case..."<sup>22</sup>  
10 Moreover, fuel costs, including RCF financing costs, related to the RGRT are recovered  
11 separately through EPE's fixed fuel factor.<sup>23</sup> To determine its capital structure, and in  
12 its calculation of its WACC in this case, the Company has not included any debt related  
13 to the RGRT, including the RCF debt, or any short-term debt.<sup>24</sup> Finally, Ms. Burke  
14 states that the RCF is excluded from the cost of debt in this case, in part because the  
15 proceeds from the RCF are used to fund EPE's construction work in progress, which is  
16 excluded from rate base.<sup>25</sup>

17 **Q. IS THE COMPANY PROPOSING TO INCLUDE RECOVERY OF THE**  
18 **\$11,812.50 MANAGEMENT FEE IN COST OF SERVICE IN THIS CASE?**

19 **A.** No. The Company is not seeking recovery of these fees in this case.

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<sup>20</sup> Direct Testimony of Lisa D. Budtke, pp. 5-6.

<sup>21</sup> Id.

<sup>22</sup> Id., p. 6, lines 1-2.

<sup>23</sup> Id., p. 5.

<sup>24</sup> See Exhibit FAS-1, EPE's response to RFI DOD/FEA 1-1.

<sup>25</sup> Direct Testimony of Lisa D. Budtke, p. 9.

1 **Q. IS THE COMPANY PROPOSING TO INCLUDE RECOVERY OF RCF**  
2 **COMMITMENT FEES IN THE COST OF SERVICE IN THIS CASE?**

3 **A.** Yes. EPE is proposing to include \$571,211 (Total Company basis) for RCF  
4 Commitment Fees in its cost of service request in this case, as an adjustment to  
5 miscellaneous general expenses.<sup>26</sup>

6 **Q. PLEASE RECAP EPE'S PROPOSAL REGARDING RECOVERY OF RGRT-**  
7 **RELATED COSTS IN THIS CASE.**

8 **A.** As summarized above, there are several RGRT-related costs applicable to the  
9 Company: (1) a management fee of \$11,812.50 per quarter charged to EPE; (2) RCF  
10 interest costs, as well as other costs related to long-term debt related to the RGRT; and  
11 (3) RCF Commitment Fees, assessed quarterly at a rate of 0.175% applied to the unused  
12 balance of the RCF. Of these three sets of costs, the Company is only requesting  
13 recovery in this case of a portion of the RCF Commitment Fees.

14 **Q. PLEASE SUMMARIZE EPE'S CALCULATION OF THE RCF**  
15 **COMMITMENT FEES FOR RECOVERY IN THIS CASE.**

16 **A.** EPE's calculation of the RCF Commitment Fees proposed to be included in rate base  
17 is presented in Table LDB-4 of Ms. Budtke's testimony. Under her calculation, the  
18 Company applies the Commitment Fee rate of 0.175% to the unused balance of the  
19 RCF. For calculating the RCF unused balance, EPE proposes to take the total amount  
20 of the RCF loan commitment of \$400 million and reduce this amount by about \$73.6  
21 million, which is the highest level of monthly borrowing for nuclear fuel during the  
22 Test Year.

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<sup>26</sup> EPE's Adjustment No. 21 to Miscellaneous General Expenses. *See* also Ms. Jennifer I. Borden Direct Testimony, p. 22.

1 **Q. WHAT IS YOUR RECOMMENDATION WITH RESPECT TO THE**  
2 **COMPANY'S PROPOSAL TO INCLUDE RCF COMMITMENT FEES IN**  
3 **BASE RATES?**

4 **A.** My recommendation is that the inclusion of these RCF Commitment Fees be  
5 disallowed for the reasons described below. My adjustment lowers general expenses  
6 by \$571,211 (Total Company basis).

7 **Q. PLEASE EXPLAIN THE BASIS FOR YOUR RECOMMENDATION.**

8 **A.** The RCF Commitment Fees should not be included in EPE's miscellaneous general  
9 expenses. These costs are borrowing fees or financing costs which should not be  
10 included in operating expenses. Consistent with the treatment of other forms of  
11 financing costs such as interest expense, which are not included in operating expenses,  
12 the RCF Commitment Fess should not be included in operating expenses. The RCF  
13 Commitment Fees are incurred due to the Company's debt financing decisions.

14 **Q. DOES THE FACT THAT THE RCF PROVIDES A SOURCE FOR**  
15 **LIQUIDITY AND OTHER BENEFITS TO EPE CHANGE YOUR**  
16 **RECOMMENDATION?**

17 **A.** No. While I do not challenge the assertions made by EPE that the RCF is a source of  
18 liquidity for the Company and that it provides other benefits to EPE, I disagree with  
19 EPE's proposed ratemaking treatment of the RCF for the reasons stated above. Even if  
20 the RCF provides liquidity for Company operations, it does not change the character  
21 and purpose of the RCF Commitment Fees.

22 **Q. WHAT WAS THE AMOUNT OF THE RCF COMMITMENT FEES FOR**  
23 **NON-FUEL PURPOSES ASSESSED TO THE COMPANY DURING THE**  
24 **TEST YEAR?**

1 A. During the Test Year, the Company was assessed \$342,052 (Total Company basis) in  
 2 RCF Commitment Fees for non-RGRT purposes (non-fuel or general working capital  
 3 requirements).<sup>27</sup> During calendar years 2018 and 2019, the Company was assessed  
 4 \$218,556 and \$314,334, respectively.<sup>28</sup> These amounts contrast with the Company's  
 5 higher request for inclusion of \$571,211 (Total Company basis) for the RCF  
 6 Commitment Fees.

7 **Q. IF THE COMMISSION WERE TO ALLOW RECOVERY OF THE RCF**  
 8 **COMMITMENT FEES, DO YOU HAVE ANY ADJUSTMENTS TO HOW**  
 9 **EPE CALCULATES THE RECOVERY AMOUNT?**

10 A. Yes. While my recommendation is for the Commission to disallow the inclusion of the  
 11 RCF Commitment Fees in cost of service, I offer an adjustment to EPE's calculation  
 12 of the amount only if the Commission approves inclusion of these fees as summarized  
 13 below in Table FAS-1.

Table FAS-1. Adjustment to Recovery of RCF Commitment Fees <u>ONLY</u> if Commission Approves Recovery			
Line No.	Description	EPE Request <sup>[1]</sup>	DOD/FEA Proposed <sup>[2]</sup>
1	<u>Total Company Basis</u>		
2	RCF Balance	\$400,000,000	\$400,000,000
3	Subtraction for RGRT	<u>73,594,000</u>	<u>122,000,000</u>
4	Balance Available for Non-RGRT Purposes	\$326,406,000	\$278,000,000
5	RCF Commitment Fee Rate	<u>0.00175</u>	<u>0.00175</u>
6	RCF Commitment Fees Non-RGRT Purposes	<u>\$571,211</u>	<u>\$486,500</u>

Note: Totals may not equal the sum of component parts due to independent rounding.

<sup>[1]</sup> Direct Testimony of Lisa D. Budtke, Table LDB-4.

<sup>[2]</sup> See Schedule FAS-1 for calculation.

<sup>27</sup> Calculated from data contained in the file "DOD-FEA 01-04\_Attachment 1," as provided in EPE's response to RFI DOD/FEA 1-4, and included in Exhibit FAS-1. (See also Schedule FAS-2 for calculation.)

<sup>28</sup> Id.

1 The RCF has a maximum borrowing limit of \$400 million, and a portion of the  
2 borrowing limit is used for RGRT purposes (nuclear fuel). To adjust for RGRT, the  
3 Company has subtracted about \$73.6 million from the balance, which is the highest  
4 level of borrowing for nuclear fuel during the Test Year. The RCF Commitment Fees  
5 are then applied to the lower balance of \$326.4 million.

6 Dating back to January 2018, the maximum amount of RCF borrowing for non-  
7 RGRT purposes was \$278 million (for the month of July 2020).<sup>29</sup> Thus, this is the  
8 amount of balance that should be used to calculate the RCF Commitment Fees, as  
9 opposed to the amount requested by the Company of \$326.4 million. For reference,  
10 the calculation of the RCF Commitment Fees, if the Commission approves inclusion  
11 of the fees, is \$486,500 (Total Company basis), as shown above in Table FAS-1 as well  
12 as in Schedule FAS-1.

13 **IV. SUMMARY OF THE COMMISSION'S ORDERS RELATED TO COVID-19**  
14 **RECOVERY**

15 **Q. PLEASE DESCRIBE THE COMMISSION'S ORDERS RELATED TO THE**  
16 **ACCRUAL OF A REGULATORY ASSET, AND MORATORIUMS RELATED**  
17 **TO COVID-19, ISSUED ON MARCH 26, 2020 IN PROJECT NO. 50664.**

18 **A.** The Commission issued two orders related to COVID-19 on March 26, 2020. First,  
19 according to the Order Related to Accrual of Regulatory Assets ("Reg. Asset Order"):  
20 "The Commission authorizes each electric, water, and sewer utility to record as a  
21 regulatory asset expenses resulting from the effects of COVID-19, including, but not  
22 limited to, non-payment of qualified customer bills as specified by separate order issued

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<sup>29</sup> Derived from information contained in file "OPUC 03-03\_Attachment," as provided in EPE's response to RFI OPUC 3-3, and included in Exhibit FAS-1. (See also Schedule FAS-1 for calculation.)

1 on this same date.”<sup>30</sup> The order also states that, in future proceedings, the Commission  
2 will evaluate the reasonableness of the recovery request, and consider other issues, such  
3 as the appropriate period of recovery, any amount of carrying costs, and other related  
4 matters.

5 Second, concurrent with the Reg. Asset Order, the Commission issued a  
6 separate Order granting exceptions to certain rules, which directed all retail electric  
7 providers to offer deferred payment plans to customers, and granted exception to  
8 certain rules contained in 16 Texas Administrative Code (TAC) related to bill payment,  
9 and disconnections (“Moratorium Order”).<sup>31</sup> Specifically, the Commission granted  
10 exception to: (1) Rule 16 TAC § 25.28(b), which provides for assessment of late  
11 payment fees on delinquent commercial or industrial bills; (2) 16 TAC § 25.29(b)(1),  
12 which provides for disconnection of utility service; and (3) 16 TAC § 25.480(c), which  
13 provides for the charging of late payment penalties on delinquent bills for customers of  
14 a retail electric provider.<sup>32</sup> The practical effect on EPE of the Commission’s orders was  
15 that EPE instituted a moratorium on customer disconnections and on assessments of  
16 late payment fees, while EPE recorded the impact of the orders and these measures as  
17 a regulatory asset.

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<sup>30</sup> *Issues Related to the State of Disaster for the Coronavirus Disease 2019*, Project No. 50664, Order Related to Accrual of Regulatory Assets (March 26, 2020).

<sup>31</sup> *Issues Related to the State of Disaster for the Coronavirus Disease 2019*, Project No. 50664, Order Directing Certain Actions and Granting Exceptions to Certain Rules (March 26, 2020).

<sup>32</sup> Except for residential or small commercial customers served by the provider of last resort.

1 **V. SUMMARY OF EPE ACCOUNTING ADJUSTMENTS DUE TO THE COVID-19**  
2 **PANDEMIC**

3 **Q. PLEASE DESCRIBE EPE'S COST OF SERVICE REDUCTION**  
4 **ADJUSTMENT RELATED TO THE COVID-19 PANDEMIC.**

5 **A.** EPE has identified over \$4.76 million in costs related to the COVID-19 pandemic. The  
6 Company is proposing to reclassify these COVID-19 costs for recovery through a new  
7 rider. As such, the Company removed certain COVID-19 costs from operating  
8 expenses and recorded them in a regulatory asset account. (*See* Table FAS-2, Line No.  
9 13, below.)<sup>33</sup> Similarly, EPE has identified \$768,725 (shown in Table FAS-2, Line No.  
10 14) in cost savings related to COVID-19 that the Company is also proposing to adjust  
11 from cost of service.<sup>34</sup> A summary of the Company's proposal is presented in Table  
12 FAS-2 below.

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<sup>33</sup> *See* WP A-3 Adj 07 COVID-19 Costs.

<sup>34</sup> *Id.*



**Table FAS-2. Costs and Savings Identified by EPE Related to the COVID-19 Pandemic for Inclusion in Cost of Service**

Line No.	Description	Total Company Basis
1	506000 - Misc Steam Power Exp	(\$82,700)
2	524000 - Misc Nuclear Power Exp	(1,546,840)
3	549000 - Misc Other Power Gen Exp	(36,076)
4	556000 - System Control & Load Disp	(2,935)
5	566000 - Misc Transmission Exp	(9,598)
6	586000 - Meter Expenses	(1,885)
7	588000 - Misc Distr Expense	(77,018)
8	903000 - Cust Records & Coll Exp	(131,276)
9	904000 - Uncollectible Accounts	(803,227)
10	921000 - Office Supplies & Exp	(1,401,471)
11	923000 - Outside Svs Employed	(118,966)
12	926000 - Employee Pensions & Ben	<u>(544,456)</u>
13	<i>Subtotal COVID-19 Reductions to Cost of Service:</i>	<i>(\$4,756,448)</i>
14	921000 - Office Supplies & Exp Savings	<u>768,725</u>
15	Net COVID-19 Reductions to Cost of Service:	<u><u>(\$3,987,723)</u></u>

Source: Workpaper ("WP") A-3 Adj 07 COVID-19 Costs.

**Q. PLEASE DESCRIBE EPE'S OTHER ACCOUNTING ADJUSTMENTS RELATED TO THE COVID-19 PANDEMIC.**

**A.** Besides the cost adjustment to the cost of service summarized in Table FAS-2 above, the Company is proposing several accounting adjustments to its cost of service for certain COVID-19-related costs, and is also recording certain COVID-19-related costs in a regulatory asset for disposition through a new, COVID-19 rider. Specifically, EPE's proposed changes, on a Total Company basis, are summarized as follows: (1) adjustment to the cost of service of \$3,987,723, as summarized above in Table FAS-2; (2) increase of \$844,298 in late payment fees in cost of service to normalize late payment fees for the Test Year; (3) reduction of \$803,227 for bad debt costs to adjust the amount for the Test Year to account for COVID-19;<sup>35</sup> and (4) recording \$8,345,323

<sup>35</sup> This adjustment is part of the removal of \$3.99 million, shown in Table FAS-2 above. The adjustment is shown independently, as it affects the level of bad debt expense the Company is proposing to include in the

1 in COVID-19-related costs in a COVID-19 regulatory asset, with annual amortization  
2 over three years of \$2,781,775, for recovery through a new COVID-19 rider. The  
3 justification for these adjustments is the Commission's Reg. Asset Order and  
4 Moratorium Order. Table FAS-4 summarizes these accounting adjustments, which are  
5 individually reviewed in the following pages of my testimony.

6 **Q. IS THE COMPANY PROPOSING TO MAKE ADJUSTMENTS TO**  
7 **OPERATING EXPENSES AND BAD DEBT EXPENSES RELATED TO**  
8 **COVID-19?**

9 **A.** Yes. As described by Ms. Prieto in her direct testimony, EPE is proposing to remove  
10 certain COVID-19-related costs, net of savings, from its revenue requirement request.<sup>36</sup>  
11 Specifically, on a Total Company basis, as shown earlier in Table FAS-2, EPE is  
12 proposing to remove \$3,987,723 from operating expenses.<sup>37</sup> This amount incorporates  
13 cost savings of \$768,725, and an adjustment for bad expenses of \$803,227. (See Table  
14 FAS-2.)

15 **Q. PLEASE SUMMARIZE EPE'S REQUEST RELATED TO BAD DEBT**  
16 **EXPENSE ALLOWANCES.**

17 **A.** The Company is seeking recovery in base rates of \$2,046,029 in bad debt expense.<sup>38</sup>  
18 EPE is also requesting recovery of bad debt as recorded in the COVID-19 regulatory  
19 asset for recovery through the COVID-19 rider of \$4,016,247.<sup>39</sup> As shown later in

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COVID-19 regulatory asset for separate rider recovery. Amount excludes adjustment for bad debt costs for the Company's requested revenue adjustment of \$194,390. (See Schedule FAS-2 for summary.)

<sup>36</sup> Direct Testimony of Cynthia S. Prieto, p. 37.

<sup>37</sup> Id., p. 36, lines 27-28.

<sup>38</sup> This amount is on a Total Company basis. When including \$194,390 in bad debt expense related to EPE's rate increase, this amount would be \$2,229,476. (See EPE's response to RFI DOD/FEA 1-28, included in Exhibit FAS-1).

<sup>39</sup> See WP A-3 Adj 07 COVID-19 costs.

1 Table FAS-4, Line No. 4, EPE is proposing to adjust its cost of service by \$803,227 to  
2 adjust its bad debt expense level for the Test Year. The amount of bad debt expense  
3 included in base rates from the Company's books (ledger amounts prior to adjustments)  
4 for the Test Year is \$2,849,256. With the reduction of \$803,227 and the adjustment for  
5 uncollectibles of (\$10,493), the net amount included in rate base is \$2,046,029. Thus,  
6 in totality, the Company is seeking recovery of \$6,062,276 annually in bad debt  
7 expense (\$2,046,029 in revenue requirement and \$4,016,247 via regulatory asset,  
8 recovered through a new rider over three years).<sup>40</sup> EPE-proposed bad debt adjustments  
9 are summarized in Table FAS-3 below.

Table FAS-3. Summary of EPE's Proposed Accounting Adjustments to Bad Debt Expense Related to the COVID-19 Pandemic				
Line No.	Description	Total Company Basis	Texas Jurisdictional Basis	EPE WP Reference
1	904000 – Cust – Uncollectible Accounts	\$2,849,256 <u>(10,493)<sup>[1]</sup></u> \$2,838,313	\$2,207,245	WP A-3, Adj 07, and WP- A-03, Adj 01
2	904000 – COVID-19 Adj Only	<u>(803,227)</u>	<u>(624,638)</u>	WP A-3, Adj 07, and WP- A-03, Adj 01
3	Net Bad Deb for Rev Req.	\$2,046,029	\$1,582,606	WP A-3, Adj 07, and WP- A-03, Adj 01
4	Uncollectible Expenses From Schedule G-03	<u>\$6,062,276</u>	--	WP A-3, Adj 07, and WP- A-03, Adj 01
5	Net for Regulatory Asset Recovery	<u>\$4,016,247</u>	--	WP A-3, Adj 07, and WP- A-03, Adj 01

Note: Totals may not equal the sum of component parts due to independent rounding.

<sup>[1]</sup> Adjustment for uncollectibles to reconcile per-book change in revenues. See WP A-03, Adjustment No. 01.

10 **Q. PLEASE BRIEFLY DESCRIBE EPE'S S COVID-19-RELATED**  
11 **ADJUSTMENTS SHOWN IN TABLE FAS-4 BELOW.**

<sup>40</sup> Id. Amount excludes \$194,390 in bad debt expense related to EPE's rate increase.

1     **A.**     The table presents the COVID-19-related adjustments both on a Total Company and  
2             Texas jurisdictional basis. The top portion of the table summarizes EPE's proposed  
3             cost of service adjustments. The middle of the table shows EPE's proposed changes to  
4             rate base. The bottom of the table shows EPE's proposal for accrual and recovery of  
5             the regulatory asset through a new, separate COVID-19 rider. EPE is asking for exact  
6             inclusion of the reduction in the cost of service through the regulatory asset. (*See* Table  
7             FAS-4, Line Nos. 5 and 9.) The table also shows that the annual amount EPE is  
8             proposing for recovery through a new rider is \$2,781,774 on a Total Company basis,  
9             and \$2,196,060 on a Texas jurisdictional basis. Table FAS-4 show a Summary of EPE's  
10            Proposed Accounting Adjustments Related to the COVID-19 Pandemic.

**Table FAS-4. Summary of EPE's Proposed Accounting Adjustments Related to the Covid-19 Pandemic**

Line No.	Description	Total Company Basis	Texas Jurisdictional Basis <sup>[1]</sup>	EPE WP Reference
1	<u>Cost of Service Adjustments</u>			
2	Reductions to Expenses	(\$3,953,221)	(\$3,143,020)	WP A-3, Adj 07
3	Cost Savings	768,725	606,867	WP A-3, Adj 07
4	Reductions to Bad Debt	<u>(803,227)</u>	<u>(624,638)</u>	WP A-3, Adj 07
5	<i>Subtotal Reductions to Rev. Req.:</i>	(\$3,987,723)	(\$3,160,791)	WP A-3, Adj 07
6	450000 - Adjustment to Late Payment Fees <sup>[2]</sup>	<u>(844,298)</u>	<u>(844,298)</u>	WP A-3, Adj 01
7	Total Cost of Service. Adjustments:	<u>(\$4,832,021)</u>	<u>(\$4,005,089)</u>	
8	<u>Rate Base Adjustments</u>			
9	Reductions to Rev. Req. Including in Regulatory Asset	\$3,987,723	\$3,160,791	WP A-3, Adj 07
10	182399 - Other Regulatory Assets <sup>[3]</sup>	3,213,020	2,536,505	WP A-3, Adj 07
11	450000 - Reductions to Late Payment Fees	<u>944,710</u>	-- <sup>[4]</sup>	WP A-3, Adj 07
12	<i>Subtotal Regulatory Asset:</i>	<u>\$8,145,453</u>	-- <sup>[4]</sup>	WP A-3, Adj 07
13	Carrying Costs	<u>199,870</u>	-- <sup>[4]</sup>	WP B-1, Adj 03
14	Total Regulatory Asset	\$8,345,323	-- <sup>[4]</sup>	WP A-3, Adj 07 and WP B-1, Adj 03
15	407300 – Deferral Amort. Adjustment	<u>\$2,781,774</u>	<u>\$2,196,060</u>	WP B-1, Adj 03
16	182399 – COVID -19 Reg. Asset	\$5,563,549	\$5,563,549 <sup>[5]</sup>	WP B-1, Adj 03
17	<u>Rider Recovery</u>			
18	Annual Recovery for 3 Years	<u>\$2,781,774</u>	<u>\$2,196,060</u>	WP B-1, Adj 03

Notes: Totals may not equal the sum of component parts due to independent rounding.

WP = Workpaper.

<sup>[1]</sup> Amounts are estimated and shown only for illustrative purposes.

<sup>[2]</sup> Adjustment increases Other Operating Revenues, which reduces EPE's cost of service.

<sup>[3]</sup> Bad debt expense recorded to regulatory asset.

<sup>[4]</sup> Amounts cannot be calculated due to the Company's inconsistent use of the jurisdictional allocation factor (see Section VII.C of my testimony for further information).

<sup>[5]</sup> Amount from EPE's filed cost of service study Excel file, which is inconsistent with the deferral amounts allocable to Texas. (see Section VII.C of my testimony).

1 **VI. ADJUSTMENTS TO THE COST OF SERVICE RELATED TO THE COVID-19**  
2 **PANDEMIC**

3 **Ratemaking Treatment of Cost Savings from COVID-19 Adjustment in EPE's Cost of**  
4 **Service**

5 **Q. PLEASE DESCRIBE EPE'S COST OF SERVICE ADJUSTMENT RELATED**  
6 **TO COST SAVINGS FROM COVID-19.**

7 **A.** Pursuant to EPE's operations and maintenance expenses ("O&M") Adjustment No. 7,  
8 the Company has identified \$768,725 (Total Company basis) in cost savings related to  
9 COVID-19.<sup>41</sup> The Company is proposing to adjust these costs from the cost of service  
10 and include them in the balance of the COVID-19 regulatory asset.<sup>42</sup>

11 **Q. DOES THIS ADJUSTMENT INCREASE OR DECREASE THE COMPANY'S**  
12 **COST OF SERVICE REQUEST IN THIS CASE?**

13 **A.** As shown earlier in Table FAS-2, this adjustment increases the Company's cost of  
14 service request in this proceeding by \$768,725 (Total Company basis). In other words,  
15 absent this adjustment, EPE's O&M level would be lower; thus, this adjustment  
16 increases the rate increase amount requested by the Company.

17 **Q. HOW DID THE COMPANY CALCULATE THE COST SAVINGS OF**  
18 **\$768,725 FOR ITS COST OF SERVICE O&M ADJUSTMENT?**

19 **A.** The Company is proposing an adjustment to increase operating expenses by adding  
20 back the COVID-19 savings experienced during calendar year 2020. According to the  
21 Company, the savings come from cost reductions in office supplies (e.g., copy paper  
22 and toner), as well as reductions in training and travel costs due to work-at-home

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<sup>41</sup> See Table FAS-4, Line No. 3.

<sup>42</sup> See WP A-3 Adj 07 COVID-19 Costs.

1 provisions.<sup>43</sup> The Company calculated the savings as the difference between Office  
2 Supplies and Training & Travel costs for the 12 months ended December 31, 2020, and  
3 the prior year.<sup>44</sup>

4 **Q. IS THIS ADJUSTMENT APPROPRIATE?**

5 **A.** No. I believe that the cost savings are going to continue beyond the Test Year (calendar  
6 year 2020). By making this adjustment, the Company is considering that the cost  
7 savings from its work-at-home provisions were extraordinary and temporary. However,  
8 it is reasonable to consider that many EPE employees will continue to work from home,  
9 even after the pandemic has fully subsided, and that the cost savings will continue in  
10 the future. Therefore, the cost savings are known, measurable, and permanent, such  
11 that no adjustment is necessary. There has been a permanent shift in the way businesses  
12 operate around the world, whereby businesses and employees are more open to  
13 teleworking.<sup>45</sup> This view is shared by many utility executives. To wit, in a recent news  
14 article, Gil Quiniones, CEO of the New York Power Authority (“NYPA”), was cited  
15 as saying that he predicted that a portion of his employees will substantially work from  
16 home going forward; in fact, Mr. Quiniones expressed that NYPA was preparing for  
17 the reality of this new normal.<sup>46</sup> In the article, Debra Smith, CEO and General Manager  
18 of Seattle City Light, was also quoted as saying that she doubts that she will work five

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<sup>43</sup> See Schedule FAS-1, EPE’s response to RFI Staff 5-5.

<sup>44</sup> Id.

<sup>45</sup> For example, according to the results of a survey of 30,000 people from 31 countries from Microsoft’s first-annual Work Trend Index, as reported in Yahoo! Finance, “... 73% of workers want their employers to continue providing flexible remote work options after the world returns to some semblance of normalcy.” (See <https://www.yahoo.com/now/microsoft-survey-73-percent-of-workers-want-to-work-from-home-after-pandemic-130029295.html>.)

<sup>46</sup> S&P Global Market Intelligence, “Virus flipped utilities’ perspectives on work-from-home policies, leaders say,” June 8, 2020.

1 days a week in the office again.<sup>47</sup> During the Test Year, EPE proved that it can continue  
2 to provide adequate service to its customers while achieving these cost savings; thus,  
3 the adjustment to eliminate the cost savings from EPE's O&M would provide a  
4 financial windfall to EPE's shareholders, with no clear benefit to customers.

5 **Q. WHAT IS YOUR RECOMMENDATION RELATED TO THIS**  
6 **ADJUSTMENT?**

7 **A.** My recommendation is for this adjustment to be excluded from O&M. As shown in  
8 Table FAS-7 later in this testimony, under my proposal, the exclusion adjusts the  
9 Company's cost of service request due to COVID-19 from (\$3,987,723) to  
10 (\$4,756,448) on a Total Company basis (before adjustments to late payment fees; *see*  
11 Table FAS-7, Line No. 5). Thus, with my adjustment, the Company's proposed cost of  
12 service adjustments related to COVID-19 are adjusted by \$768,725 (Total Company  
13 basis).

14 **Q. IS THE COMPANY PROPOSING TO INCLUDE THE COST SAVINGS**  
15 **RELATED TO COVID-19 IN THE COVID-19 REGULATORY ASSET?**

16 **A.** Yes. As shown later in this testimony in Table FAS-7, Line No. 9, EPE is proposing to  
17 include the cost savings in the COVID-19 regulatory asset.<sup>48</sup> Inclusion of the cost  
18 savings reduces the balance for the COVID-19 regulatory asset by \$768,725 (Total  
19 Company basis).

20 **Q. DO YOU RECOMMEND EXCLUDING THE COST SAVINGS OF \$768,725**  
21 **IN THE COVID-19 REGULATORY ASSET BALANCE?**

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<sup>47</sup> Id.

<sup>48</sup> *See* WP A-3 Adj 07 COVID-19 Costs and WP B-1 Adj 03 Reg Assets and Liab.



1     **A.**     No. The reason is that, for purposes of recording costs to the COVID-19 regulatory  
2             asset, the cost savings associated with changes in the Company's operations during  
3             COVID-19 represent a quantifiable shift in costs that must be recognized in the  
4             COVID-19 regulatory asset, similar to how other COVID-19-related costs are included.  
5             The cost savings are directly related to COVID-19; thus, they should be recognized in  
6             the COVID-19 regulatory asset, consistent with EPE's treatment of additional COVID-  
7             19-related costs. Ratepayers should not be assessed for the additional COVID-19-  
8             related costs included in the COVID-19 regulatory asset balance without consideration  
9             of the savings that occurred, also due to the pandemic. For example, the costs the  
10            Company incurred for personal protective equipment ("PPE") during the Test Year  
11            should be offset by the savings from lower office supplies, and reductions in training  
12            and travel costs, and as such, these savings must be recorded in the COVID-19  
13            regulatory asset.<sup>49</sup> There must be reciprocity; if costs are allowed to be recorded, the  
14            savings must be as well. It would not be reasonable to exclude PPE costs from the  
15            COVID-19 regulatory asset, it is likewise also not reasonable to exclude cost savings.

16            **VII. ADJUSTMENTS TO EPE'S RATE BASE RELATED TO THE COVID-19**  
17            **PANDEMIC**

18     **A. Carrying Costs Allowance for the COVID-19 Regulatory Asset**

19     **Q.     PLEASE DESCRIBE EPE'S DEVELOPMENT OF THE REGULATORY**  
20            **ASSET RELATED TO COVID-19.**

21     **A.**     As authorized by the Commission, EPE recorded a regulatory asset starting in March  
22             2020, including EPE's estimate of the additional bad debt expense and other costs

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<sup>49</sup> The Company is requesting to record over \$1.2 million in costs related to PPE, janitorial services, disinfectants, etc. in the COVID-19 regulatory asset. *See* WP A-3 Adj 07 COVID-19 Costs, for reference.

1 estimated by EPE over the historical Test Year level, all considered to be due to  
2 COVID-19. The detailed amounts which EPE proposes to include in the rider are  
3 shown in Workpaper (WP) A-3, Adjustment No. 7, and WP B-1, Adjustment No. 3,  
4 summarized earlier in Table FAS-4. EPE is proposing to record a total of \$8,145,453  
5 in costs in its COVID-19 regulatory asset. After inclusion of carrying costs, the  
6 regulatory balance increases to \$8,345,323 million.<sup>50</sup> EPE is proposing a three-year  
7 period for amortization of the regulatory asset, which provides for annual amortization  
8 of \$2,781,774.<sup>51</sup>

9 **Q. IS THE COMPANY PROPOSING TO INCLUDE CARRYING COSTS IN ITS**  
10 **CALCULATION OF THE REGULATORY ASSET?**

11 **A.** Yes. As included in WP B-1, Adjustment No. 3, EPE is adding \$199,870 in carrying  
12 costs to the regulatory asset balance. The rate applied by the Company to calculate the  
13 carrying cost reflects the WACC approved in the final order in EPE's last general rate  
14 case (Docket No. 46831) of 7.725%.<sup>52</sup> Stated another way, when calculating the  
15 accrued balance amounts to be recovered through the COVID-19 regulatory asset, the  
16 Company has included carrying costs on monthly balances during the Test Year.<sup>53</sup>  
17 Thus, the Company is seeking to recover interest carrying costs, and to earn a return  
18 from this regulatory asset.

19 **Q. WHAT IS YOUR RECOMMENDATION FOR CARRYING COSTS IN THE**  
20 **COVID-19 REGULATORY ASSET?**

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<sup>50</sup> Amounts are on a Total Company basis, as summarized in WP B-1 Adj 03 Reg Assets and Liab., and shown earlier in Table FAS-4.

<sup>51</sup> Id.

<sup>52</sup> *Application of El Paso Electric Company to Change Rates*, Docket No. 46831, Order ¶ 30 (December 18, 2017).

<sup>53</sup> As confirmed by the Company in EPE's response to RFI DOD/FEA 1-17, as included in Exhibit FAS-1.

1     **A.**     My recommendation is for the Commission to not allow EPE to include carrying costs  
2             in the balance of the COVID-19 regulatory asset. This adjustment eliminates EPE's  
3             carrying costs request of \$199,870. (*See* Table FAS-7, Line No. 13.)

1     **Q.     PLEASE EXPLAIN YOUR RECOMMENDATION TO DISALLOW THE**  
2     **CARRYING COSTS IN THE COVID-19 REGULATORY ASSET.**

3     **A.**     The Commission's Reg. Asset Order does not establish a specific period of time for  
4     cost recovery or designate an amount of carrying costs for future proceedings.<sup>54</sup> In other  
5     words, the Reg. Asset Order is silent as to whether the Company is allowed to recover  
6     carrying costs on the asset and over what period of time. In its proposal, EPE is asking  
7     for both an allowance for carrying costs during the Test Year at the full WACC rate of  
8     7.725%, as approved in EPE's last general rate case (Docket No. 46831), and a return  
9     on the unamortized asset's balances (inclusion in rate base).<sup>55</sup>

10           Because of the COVID-19 pandemic, many households and business suffered  
11     significant financial hardship. The allowance of a deferral of COVID-19-related costs  
12     for future recovery consideration granted by the Commission was a generous regulatory  
13     allowance conceded to utilities which other industries do not enjoy. EPE's proposal to  
14     recover carrying costs, including the opportunity to earn a return on this deferral, is  
15     unjustified. The Company is already made whole under my recommendation that it be  
16     allowed to record, and then seek recovery of, the COVID-19 regulatory asset via a new  
17     rider recovery. There is very limited risk associated with the recovery of these costs.  
18     Under the new COVID-19 rider, the Company is all but guaranteed full recovery of the  
19     costs related to the COVID-19 pandemic.

20           Allowing the Company to add carrying costs to the COVID-19 regulatory asset  
21     would provide a financial windfall to shareholders without any benefit to ratepayers.

22     In the past, the Commission, and previous settlements in general rate cases, have

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<sup>54</sup> *Issues Related to the State of Disaster for the Coronavirus Disease 2019*, Project No. 50664, Order Related to Accrual of Regulatory Assets (March 26, 2020).

<sup>55</sup> WP B-1 Adj 03 Reg Assets and Liab.

1 allowed a return of, but not a return on, regulatory assets related to retired generation  
2 plant facilities that were no longer used and useful.<sup>56</sup> There is also Commission  
3 precedent in a fully litigated proceeding that is consistent with my recommendation; to  
4 wit, the Commission's order in Southwestern Electric Power Company's  
5 ("SWEPCO's") 2017 general rate case (Docket No. 46449), Findings of Fact Nos. 68  
6 and 69, stated that:

7 68. Because Welsh unit 2 is no longer used and useful,  
8 SWEPCO may not include its investment associated with  
9 the plant in its rate base, and may not earn a return on that  
10 remaining investment.

11 69. Allowing SWEPCO a return of, but not on, its  
12 remaining investment in Welsh unit 2 balances the interests  
13 of ratepayers and shareholders with respect to a plant that  
14 no longer provides service.<sup>57</sup>

15 Furthermore, absent the Reg. Asset Order, the Company would have had to  
16 absorb the additional COVID-19 costs without a guarantee for recovery, let alone a  
17 guarantee to recover carrying costs, or have an opportunity to earn a return. Under the  
18 Texas regulatory compact, electric utilities are provided a reasonable opportunity to  
19 earn a reasonable return on invested capital, but not a return on allowable expenses.<sup>58</sup>  
20 The costs recorded in the COVID-19 regulatory asset are extraordinary allowable  
21 expenses and lost revenues; thus, the Company should not be allowed a return on the  
22 balance for these items. Disallowance of carrying costs, and exclusion of the asset

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<sup>56</sup> See, for example, the settlement agreement in Entergy Texas, Inc.'s ("ETI's") general rate case (Docket No. 48371) wherein the signatories agreed to ETI establishing several regulatory assets and recovering a return of, but not on, the regulatory assets (Entergy Texas, Inc.'s Statement of Intent and Application for Authority to Change Rates, Docket No. 48371, Order, Findings of Fact Nos. 63 and 64, December 20, 2018).

<sup>57</sup> *Application of Southwestern Electric Power Company for Authority to Change Rates*, Docket No. 46449, Order (January 11, 2018).

<sup>58</sup> See 16 Tex. Admin. Code § 25.231(b) (TAC).

1 balance in rate base, is appropriate in this proceeding as it balances the interests of  
2 shareholders and ratepayers.

3 **B. Inclusion of Unamortized Balance of the COVID-19 Regulatory Asset in Rate Base**

4 **Q. PLEASE DESCRIBE THE COMPANY’S PROPOSAL RELATED TO**  
5 **INCLUSION OF THE UNAMORTIZED BALANCE OF THE COVID-19**  
6 **REGULATORY ASSET IN RATE BASE.**

7 **A.** Pursuant to EPE’s Regulatory Assets and Liabilities and Other Additions/Deductions  
8 (Rate Base Adjustment No. 3) the Company is proposing to include an unamortized  
9 balance of \$5,563,549 in rate base.<sup>59</sup>

10 **Q. WHAT IS YOUR RECOMMENDATION RELATED TO EPE’S REQUEST**  
11 **FOR INCLUSION OF THE UNAMORTIZED BALANCE OF THE COVID-19**  
12 **REGULATORY ASSET IN RATE BASE?**

13 **A.** Consistent with my recommendation for disallowance of carrying costs applied to the  
14 balance of the COVID-19 regulatory asset, I recommend that, for ratemaking purposes,  
15 the unamortized balance of the COVID-19 regulatory asset be excluded from rate base.  
16 I believe that the Commission’s intent with its orders in Project No. 50664, which  
17 allowed for tracking of costs through a regulatory asset and suspended the rules for  
18 disconnections and late payment fee assessments, was to protect ratepayers in a  
19 moment of uncertainty, and not to provide an opportunity for the Company to earn a  
20 return. Under EPE’s proposal, not only would the Company be allowed to recover  
21 certain COVID-19 costs, but it would also be allowed an opportunity to earn a return  
22 on that recovery. The Company’s return request is contrary to the public interest. Under

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<sup>59</sup> Account No. 182399 – COVID -19 Reg. Asset, Excel file “EPE Regulatory Case Working Model – As Filed – Dkt 52195,” Tab “Jurisdiction Allocation,” Cell J3058.

1 my recommendation, EPE would still be allowed to recover COVID-19-related costs,  
2 but without overburdening ratepayers by providing an opportunity to earn a return for  
3 the Company's shareholders. Every business, including utilities, faces some level of  
4 collection and change in cost risks. Mitigating these risks through a regulatory asset  
5 and providing recovery is reasonable, whereas providing an opportunity to earn a return  
6 is certainly not in the public interest, nor reasonable.

7 Under my recommendation, for ratemaking purposes, the entire amount of the  
8 unamortized balance level approved by the Commission in this proceeding for the  
9 COVID-19 regulatory asset would be excluded from the Company's rate base, but the  
10 Company would still be allowed all but guaranteed recovery of the recorded costs, sans  
11 return or carrying costs, through the COVID-19 rider. For illustration purposes, using  
12 the amounts filed by the Company as a reference, \$5,563,549 (Total Company basis)  
13 would be excluded from rate base. To clarify, while I recommend exclusion of carrying  
14 costs, I still recommend that the Company be allowed annual recovery of the COVID-  
15 19 regulatory asset balance (adjusted under my proposals in this testimony), calculated  
16 without inclusion of any carrying costs.

17 **C. Jurisdictional Allocator for Regulatory Asset**

18 **Q. PLEASE DESCRIBE EPE'S JURISDICTIONAL ALLOCATION OF THE**  
19 **UNAMORTIZED BALANCE OF THE COVID-19 REGULATORY ASSET.**

20 **A.** On a Total Company basis, EPE is proposing to record \$8,345,323 to the COVID-19  
21 regulatory asset.<sup>60</sup> For amortization purposes, EPE is requesting that two-thirds of the  
22 balance, or \$5,563,549, be recorded in rate base, and one-third be set for recovery

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<sup>60</sup> WP B-1 Adj 03 Reg Assets and Liab.

1 through the COVID-19 rider, totaling \$2,781,774.<sup>61</sup> On a Texas jurisdictional basis,  
2 EPE is proposing to use the DIRECT\_TX jurisdictional allocator for the recorded  
3 balance, while using other allocators (like LABOR) for recovery. Specifically, EPE is  
4 proposing to record two-thirds of the balance, or \$5,563,549,<sup>62</sup> to the Texas jurisdiction,  
5 while the one-third set for recovery is \$2,196,000.

6 **Q. DO YOU BELIEVE THAT IT IS APPROPRIATE FOR EPE TO FULLY**  
7 **ALLOCATE THE UNAMORTIZED PORTION OF THE COVID-19**  
8 **REGULATORY ASSET TO THE TEXAS JURISDICTION?**

9 **A.** No. A portion of the unamortized balance should be allocated to the New Mexico  
10 jurisdiction.

11 **Q. WHAT IS YOUR RECOMMENDATION TO PROPERLY ALLOCATE A**  
12 **PORTION OF THE UNAMORTIZED BALANCE OF THE COVID-19**  
13 **REGULATORY ASSET TO THE TEXAS JURISDICTION?**

14 **A.** The use of the DIRECT\_TX allocator for rate base allocation is erroneous, as a portion  
15 of the unamortized balance must be allocated to the New Mexico jurisdiction, as  
16 presented elsewhere in EPE's proposals.<sup>63</sup> The correct allocation for illustrative  
17 purposes, using EPE's requested amounts, should be such that if the COVID-19 rider  
18 annual recovery is \$2,196,000, then the Texas jurisdictional allocation of unamortized  
19 balance in rate base should be \$2,196,000, multiplied by 2, or \$4,392,120, as opposed  
20 to \$5,563,549.

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<sup>61</sup> Id.

<sup>62</sup> For reference, the use of the DIRECT\_TX allocator is found in the Excel file "EPE Regulatory Case Working Model – As Filed – Dkt 52195," Tab "Jurisdiction Allocation," Cell K3058.

<sup>63</sup> Id.



1 While my recommendation is that, for ratemaking purposes, the unamortized  
2 portion of the asset be excluded from rate base, for tracking the annual COVID-19 rider  
3 recovery, I recommend that the jurisdictional allocator be applied correctly. For  
4 tracking purposes and annual amortization of the unamortized amount through the  
5 COVID-19 rider, I recommend that the Company be required to ensure that the  
6 appropriate amount of the balance of the COVID-19 regulatory asset is allocated to the  
7 Texas jurisdiction. The Company should use a composite jurisdictional allocator to  
8 calculate the appropriate amount. Table FAS-5 below shows an example of how this  
9 allocator would be applied to balances using EPE's proposal for reference.

Table FAS-5. Illustrative Example of Texas Jurisdictional Allocation of the COVID-19 Regulatory Asset				
Line No.	Description	Total Company Basis	Allocator	Texas Jurisdictional Basis
1	<u>As Proposed by EPE</u>			
2	Regulatory Asset	\$8,345,323	--	--
3	407300 – Deferral Amort. Adjustment	<u>\$2,781,774</u>	LABOR	<u>\$2,196,060</u>
4	182399 – COVID -19 Reg. Asset	<u>\$5,563,549</u>	DIRECT_TX	<u>\$5,563,549</u>
5	<u>Illustrative as Corrected</u>			
6	Regulatory Asset	\$8,345,323	COMPOSITE	\$6,588,179
7	407300 – Deferral Amort. Adjustment	<u>\$2,781,774</u>	LABOR	<u>\$2,196,060</u>
8	182399 – COVID -19 Reg. Asset <sup>[1]</sup>	<u>\$5,563,549</u>	COMPOSITE	<u>\$4,392,120</u>

*Note:* Totals may not equal the sum of component parts due to independent rounding.

<sup>[1]</sup> For ratemaking purposes, amount should not be included in EPE's cost of service. Amount should only be used to track annual amortization through the COVID-19 rider.

10 **D. “True-Up” Provisions Related to the COVID-19 Regulatory Asset and COVID-19**  
11 **Rider Recovery**

12 **Q. PLEASE SUMMARIZE THE COMPANY’S PROPOSALS TO “TRUE-UP”**  
13 **THE REGULATORY ASSET / RIDER RECOVERY IN FUTURE YEARS.**

1     **A.**     There are two distinct issues related to the true-up of COVID-19-related costs. The  
2             first issue is the ability for the Company to adjust the amounts recorded to the COVID-  
3             19 regulatory asset in future years for changes in Operating Expenses and/or bad debt  
4             that were to occur in future years (outside of the Test Year). The second issue is the  
5             true-up that would take place at the end of each year to ensure that any over- or under-  
6             recovery during a given year carries forward to the next year, so that the Company  
7             achieves exact recovery at the end of the amortization period of the asset.

8             It is unclear as to what the Company is proposing relating to these two issues.  
9             With respect to having the ability to adjust the recorded amounts in the COVID-19  
10            regulatory asset and according to testimony from witness Prieto, the Company appears  
11            to be proposing to: "...true-up the bad-debt portion of the COVID-19 recovery at the  
12            end of each year to account for any adjustments to the COVID-19-related expenses  
13            during the period new rates are in effect."<sup>64</sup> The language is not clear as to the  
14            Company's proposal. In response to the RFIs, the Company states that it has not  
15            decided whether to make a change to the COVID-19 rider for additional expenses  
16            incurred in 2021, but that a true-up of the COVID-19 rider is anticipated to be made at  
17            the end of 2022.<sup>65</sup> The response to the RFIs does not provide any additional  
18            information to clarify the Company's proposal. The RFI responses appear to indicate  
19            that the Company "anticipates" performing a true-up adjustment at the end of 2022, but  
20            is not clear as to the mechanics of this adjustment.

21            For the true-up for exact recovery, the Company proposal is to compare the  
22            level of: "... COVID-19 related expenses incurred, along with allowed carrying costs,

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<sup>64</sup> Direct Testimony of Cynthia S. Prieto, p. 38, lines 1-3.

<sup>65</sup> EPE's response to RFI DOD/FEA 1-32, included in Exhibit FAS-1.

1 offset by savings through the end of each year, compared to the revenues received  
2 through the COVID-19 rider.”<sup>66</sup>

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<sup>66</sup> EPE’s response to RFI DOD/FEA 1-33, included in Exhibit FAS-1.

1 **Q. DO YOU HAVE ANY CHANGES TO THE COMPANY'S PROPOSAL TO**  
2 **TRUE-UP FOR EXACT RECOVERY?**

3 **A.** No. EPE's proposal, as described above and as I understand it, is adequate. That is, by  
4 the end of each calendar year, the Company should complete a true-up comparing  
5 collections and amounts recorded to achieve exact recovery at the end of the  
6 amortization period of the asset.

7 **Q. DO YOU HAVE ANY RECOMMENDATIONS RELATED TO THE**  
8 **COMPANY'S PROPOSAL TO TRUE-UP AMOUNTS RECORDED IN THE**  
9 **COVID-19 REGULATORY ASSET?**

10 **A.** Yes. While I am not certain what the Company's proposal is subsequent to my review  
11 of the Company's testimonies and RFIs, I offer the following recommendations. First,  
12 EPE should not be allowed to record any further expenses, cost savings, or bad debt  
13 amounts to the COVID-19 regulatory asset for amounts outside of the Test Year. The  
14 amount to be recorded in the COVID-19 regulatory asset should be decided on in this  
15 proceeding, and should only be modified pursuant to my second recommendation,  
16 explained below. Any incremental costs or cost savings in O&M related to the COVID-  
17 19 pandemic occurring outside of the Test Year, and not recognized or included in the  
18 balance in this proceeding, should be considered separate events and deemed already  
19 recovered through base rates.

20 Second, EPE should be directed to adjust the bad debt balance in the COVID-  
21 19 regulatory asset by future collection of accounts receivables that can be allocated to  
22 COVID-19 amounts recorded in the asset.<sup>67</sup> Under this adjustment, and consistent with  
23 my first recommendation above, the Company should not be allowed to record any

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<sup>67</sup> As described in EPE's response to RFI DOD/FEA 1-30, as included in Exhibit FAS-1.

1 additional bad debt amounts to the regulatory asset from the level authorized in this  
2 proceeding. That is, the approved balance of the COVID-19 regulatory asset in this  
3 proceeding should only be modified to lower the recorded level due to collection of  
4 accounts receivables allocable to COVID-19 or for other adjustments that decrease the  
5 balance only. My recommendations provide safeguards to ratepayers, while allowing  
6 the Company a reasonable opportunity to recover COVID-19-related costs.

7 **E. Amortization Period for COVID-19 Rider Recovery and Allocation to Texas Retail**  
8 **Rate Classes**

9 **Q. WHAT IS YOUR RECOMMENDATION REGARDING THE PERIOD OF**  
10 **RECOVERY FOR EPE'S COVID-19 RIDER?**

11 **A.** I propose a five-year period of recovery for the COVID-19 rider, as opposed to the  
12 Company-proposed amortization over three years. The longer recovery period would  
13 mitigate the cost impact on ratepayers. This is consistent with the terms of the Reg.  
14 Asset Order, whereby the Commission states that in future proceedings, it will consider  
15 the appropriate period of recovery for the approved amount of the regulatory asset. (*See*  
16 *Table FAS-6 for my proposed annual COVID-19 rider recovery amounts, by retail rate*  
17 *class.*)

18 **Q. PLEASE SUMMARIZE YOUR RECOMMENDED CHANGES TO EPE'S**  
19 **COVID-19 RIDER RECOVERY.**

1    **A.**     As shown earlier in Table FAS-7, my recommended level of cost to be recorded to the  
2           COVID-19 regulatory asset is \$8,145,453 (Total Company basis). Under an accrual  
3           period of five years, the annual amount for rider recovery is \$1,629,091. (*See* Table  
4           FAS-7, Line No. 18.) On a Texas-jurisdictional basis, my recommended level of annual  
5           recovery is \$1,286,078. (*See* Table FAS-7, Line No. 19.) Table FAS-6 below shows a  
6           comparison of EPE's and my proposed rider recovery by Texas retail rate class.<sup>68</sup>

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<sup>68</sup> Calculation is shown on Schedule FAS-4.

**Table FAS-6. COVID-19 Rider Recovery Allocated by Texas Retail Rate Class (EPE Request Vs. DOD/FEA Proposal)<sup>[1]</sup>**

Line No.	Rate Class	EPE Request <sup>[2]</sup>	DOD/FEA Proposal
1	Rate 01 Residential Service	\$1,341,904	\$785,859
2	Rate 02 Small General Service	136,838	80,136
3	Rate 07 Recreational Lighting	2,598	1,522
4	Rate 08 Street Light	15,014	8,792
5	Rate 09 Traffic Signs	370	217
6	Rate 11 TOU Municipal Pumping	34,075	19,955
7	Rate 15 Electric Refining	6,908	4,045
8	Rate 22 Irrigation Service	1,993	1,167
9	Rate 24 General Service	377,654	221,166
10	Rate 25 Large Power	120,017	70,286
11	Rate 26 Petroleum Refinery	40,602	23,778
12	Rate 28 Area Lighting	6,625	3,880
13	Rate 30 Electric Furnace	4,313	2,526
14	Rate 31 Military Reservation	45,664	26,742
15	Rate 34 Cotton Gin	616	361
16	Rate 41 City and County	55,631	32,579
17	WH Water-Heating	5,239	3,068
18	TX Jurisdictional Rider Recovery	<u>\$2,196,060</u>	<u>\$1,286,078</u>

*Note:* Totals may not equal the sum of component parts due to independent rounding.

<sup>[1]</sup> Calculated in Schedule FAS-4.

<sup>[2]</sup> From EPE Exhibit MC-4.

## **VIII. SUMMARY OF RECOMMENDATIONS ASSOCIATED WITH ACCOUNTING ADJUSTMENTS RELATED TO COVID-19**

**Q. HAVE YOU REVIEWED HOW OTHER ELECTRIC UTILITIES AND STATE REGULATORS HAVE HANDLED COVID-19 COST RECOVERY?**

**A.** Yes. As presented in a recent study prepared by Regulatory Research Associates (“RRA”), a research outfit of S&P Global Market Intelligence,<sup>69</sup> the majority of regulatory bodies across the country (39 out of the 53 state-level regulatory jurisdictions)<sup>70</sup> have authorized deferral of COVID-19-related costs.

<sup>69</sup> S&P Global Market Intelligence, “COVID-19 shut-off moratoriums expire, regulators begin to address cost recovery,” August 5, 2021. Source: SNL Financial LC. Contains Copyrighted and Trade Secret Material Distributed Under License From SNL. For Recipient’s Internal Use Only,

<sup>70</sup> To include the Commission.

1 **Q. HAVE ANY OF THE ELECTRIC UTILITIES THAT RECEIVED**  
2 **AUTHORIZATION TO DEFER COVID-19-RELATED COSTS RECEIVED**  
3 **APPROVAL FOR RECOVERY?**

4 **A.** According to the RRA study, as of the beginning of August 2021, only a few electric  
5 utilities have received final approval for recovery:<sup>71</sup> Baltimore Gas and Electric Co.  
6 (“BG&E”), Potomac Electric Power Co. (“Pepco”), Gulf Power Co. (“Gulf Power”),  
7 and Florida Public Utilities Co. (“FP&L”).

8 **Q. OF THE CASES IDENTIFIED BY RRA AND LISTED ABOVE WHERE**  
9 **RECOVERY HAS BEEN ESTABLISHED, ARE THE TERMS FOR**  
10 **RECOVERY CONSISTENT WITH YOUR RECOMMENDATIONS FOR EPE**  
11 **IN THIS PROCEEDING?**

12 **A.** Yes. Some of the orders that allowed for recovery have excluded lost revenues and cost  
13 savings in base rates, have not allowed a return on the regulatory asset balance, and, in  
14 one case resolved by settlement, the parties agreed to record costs up to an exact date.  
15 For example, the Public Service Commission of Maryland (“Maryland PSC”) Order  
16 No. 89678 in BG&E’s general rate case authorized BG&E to establish a regulatory  
17 asset for COVID-19 costs, net of cost savings, with the lost revenues and cost savings  
18 not to be included in rate base.<sup>72</sup> The Maryland PSC’s Order No. 89868 in Pepco’s  
19 general rate case included similar terms.<sup>73</sup> In the Florida Public Service Commission’s

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<sup>71</sup> This is not intended to be an all-encompassing list, as it is likely that since August 2021, other utilities have received approval for recovery of COVID-19 costs.

<sup>72</sup> Maryland Public Service Commission, *Application of Baltimore Gas and Electric Company for an Electric and Gas Multi-Year Plan*, Case No. 9645, Order No. 89678 (December 16, 2020).

<sup>73</sup> Maryland Public Service Commission, *Potomac Electric Power Company’s Application for an Electric Multi-Year Rate Plan*, Case No. 9655, Order No. 89868 (June 18, 2021).



1 (“Florida PSC”) order for Gulf Power’s COVID-19 costs recovery,<sup>74</sup> the Florida PSC  
2 approved a stipulation and settlement agreement that allowed Gulf Power to establish  
3 a regulatory asset for incremental bad debt and safety-related expenses. However, Gulf  
4 Power will not record any additional amounts to the regulatory asset after June 30,  
5 2021. Any incremental costs associated with the COVID-19 pandemic after June 31,  
6 2021 were deemed as a separate event by the settling parties and already included in  
7 base rates. The settlement allowed Gulf Power to recover carrying costs on the  
8 unamortized amount of the regulatory asset at the long-term cost of debt for the utility,  
9 but not return a profit.

10 **Q. PLEASE SUMMARIZE YOUR RECOMMENDATIONS ASSOCIATED WITH**  
11 **ACCOUNTING ADJUSTMENTS RELATED TO COVID-19.**

12 **A.** For the Company’s proposed operating expense reductions to its revenue requirement  
13 level, my recommendation is to exclude the costs savings of \$768,725 claimed by the  
14 Company. My recommendation is for adjustment only to the revenue requirement level  
15 and not to regulatory asset development. For the Company’s regulatory asset, my  
16 recommendation is to disallow carrying costs applied to the balance. This adjustment  
17 reduces the carrying costs by \$199,870, decreasing the regulatory asset from  
18 \$8,345,323 to \$8,145,453. Under my recommended changes, the COVID-19 rider  
19 recovery on a Total Company basis is adjusted from \$2,781,774 to \$1,629,091 annually  
20 for three years of amortization. The Texas jurisdictional recovery is reduced from  
21 \$2,196,060 to \$1,286,078. The summary of my adjustments is shown in Table FAS-7

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<sup>74</sup> *In re: Petition of Approval of a Regulatory Asset to Record Costs Incurred Due to COVID-19*, by Gulf Power Company, Docket No. 20200151-EI, Order No. PSC-2021-0267-S-PU (July 22, 2021).

1 below, and a detailed analysis of each recommendation is presented in the preceding  
2 pages of my testimony.

Table FAS-7. Summary of EPE's Requested and DOD/FEA Proposed Accounting Adjustments Related to the COVID-19 Pandemic				
Line No. (a)	Description (b)	Total Company Basis		
		EPE Request <sup>[1]</sup> (c)	DOD/FEA Adjustment (d)	Adjusted Amounts (e) = (c) + (d)
1	<u>Cost of Service Adjustments</u>			
2	Reductions to Expenses	(\$3,953,221)	\$0	(\$3,953,221)
3	921000 – Cost Savings	768,725	(768,725)	0
4	Reductions to Bad Debt	<u>(803,227)</u>	<u>0</u>	<u>(803,227)</u>
5	<i>Subtotal Reductions to Rev. Req.</i>	<i>(\$3,987,723)</i>	<i>(\$768,725)</i>	<i>(\$4,756,448)</i>
6	450000 – Adjustment to Late Payment Fees	<u>(844,298)</u>	<u>0</u>	<u>(844,298)</u>
7	Total Cost of Service Adjustments	<u>(\$4,832,021)</u>	<u>(\$768,725)</u>	<u>(\$5,600,746)</u>
8	<u>Rate Base Adjustments</u>			
9	Reductions to Rev. Req. Including in Regulatory Asset	\$3,987,723	\$0	\$3,987,723
10	182399 – Other Regulatory Assets <sup>[2]</sup>	3,213,020	0	3,213,020
11	450000 – Reductions to Late Payment Fees	<u>944,710</u>	<u>0</u>	<u>944,710</u>
12	Subtotal Regulatory Asset	\$8,145,453	\$0	\$8,145,453
13	Carrying Costs	<u>199,870</u>	<u>(199,870)</u>	<u>0</u>
14	Regulatory Asset	\$8,345,323	(\$199,870)	\$8,145,453
15	407300 – Deferral Amort. Adjustment	<u>\$2,781,774</u>	<u>(\$1,152,684)</u>	<u>\$1,629,091</u>
16	182399 – COVID -19 Reg. Asset	<u>\$5,563,549</u>	<u>\$952,814</u>	<u>\$6,516,362</u>
17	<u>Rider Recovery<sup>[3]</sup></u>			
18	Annual Recovery	\$2,781,774	(\$1,152,684)	\$1,629,091
19	TX Jurisdictional Rider Recovery	<u>\$2,196,060</u>	<u>(\$909,981)</u>	<u>\$1,286,078</u>

Note: Totals may not equal the sum of component parts due to independent rounding. Amounts calculated in Schedule FAS-3.

<sup>[1]</sup> From Table FAS-4.

<sup>[2]</sup> Bad debt expense recorded to regulatory asset.

<sup>[3]</sup> Company is proposing a three-year amortization period, while the DOD/FEA recommends amortization over five years.

3 **Q. DOES THIS COMPLETE YOUR DIRECT TESTIMONY?**

4 **A.** Yes, it does. However, I reserve the right to supplement my testimony if updated or  
5 additional information is provided by EPE or any other party.

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

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

**SCHEDULES AND EXHIBITS ACCOMPANYING THE DIRECT TESTIMONY  
OF**

**FELIPE A. SALCEDO**

**ON BEHALF OF**

**THE UNITED STATES DEPARTMENT OF DEFENSE  
AND ALL OTHER FEDERAL EXECUTIVE AGENCIES**

**October 22, 2021**

**Schedule FAS-1**

**RCF-RGRT and Non-RGRT Balances, RCF Interest Rate, and Commitment Fees  
Computation**

## Schedule FAS-1

SOAH Docket No. 473-21-2606

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## SCHEDULE FAS-1 - RCF-RGRT and NON-RGRT Balances, RCF Interest Rate and Commitment Fees Computation

SOAH Docket No. 473-21-2606

PUC Docket No. 52195

OPUC's 1st, Q. No. OPUC 3-3

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Month Number	El Paso Electric RCF Balance at Month End	RGRT RCF Balance at Month End	Total RCF Balance at Month End	El Paso Electric Short-Term Interest	RGRT Short-Term Interest	Total Short-Term Interest	El Paso Electric Interest Rate	RGRT Interest Rate	Total Interest Rate
201801	104,000,000.00	78,980,000.00	182,980,000.00	201,668.91	89,275.50	290,944.41			
201802	122,000,000.00	82,312,000.00	204,312,000.00	231,751.37	81,392.11	313,143.48			
201803	144,000,000.00	88,945,000.00	232,945,000.00	320,081.84	110,581.02	430,662.86			
201804	152,000,000.00	79,521,000.00	231,521,000.00	356,278.23	101,003.33	457,281.56			
201805	167,000,000.00	88,488,000.00	255,488,000.00	427,904.73	142,511.89	570,416.62			
201806	56,000,000.00	24,407,000.00	80,407,000.00	441,929.91	26,285.94	468,215.85			
201807	36,000,000.00	15,576,000.00	51,576,000.00	122,718.60	28,367.63	151,086.23			
201808	-	19,029,000.00	19,029,000.00	47,438.67	36,223.02	83,661.69			
201809	-	19,329,000.00	19,329,000.00	51.18	20,398.23	20,449.41			
201810	-	23,799,000.00	23,799,000.00	(51.18)	47,377.55	47,326.37			
201811	-	25,655,000.00	25,655,000.00	1,767.12	55,130.38	56,897.50			
201812	23,000,000.00	26,152,000.00	49,152,000.00	11,483.28	42,756.34	54,239.62			
201901	103,000,000.00	18,462,000.00	121,462,000.00	54,899.26	20,556.17	75,455.43			
201902	120,000,000.00	23,026,000.00	143,026,000.00	300,431.12	57,617.29	358,048.41			
201903	173,000,000.00	29,903,000.00	202,903,000.00	392,433.39	35,725.13	428,158.52			
201904	184,500,000.00	19,695,000.00	204,195,000.00	509,969.73	22,509.08	532,478.81			
201905	111,500,000.00	25,912,000.00	137,412,000.00	531,359.44	34,836.56	566,196.00			
201906	133,500,000.00	27,226,000.00	160,726,000.00	354,400.57	35,450.19	389,850.76			
201907	122,000,000.00	18,565,000.00	140,565,000.00	361,734.33	21,638.33	383,372.66			
201908	94,000,000.00	21,072,000.00	115,072,000.00	306,256.62	34,039.67	340,296.29			
201909	77,000,000.00	22,782,000.00	99,782,000.00	206,753.45	34,998.64	241,752.09			
201910	52,000,000.00	26,258,000.00	78,258,000.00	151,757.93	22,288.73	174,046.66			
201911	52,000,000.00	27,408,000.00	79,408,000.00	112,131.88	38,118.44	150,250.32			
201912	84,000,000.00	29,747,000.00	113,747,000.00	155,516.69	44,565.04	200,081.73			
202001	106,000,000.00	20,907,000.00	126,907,000.00	190,068.66	29,843.31	219,911.97	0.179%	0.143%	0.173%
202002	117,000,000.00	25,180,000.00	142,180,000.00	243,146.50	35,397.06	278,543.56	0.208%	0.141%	0.196%
202003	207,000,000.00	33,741,000.00	240,741,000.00	317,801.97	27,446.98	345,248.95	0.154%	0.081%	0.143%
202004	212,000,000.00	27,750,000.00	239,750,000.00	267,650.28	24,153.58	291,803.86	0.126%	0.087%	0.122%
202005	239,000,000.00	30,899,000.00	269,899,000.00	272,476.30	25,631.28	298,107.58	0.114%	0.083%	0.110%
202006	256,000,000.00	31,001,000.00	287,001,000.00	278,814.54	20,146.47	298,961.01	0.109%	0.065%	0.104%
202007	278,000,000.00	22,055,000.00	300,055,000.00	292,142.91	19,219.35	311,362.26	0.105%	0.087%	0.104%
202008	254,000,000.00	69,545,000.00	323,545,000.00	313,122.16	42,984.53	356,106.69	0.123%	0.062%	0.110%
202009	61,000,000.00	73,519,000.00	134,519,000.00	195,521.58	45,384.19	240,905.77	0.321%	0.062%	0.179%
202010	64,000,000.00	64,856,000.00	128,856,000.00	56,072.41	42,052.55	98,124.96	0.088%	0.065%	0.076%
202011	89,000,000.00	65,001,000.00	154,001,000.00	87,991.29	38,470.60	126,461.89	0.099%	0.059%	0.082%
202012	121,000,000.00	71,201,000.00	192,201,000.00	131,700.83	47,671.39	179,372.22	0.109%	0.067%	0.093%
202101	155,000,000.00	63,853,000.00	218,853,000.00	149,267.02	44,456.12	193,723.14			
202102	173,000,000.00	66,456,000.00	239,456,000.00	168,928.26	37,797.61	206,725.87			
202103	179,000,000.00	68,117,000.00	247,117,000.00	192,720.65	42,153.80	234,874.45			
202104	99,000,000.00	62,818,000.00	161,818,000.00	80,573.15	46,137.23	126,710.38			
202105	143,000,000.00	65,548,000.00	208,548,000.00	127,842.15	50,607.92	178,450.07			
202106	154,000,000.00	66,104,000.00	220,104,000.00	150,260.15	36,661.53	186,921.68			
	\$ 5,017,500,000.00	\$ 1,790,800,000.00	\$ 6,808,300,000.00	\$ 9,116,767.88	\$ 1,839,861.71	\$ 10,956,629.59			

Month Number	El Paso Electric RCF Balance at Month End	RGRT RCF Balance at Month End	Total RCF Balance at Month End	RCF Available Credit	EPE Commitment Fees	RGRT Commitment Fees	RCF Fee Rate	RGRT Interest Rate	Total Interest Rate
Test Year	2,004,000,000.00	535,655,000.00	2,539,655,000.00	2,646,509.43	398,401.29	3,044,910.72			
2018	804,000,000.00	572,193,000.00	1,376,193,000.00	2,163,022.66	781,302.94	2,944,325.60			
2019	1,306,500,000.00	290,056,000.00	1,596,556,000.00	3,437,644.41	402,343.27	3,839,987.68			
2020	2,004,000,000.00	535,655,000.00	2,539,655,000.00	2,646,509.43	398,401.29	3,044,910.72			
2021	903,000,000.00	392,896,000.00	1,295,896,000.00	869,591.38	257,814.21	1,127,405.59			
Sum Test Year	2,004,000,000.00	535,655,000.00	2,539,655,000.00	2,646,509.43	398,401.29	3,044,910.72	0.132%	0.074%	0.120%
Max Test Year	278,000,000.00	73,519,000.00	323,545,000.00	317,801.97	47,671.39	356,106.69	0.321%	0.143%	0.196%
RCF Balance	400,000,000.00								
Max Non-RGRT	278,000,000.00	<== Balance for Non-RGRT							
	122,000,000.00								
RCF Fee Rate	0.001750								
RCF Fee	486,500.00								

**Schedule FAS-2**

**RCF Commitment Fees by Year – Calendar Years 2018 through 2021**

**Schedule FAS-2**

SOAH Docket No. 473-21-2606

PUC Docket No. 52195

**SCHEDULE FAS-2 - RCF Commitment Fees by Year – Calendar Years 2018 through 2021**

SOAH Docket No. 473-21-2606

PUC Docket No. 52195

DOD/FEA's 1st, Q. No. DOD/FEA 1-4

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Month Number	El Paso Electric RCF Balance at Month End	RGRT RCF Balance at Month End	Total RCF Balance at Month End	RCF Available Credit	EPE Commitment Fees	RGRT Commitment Fees
201801	104,000,000.00	78,980,000.00	182,980,000.00	166,855,000.00		
201802	122,000,000.00	82,312,000.00	204,312,000.00	145,523,000.00		
201803	144,000,000.00	88,945,000.00	232,945,000.00	116,890,000.00	55,459.45	19,455.38
201804	152,000,000.00	79,521,000.00	231,521,000.00	118,314,000.00		
201805	167,000,000.00	88,488,000.00	255,488,000.00	94,347,000.00		
201806	56,000,000.00	24,407,000.00	80,407,000.00	269,428,000.00	35,596.53	12,487.40
201807	36,000,000.00	15,576,000.00	51,576,000.00	298,259,000.00		
201808	-	19,029,000.00	19,029,000.00	330,806,000.00		
201809	-	19,329,000.00	19,329,000.00	330,506,000.00	20,230.56	7,096.96
201810	-	23,799,000.00	23,799,000.00	326,036,000.00		
201811	-	25,655,000.00	25,655,000.00	324,180,000.00		
201812	23,000,000.00	26,152,000.00	49,152,000.00	300,683,000.00	107,268.71	37,630.26
201901	103,000,000.00	18,462,000.00	121,462,000.00	228,373,000.00		
201902	120,000,000.00	23,026,000.00	143,026,000.00	206,809,000.00		
201903	173,000,000.00	29,903,000.00	202,903,000.00	146,932,000.00	79,904.01	27,277.76
201904	184,500,000.00	19,695,000.00	204,195,000.00	145,640,000.00		
201905	111,500,000.00	25,912,000.00	137,412,000.00	212,423,000.00		
201906	133,500,000.00	27,226,000.00	160,726,000.00	189,109,000.00	55,267.80	18,867.41
201907	122,000,000.00	18,565,000.00	140,565,000.00	209,270,000.00		
201908	94,000,000.00	21,072,000.00	115,072,000.00	234,763,000.00		
201909	77,000,000.00	22,782,000.00	99,782,000.00	250,053,000.00	77,118.66	26,326.89
201910	52,000,000.00	26,258,000.00	78,258,000.00	271,577,000.00		
201911	52,000,000.00	27,408,000.00	79,408,000.00	270,427,000.00		
201912	84,000,000.00	29,747,000.00	113,747,000.00	236,088,000.00	102,043.29	34,835.70
202001	106,000,000.00	20,907,000.00	126,907,000.00	222,928,000.00		
202002	117,000,000.00	25,180,000.00	142,180,000.00	207,655,000.00		
202003	207,000,000.00	33,741,000.00	240,741,000.00	159,094,000.00	99,375.23	9,302.84
202004	212,000,000.00	27,750,000.00	239,750,000.00	160,085,000.00		
202005	239,000,000.00	30,899,000.00	269,899,000.00	129,936,000.00		
202006	256,000,000.00	31,001,000.00	287,001,000.00	112,834,000.00	65,308.66	6,113.76
202007	278,000,000.00	22,055,000.00	300,055,000.00	99,780,000.00		
202008	254,000,000.00	69,545,000.00	323,545,000.00	76,290,000.00		
202009	61,000,000.00	73,519,000.00	134,519,000.00	265,316,000.00	57,552.85	5,387.71
202010	64,000,000.00	64,856,000.00	128,856,000.00	270,979,000.00		
202011	89,000,000.00	65,001,000.00	154,001,000.00	245,834,000.00		
202012	121,000,000.00	71,201,000.00	192,201,000.00	207,634,000.00	119,814.91	11,216.27
202101	155,000,000.00	63,853,000.00	218,853,000.00	180,982,000.00		
202102	173,000,000.00	66,456,000.00	239,456,000.00	160,379,000.00		
202103	179,000,000.00	68,117,000.00	247,117,000.00	152,718,000.00	64,427.75	14,518.15
202104	99,000,000.00	62,818,000.00	161,818,000.00	238,017,000.00		
202105	143,000,000.00	65,548,000.00	208,548,000.00	191,287,000.00		
202106	154,000,000.00	66,104,000.00	220,104,000.00	179,731,000.00	78,628.85	17,718.23

Month Number	El Paso Electric RCF Balance at Month End	RGRT RCF Balance at Month End	Total RCF Balance at Month End	RCF Available Credit	EPE Commitment Fees	RGRT Commitment Fees
Test Year	2,004,000,000.00	535,655,000.00	2,539,655,000.00	2,158,365,000.00	342,051.66	32,020.59
2018	804,000,000.00	572,193,000.00	1,376,193,000.00	2,821,827,000.00	218,555.25	76,670.01
2019	1,306,500,000.00	290,056,000.00	1,596,556,000.00	2,601,464,000.00	314,333.75	107,307.77
2020	2,004,000,000.00	535,655,000.00	2,539,655,000.00	2,158,365,000.00	342,051.66	32,020.59
2021	903,000,000.00	392,896,000.00	1,295,896,000.00	1,103,114,000.00	143,056.60	32,236.38

**Schedule FAS-3**

**Summary of COVID-19 Related Adjustments to Cost of Service, Rate Base, and Rider  
Recovery**



**Schedule FAS-3**

SOAH Docket No. 473-21-2606

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**Schedule FAS-3 - Summary of COVID-19 Related Adjustments to Cost of Service, Rate Base, and Rider Recovery**

**1. Cost Reductions to Cost of Service**

Description	Cost of Svc. (Company Basis)			Allocator	Cost of Svc. (Texas Basis)
506000 - MISC STEAM POWER EXP	(\$82,700)			D1PROD	(\$67,120)
524000 - MISC NUCLEAR POWER EXP	(1,546,840)			D1PROD	(1,255,431)
549000 - MISC OTHER POWER GEN EXP	(36,076)			D2PROD	(29,267)
556000 - SYSTM CONTROL & LOAD DISP	(2,935)			DPROD12	(2,393)
566000 - MISC TRANSMISSION EXP	(9,598)			D2TRAN	(7,639)
586000 - METER EXPENSES	(1,885)			DIST370	(1,492)
588000 - MISC DISTR EXPENSE	(77,018)			EXP_58279	(48,900)
903000 - CUST RECORDS & COLL EXP	(131,276)			CUSTOMER	(100,657)
904000 - UNCOLLECTIBLE ACCOUNTS	(803,227)			UNCOLL_EXP	(624,638)
921000 - OFFICE SUPPLIES & EXP	768,725			LABOR	606,867
921000 - OFFICE SUPPLIES & EXP	(1,401,471)			LABOR	(1,106,385)
923000 - OUTSIDE SVS EMPLOYED	(118,966)			LABOR	(93,917)
926000 - EMPLOYEE PENSIONS & BEN	(544,456)			LABOR	(429,818)
Total	(\$3,987,723)				(\$3,160,791)

**2. Reduction to Rev Req for Normalization of Late Payment Fees**

Description	Cost of Svc. (Company Basis)			Allocator	Cost of Svc.. (Texas Basis)
450000-TEXAS-FORFEITED DISCOUNTS	(\$844,298)			DIRECT_TX	(\$844,298)

**3. Bad Debt Adjustments (Excising Uncoll. for Revenue Increase)**

Description	Rev. Req. (Company Basis)	Company Basis Adjustment	Adjusted Rev Req. (Company Basis)	Allocator	Rev. Req. (Texas Basis)
904000-CUST-UNCOLLECTIBLE ACCOUNTS	\$2,849,256	(\$10,943)	\$2,838,313	UNCOLL_EXP	\$2,207,245
904000- COVID-19 ADJ ONLY	(803,227)	0	(803,227)	UNCOLL_EXP	(624,638)
Net Bad Deb for Cost of Svc.	\$2,046,029	(\$10,943)	\$2,035,086		\$1,582,606
Uncollectible From G-03	\$ 6,062,276				
Net for Regulatory Asset Recovery	\$ 4,016,247				

**Schedule FAS-3**

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**4. Recorded to Asset for Rider Recovery**

Description	Rev. Req. (Company Basis)	Company Basis Adjustment	Adjusted Rev Req. (Company Basis)	Allocator	Rev. Req. (Texas Basis)
506000 - MISC STEAM POWER EXP	\$82,700			D1PROD	\$67,120
524000 - MISC NUCLEAR POWER EXP	1,546,840			D1PROD	1,255,431
549000 - MISC OTHER POWER GEN EXP	36,076			D2PROD	29,267
556000 - SYSTM CONTROL & LOAD DISP	2,935			DPROD12	2,393
566000 - MISC TRANSMISSION EXP	9,598			D2TRAN	7,639
586000 - METER EXPENSES	1,885			DIST370	1,492
588000 - MISC DISTR EXPENSE	77,018			EXP_58279	48,900
903000 - CUST RECORDS & COLL EXP	131,276			CUSTOMER	100,657
904000 - UNCOLLECTIBLE ACCOUNTS	803,227			UNCOLL_EXP	624,638
921000 - OFFICE SUPPLIES & EXP	632,746			LABOR	499,519
923000 - OUTSIDE SVS EMPLOYED	118,966			LABOR	93,917
926000 - EMPLOYEE PENSIONS & BEN	544,456			LABOR	429,818
Total	\$3,987,723				\$3,160,791
182399 - OTHER REGULATORY ASSETS	\$3,213,020				\$2,536,505
450000 - FORFEITED DISCOUNTS	944,710				745,797
Carrying Costs	199,870				157,787
Total Rider	\$8,345,323				\$6,600,880
407300-MISC DEFERRAL AMORT ADJUSTMENT ONLY	2,781,774			LABOR	2,196,060
182399-TX-PANDEMIC REG ASSETS	\$ 5,563,549			DIRECT_TX	\$ 5,563,549

**Table FAS-4**

Description	Total Company Basis	Texas Jurisdictional Basis[1]
<u>Cost of Service Adjustments</u>		
Reductions to Expenses	(\$3,953,221)	(\$3,143,020)
Cost Savings	768,725	606,867
Reductions to Bad Debt	(803,227)	(624,638)
<i>Subtotal Reductions to Rev. Req.:</i>	(\$3,987,723)	(\$3,160,791)
450000 - Adjustment to Late Payment Fees[2]	(844,298)	(844,298)
Total Cost of Service. Adjustments:	<u>(\$4,832,021)</u>	<u>(\$4,005,089)</u>
<u>Rate Base Adjustments</u>		
Reductions to Rev. Req. Including in Regulatory Asset	\$3,987,723	(\$3,160,791)
182399 - Other Regulatory Assets[3]	3,213,020	2,536,505
450000 - Reductions to Late Payment Fees	944,710	N/A
<i>Subtotal Regulatory Asset:</i>	\$8,145,453	N/A
Carrying Costs	199,870	N/A
Total Regulatory Asset	\$8,345,323	N/A
407300 – Deferral Amort. Adjustment	<u>\$2,781,774</u>	<u>\$2,196,060</u>
182399 – COVID -19 Reg. Asset	<u>\$5,563,549</u>	<u>\$5,563,549</u>
<u>Rider Recovery</u>		
Annual Recovery for 3 Years	<u>\$2,781,774</u>	<u>\$2,196,060</u>

**Schedule FAS-3**

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**Table FAS-7**

<b>Description</b>	<b>EPE Request[1]</b>	<b>DOD/FEA Adjustment (d)</b>	<b>Adjusted Amounts</b>
<u><b>Cost of Service Adjustments</b></u>			
Reductions to Expenses	(\$3,953,221)	\$0	(\$3,953,221)
921000 – Cost Savings	768,725	(768,725)	0
Reductions to Bad Debt	<u>(803,227)</u>	<u>0</u>	<u>(803,227)</u>
Subtotal Reductions to Rev. Req.	(\$3,987,723)	(\$768,725)	(\$4,756,448)
450000 – Adjustment to Late Payment Fees	<u>(844,298)</u>	<u>0</u>	<u>(844,298)</u>
Total Cost of Service Adjustments	<u>(\$4,832,021)</u>	<u>(\$768,725)</u>	<u>(\$5,600,746)</u>
<u><b>Rate Base Adjustments</b></u>			
Reductions to Rev. Req. Including in Regulatory Asset	\$3,987,723	\$0	\$3,987,723
182399 – Other Regulatory Assets[2]	3,213,020	0	3,213,020
450000 – Reductions to Late Payment Fees	<u>944,710</u>	<u>0</u>	<u>944,710</u>
Subtotal Regulatory Asset	\$8,145,453	\$0	\$8,145,453
Carrying Costs	<u>199,870</u>	<u>(199,870)</u>	<u>(0)</u>
Regulatory Asset	\$8,345,323	(\$199,870)	\$8,145,453
407300 – Deferral Amort. Adjustment[3]	<u>\$2,781,774</u>	<u>(\$1,152,684)</u>	<u>\$1,629,091</u>
182399 – COVID -19 Reg. Asset[3]	<u>\$5,563,549</u>	<u>\$952,814</u>	<u>\$6,516,362</u>
<u><b>Rider Recovery[4]</b></u>			
Annual Recovery	\$2,781,774	(\$1,152,684)	\$1,629,091
TX Jurisdictional Rider Recovery	<u>\$2,196,060</u>	<u>(\$909,981)</u>	<u>\$1,286,078</u>
LABOR Jurisdictional Allocator For Rider	78.94%		

**Schedule FAS-4**

**Recommended Allocation of the COVID-19 Rider to the Different Texas Retail Rate  
Classes**

Schedule FAS-4  
SOAH Docket No. 473-21-2606  
PUC Docket No. 52195  
Page 1 of Pages

**Schedule FAS-4 - Recommended Allocation of the COVID-19 Rider to the Different Texas Retail Rate Classes**

EPE Request	Rate 01 Residential Service	Rate 02 Small General Service	Rate 07 Recreational Lighting	Rate 08 Street Light	Rate 09 Traffic Signs	Rate 11 TOU Municipa Pumping	Rate 15 Electric Refining	Rate 22 Irrigation Service	Rate 24 General Service	Rate 25 Large Power	Rate 26 Petroleum Refinery	Rate 28 Area Lighting	Rate 30 Electric Furnace	Rate 31 Military Reservation	Rate 34 Cotton Gin	Rate 41 City and County	WH Water Heating	
TOTAL	\$2,196,060	\$1,341,904	\$136,838	\$2,598	\$15,014	\$370	\$34,075	\$6,908	\$1,993	\$377,654	\$120,017	\$40,602	\$6,625	\$4,313	\$45,664	\$616	\$55,631	\$5,239

Source: RFP Schedule P-2, Line 338, 407.30 Regulatory Debits

DoD/FEA Adjusted																		
	Rate 01 Residential Service	Rate 02 Small General Service	Rate 07 Recreational Lighting	Rate 08 Street Light	Rate 09 Traffic Signs	Rate 11 TOU Municipa Pumping	Rate 15 Electric Refining	Rate 22 Irrigation Service	Rate 24 General Service	Rate 25 Large Power	Rate 26 Petroleum Refinery	Rate 28 Area Lighting	Rate 30 Electric Furnace	Rate 31 Military Reservation	Rate 34 Cotton Gin	Rate 41 City and County	WH Water Heating	
TOTAL	\$1,286,078	\$785,859	\$80,136	\$1,522	\$8,792	\$217	\$19,955	\$4,045	\$1,167	\$221,166	\$70,286	\$23,778	\$3,880	\$2,526	\$26,742	\$361	\$32,579	\$3,068

LABOR TX Jurisdictional Allocator																	
100.0000%	61.10511%	6.23111%	0.11833%	0.68377%	0.01688%	1.55166%	0.31455%	0.09088%	17.19699%	5.46511%	1.84899%	0.30177%	0.19649%	2.07946%	0.02811%	2.53322%	0.23855%
From Allocation Factor tab of EPE Regulatory Case Working Model - As Filed - Dkt 52195 -																	

**Exhibit FAS-1**

**Copies of Requests for Information Referenced in Testimony**

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  
THE UNITED STATES DEPARTMENT OF DEFENSE AND ALL OTHER FEDERAL  
EXECUTIVE AGENCIES' FIRST REQUEST FOR INFORMATION  
QUESTION NOS. DOD/FEA 1-1 THROUGH DOD/FEA 1-43

DOD/FEA 1-1:

Please confirm that the Company has not included any short-term debt in its calculation of its Weighted Average Cost of Capital ("WACC") of 7.985%.

RESPONSE:

El Paso Electric Company has not included any short-term debt in its calculation of the Company's Weighted Average Cost of Capital ("WACC"). Please refer to Schedule K-3 for the list of each series of long-term debt securities included in the Weighted Average Cost of Debt component of its WACC.

Preparer: Richard Gonzalez

Title: Manager – Cash Management & Investor  
Relations

Sponsor: Lisa D. Budtke

Title: Director – Treasury Services & Investor  
Relations

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APPLICATION OF EL PASO	§	BEFORE THE STATE OFFICE
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QUESTION NOS. DOD/FEA 1-1 THROUGH DOD/FEA 1-43

DOD/FEA 1-4:

Please refer to *Request for Information (RFI) OPUC 03-03 Attachment 1*. Please provide monthly amounts of the RCF - Commitment Fees and monthly unused balance subject to the RCF - Commitment Fees, i.e., the amount out of the \$400 million allotment by month/quarter that is used as the basis for the determination of RCF - Commitment Fees.

RESPONSE:

Please see DOD FEA 1-4, Attachment 1, which includes the available Revolving Credit Facility ("RCF") balance on which the Commitment Fees are calculated. Commitment fees are paid quarterly, and the amounts paid by El Paso Electric Company and Rio Grande Resources Trust II have been reflected. Please note that the Company's RCF was increased to \$400 million effective March 20, 2020, from its previous amount of \$350 million. In addition, the RCF available balance is reduced by an outstanding letter of credit in the amount of \$165,000.

Preparer: Richard Gonzalez

Title: Manager – Cash Management & Investor Relations

Sponsor: Lisa D. Budtke

Title: Director – Treasury Services & Investor Relations



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EXECUTIVE AGENCIES' FIRST REQUEST FOR INFORMATION  
QUESTION NOS. DOD/FEA 1-1 THROUGH DOD/FEA 1-43

DOD/FEA 1-17:

Please confirm or deny FEA's understanding that the Company has included a return on equity, as well as interest recovery, when calculating the accrued balance amounts to be recovered through the COVID-19 regulatory asset. Please explain.

RESPONSE:

Confirm. El Paso Electric Company ("EPE") included carrying costs based on a weighted average cost of capital approved in EPE's last rate case (Docket No. 46831) when calculating the accrued balance amounts to be recovered through the COVID-19 regulatory asset. However, EPE's calculation only included carrying costs up to the test year ended December 31, 2020. Based on the broad language in the Commission Orders in Docket No. 50664, EPE could have included carrying costs through the full recovery period of the costs. Please refer to Workpaper B-1, Adjustment No. 3, for the calculation of the COVID-19 regulatory asset.

Preparer: En Li

Title: Manager – Financial Accounting

Sponsor: Cynthia S. Prieto  
Jennifer I. Borden

Title: Vice President – Controller  
Director – Regulatory Accounting

APPLICATION OF EL PASO § BEFORE THE STATE OFFICE  
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## DOD/FEA 1-28:

RESPONSE:

<u>Description</u>	<u>Total Company</u>
904000- COVID-19 ADJ ONLY	(\$803,227)
904000-Bad Debt Revenue Incr Adj	\$194,390
904000-CUST-UNCOLLECTIBLE ACCOUNTS	\$2,838,313
	<b>\$2,229,476</b>

Preparer:	Adrian Hernandez En Li	Title:	Senior Rate Analyst – Rates Manager – Financial Accounting
Sponsor:	Adrian Hernandez Cynthia S. Prieto	Title:	Senior Rate Analyst – Rates Vice President – Controller

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

EL PASO ELECTRIC COMPANY'S RESPONSE TO  
THE UNITED STATES DEPARTMENT OF DEFENSE AND ALL OTHER FEDERAL  
EXECUTIVE AGENCIES' FIRST REQUEST FOR INFORMATION  
QUESTION NOS. DOD/FEA 1-1 THROUGH DOD/FEA 1-43

DOD/FEA 1-30:

Please refer to *FEA 1-28* and *FEA 1-29* above. Did the Company make any adjustments, due to its deferred payment plan, to its request for inclusion of \$4,016,247 of bad debt expense in the COVID-19 rider?

RESPONSE:

El Paso Electric Company did not decrease the bad debt expense in the COVID-19 rider for the customer accounts enrolled in the installment payment plan. Future collection of accounts receivable will be allocated to COVID-19 amounts. These collections will be used to offset additional COVID-19 bad debts and included in the annual true-up of the COVID-19 rider.

Preparer: Joe Garibay

Title: Director – Customer Care

Sponsor: Cynthia S. Prieto

Title: Vice President – Controller

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

APPLICATION OF EL PASO § BEFORE THE STATE OFFICE  
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EL PASO ELECTRIC COMPANY'S RESPONSE TO  
THE UNITED STATES DEPARTMENT OF DEFENSE AND ALL OTHER FEDERAL  
EXECUTIVE AGENCIES' FIRST REQUEST FOR INFORMATION  
QUESTION NOS. DOD/FEA 1-1 THROUGH DOD/FEA 1-43

DOD/FEA 1-32:

With the filing of the updated *Schedule G-3* for the 45-day update, is the Company anticipating updating the calculations of the COVID-19 rider in this application or a true-up? As applicable, please:

- a. Describe and provide the anticipated calculation changes to the rider; and
- b. Explain the significant variance in total uncollectible expense for the month of March 2021 of \$2,582,000.

RESPONSE:

El Paso Electric Company has not decided whether to make a change to the proposed COVID-19 rider for additional COVID-19 expenses incurred in 2021. A true-up of the COVID-19 rider is anticipated to be made at the end of 2022.

- a. N/A.
- b. In March 2021, El Paso Electric Company realized that the allocation between the COVID-19 and non-COVID-19 bad debts expense included only the increase in the arrears risk rate and did not take into account the overall increase in the accounts receivable balance. A true-up to the COVID-19 bad debts expense of approximately \$2 million was made at that time.

Preparer: Alma Arvizo

Title: Manager – Revenue Accounting

Sponsor: Cynthia S. Prieto  
Manuel Carrasco

Title: Vice President – Controller  
Manager – Rate Research

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EL PASO ELECTRIC COMPANY'S RESPONSE TO  
THE UNITED STATES DEPARTMENT OF DEFENSE AND ALL OTHER FEDERAL  
EXECUTIVE AGENCIES' FIRST REQUEST FOR INFORMATION  
QUESTION NOS. DOD/FEA 1-1 THROUGH DOD/FEA 1-43

DOD/FEA 1-33:

As referenced in Prieto Direct Testimony, page 37 line 31 through page 38, line 4. Please provide a detailed description of how the bad debt true-up for the COVID-19 rider will work. To help FEA understand the adjustment, please provide an illustrative example of the calculations using an illustrative amount of post-test-year bad debt change. Please confirm or deny that the true-up will only be applicable to bad debt expenses and not to other expenses. If no, please provide an illustrative example of how the true-up would work for other post-test-year non-bad debt expenses.

RESPONSE:

The true-up for the COVID-19 rider will include both bad debt and other expenses offset by savings related to COVID-19. The true-up calculations are dependent on the final order to be issued by the Public Utility Commission of Texas ("Commission"). The proposed annual true-up will take into account all COVID-19 related expenses incurred, along with allowed carrying costs, offset by savings through the end of each year, compared to the revenues received through the COVID-19 rider. The difference will then be divided by the remaining years approved for recovery by the Commission. The post-test year calculation will be similar to Workpaper B-1, Adjustment No. 3, page 3 of 3.

Preparer: En Li

Title: Manager – Financial Accounting

Sponsor: Cynthia S. Prieto

Title: Vice President – Controller

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APPLICATION OF EL PASO	§	BEFORE THE STATE OFFICE
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EL PASO ELECTRIC COMPANY'S RESPONSE TO  
OFFICE OF PUBLIC UTILITY COUNSEL'S  
THIRD REQUEST FOR INFORMATION  
QUESTION NOS. OPUC 3-1 THROUGH OPUC 3-5

OPUC 3-3:

Please refer to the Direct Testimony of Ms. Lisa Budtke, page 5. Please provide the monthly outstanding short-term borrowings from the Revolving Credit Facility for the period January 2018 through the most recent monthly outstanding amount. Please include in your response the associated monthly interest expenses as well as a breakout of the amount related to the financing of nuclear fuel.

RESPONSE:

Please refer to OPUC 3-3, Attachment 1, for monthly outstanding short-term borrowings from the Revolving Credit Facility for the period January 2018 through June 2021. The attachment includes the associated monthly interest expenses and the breakout related to the financing of nuclear fuel.

Preparer: Richard Gonzalez

Title: Manager – Cash Management & Investor  
Relations

Sponsor: Lisa D. Budtke

Title: Director – Treasury Services & Investor  
Relations

Month Number	El Paso Electric RCF Balance at Month End	RGRT RCF Balance at Month End	El Paso Electric Short- Term Interest	RGRT Short-Term Interest
201801	104,000,000.00	78,980,000.00	201,668.91	89,275.50
201802	122,000,000.00	82,312,000.00	231,751.37	81,392.11
201803	144,000,000.00	88,945,000.00	320,081.84	110,581.02
201804	152,000,000.00	79,521,000.00	356,278.23	101,003.33
201805	167,000,000.00	88,488,000.00	427,904.73	142,511.89
201806	56,000,000.00	24,407,000.00	441,929.91	26,285.94
201807	36,000,000.00	15,576,000.00	122,718.60	28,367.63
201808	-	19,029,000.00	47,438.67	36,223.02
201809	-	19,329,000.00	51.18	20,398.23
201810	-	23,799,000.00	(51.18)	47,377.55
201811	-	25,655,000.00	1,767.12	55,130.38
201812	23,000,000.00	26,152,000.00	11,483.28	42,756.34
201901	103,000,000.00	18,462,000.00	54,899.26	20,556.17
201902	120,000,000.00	23,026,000.00	300,431.12	57,617.29
201903	173,000,000.00	29,903,000.00	392,433.39	35,725.13
201904	184,500,000.00	19,695,000.00	509,969.73	22,509.08
201905	111,500,000.00	25,912,000.00	531,359.44	34,836.56
201906	133,500,000.00	27,226,000.00	354,400.57	35,450.19
201907	122,000,000.00	18,565,000.00	361,734.33	21,638.33
201908	94,000,000.00	21,072,000.00	306,256.62	34,039.67
201909	77,000,000.00	22,782,000.00	206,753.45	34,998.64
201910	52,000,000.00	26,258,000.00	151,757.93	22,288.73
201911	52,000,000.00	27,408,000.00	112,131.88	38,118.44
201912	84,000,000.00	29,747,000.00	155,516.69	44,565.04
202001	106,000,000.00	20,907,000.00	190,068.66	29,843.31
202002	117,000,000.00	25,180,000.00	243,146.50	35,397.06
202003	207,000,000.00	33,741,000.00	317,801.97	27,446.98
202004	212,000,000.00	27,750,000.00	267,650.28	24,153.58
202005	239,000,000.00	30,899,000.00	272,476.30	25,631.28
202006	256,000,000.00	31,001,000.00	278,814.54	20,146.47
202007	278,000,000.00	22,055,000.00	292,142.91	19,219.35
202008	254,000,000.00	69,545,000.00	313,122.16	42,984.53
202009	61,000,000.00	73,519,000.00	195,521.58	45,384.19
202010	64,000,000.00	64,856,000.00	56,072.41	42,052.55
202011	89,000,000.00	65,001,000.00	87,991.29	38,470.60
202012	121,000,000.00	71,201,000.00	131,700.83	47,671.39
202101	155,000,000.00	63,853,000.00	149,267.02	44,456.12
202102	173,000,000.00	66,456,000.00	168,928.26	37,797.61
202103	179,000,000.00	68,117,000.00	192,720.65	42,153.80
202104	99,000,000.00	62,818,000.00	80,573.15	46,137.23
202105	143,000,000.00	65,548,000.00	127,842.15	50,607.92
202106	154,000,000.00	66,104,000.00	150,260.15	36,661.53
	\$ 5,017,500,000.00	\$ 1,790,800,000.00	\$ 9,116,767.88	\$ 1,839,861.71

SOAH DOCKET NO. 473-21-2606  
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APPLICATION OF EL PASO § BEFORE THE STATE OFFICE  
ELECTRIC COMPANY TO CHANGE § OF  
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EL PASO ELECTRIC COMPANY'S RESPONSE TO  
COMMISSION STAFF'S FIFTH REQUEST FOR INFORMATION  
QUESTION NOS. STAFF 5-1 THROUGH STAFF 5-8

STAFF 5-5:

Please refer to WP/A-3, Adjustment No. 7, Page 2 of 2. Please provide a detailed explanation and calculation of how the cost savings in column (h) were determined, including how the categories or items of cost savings were identified.

RESPONSE:

El Paso Electric Company ("EPE") considered that there may be potential savings due to work at home provisions through the reduction of office supplies such as copy paper and printer toner, as well as a reduction in training and travel costs related to the pandemic. Cost savings were calculated by comparing costs for the twelve months ended December 31, 2020 to the same period in 2019, which represents a normal EPE operational year.

	A	B	(A-B)
	2020	2019	Cost Savings
Office Supplies	\$ 588,837	\$ 837,587	\$ (248,750)
Training and Travel	1,145,065	1,665,040	(519,975)
			<u>\$ (768,725)</u>

Preparer: En Li

Title: Manager – Financial Accounting

Sponsor: Cynthia S. Prieto

Title: Vice President – Controller



**Exhibit FAS-2**

**Educational Background, Qualifications, and Professional Experience  
of Felipe A. Salcedo**

## **FELIPE A. SALCEDO**

Mr. Salcedo is a senior economist at Exeter Associates, Inc. with over 16 years of experience providing a full range of financial, rate management, and consulting services to publicly owned utilities and the federal as well as local governments. Mr. Salcedo provides consulting services in the areas of electricity, natural gas, potable water, wastewater, stormwater, and solid waste utility. Mr. Salcedo has successfully provided financial consulting services to a wide range of clients, including: municipal; cooperative and county-owned utility systems; community development; special purpose districts; not-for-profit utility corporations; the federal government; and military installations located throughout the United States. At Exeter, Mr. Salcedo has reviewed, analyzed, and actively participated in dozens of utility rate filings, and provides expert testimony in litigated proceedings before state public utility commissions.

### Education

M.S. (Finance) – Georgia State University, 2001

B.S. (Economics) – Universidad del Rosario, Bogotá, Colombia, 2000

Graduate Certificate in Public Utility Regulation and Economics – New Mexico State University, 2021

### Employment

2012-present      Senior Economist  
Exeter Associates, Inc.  
Columbia, Maryland

2005-2012      Senior Rate Analyst  
Public Resources Management Group, Inc.  
Maitland, Florida

### Certification

Association of Government Accountants – Certified Government Financial Manager

### Professional Experience

Mr. Salcedo has participated in utility consulting projects involving electricity, natural gas, potable water, reclaimed water, wastewater, stormwater, and/or solid waste services across the United States. His experience includes the creation of historical billing analyses, customer forecasts and revenue projections, revenue sufficiency analyses, rate structure and miscellaneous charges, cost of service studies, and system availability (i.e., impact) fees. Other experience includes developing comprehensive, interactive, and computerized long-range financial and capital funding planning models for management use; development and monitoring of municipal

budgets; financial statement review; presentation of financial results before bond-rating agencies; valuation analyses for utility sales and purchase transactions; secondary disclosure reports as required by the U.S. Securities and Exchange Commission; and other financial studies. Mr. Salcedo has also prepared bond feasibility reports supporting the issuance of over \$719 million in municipal bonds.

Studies completed by Mr. Salcedo for the federal government include: forecasting of energy prices and economic impacts of energy policy; review and assessment of utility services contracts and rates; and assessment of electric demand response opportunities.

Mr. Salcedo also provides litigation support on behalf of the federal government in electric rate cases and other regulatory filings affecting the U.S. Department of Defense (DoD) and U.S. Department of Energy (DOE). He has reviewed, analyzed, and actively participated in dozens of utility rate filings, works regularly in support of client intervention, and provides expert testimony in litigated proceedings before state public utility commissions. As an expert witness, he has provided testimony on behalf of the federal government in electric litigated proceedings related to both revenue requirements and rate design.

Mr. Salcedo conducts rate case research for several federal government clients, and is currently involved in conducting evaluations of installations for the U.S. Air Force and U.S. Army for utility and demand response opportunities. This includes examining electricity, natural gas, and water supply contracts and prices for installations and identifying where savings could be achieved. Mr. Salcedo also provides technical advisory services for the negotiation of utility contracts, including an evaluation of fair and reasonable rates across all utility industry sectors with both regulated and unregulated utilities.

#### Sample of Electric Service Consulting Reports

Utility assessment reports for dozens of Air Force and Army installations, which include the review and evaluation of utility costs incurred by the installations for electricity, natural gas, potable water, fireline, wastewater, and stormwater services. These installations include:

Altus AFB	Moody AFB	Fort Hamilton
Barksdale AFB	Mountain Home AFB	Fort Irwin
Charleston AFB	Offutt AFB	Fort Leavenworth
Dobbins AFB	Seymour Johnson AFB	Fort Lee
Grand Forks AFB	Tinker AFB	Fort Riley
March ARB	Vance AFB	
Minot AFB	Joint Base Langley-Eustis	

Commodity energy price forecasts applicable for Argonne National Laboratory on behalf of the DOE.

Commodity energy price forecasts applicable for Stanford Linear Accelerator Center on behalf of the DOE.

Evaluation of Enrollment into a Renewable Energy Project for DOE's National Renewable Energy Laboratory (NREL).

#### Sample of Natural Gas Service Consulting Reports

Review and evaluation of the natural gas service costs and future contract options for Altus Air Force Base (AFB).

#### Water and Wastewater Cost of Service and Rate Studies

Cities of Auburn, Alabama; and Boca Raton, Eustis, Leesburg, Marco Island, Margate, Ocoee, Oviedo, Plant City, and West Palm Beach, Florida. The counties of Charlotte, Citrus, and Collier, Florida; and Fairfax, Virginia. Additionally, for Daphne Utilities in Alabama; and Bonita Springs Utilities, Inc.; Florida Government Utility Authority; Key Largo Wastewater Treatment District; Gasparilla Island Water Association, Inc.; and South Walton Utility Company, Inc. in Florida.

#### Stormwater Rate Studies

Cities of Eustis and West Palm Beach, Florida.

#### System Availability Fees (Impact Fees) Studies

Cities of Auburn, Alabama; and Eustis, Leesburg, and West Palm Beach, Florida; counties of Charlotte, Florida, and Fairfax, Virginia; Daphne Utilities in Alabama; Bonita Springs Utilities, Inc.; and Gasparilla Island Water Association, Inc. in Florida.

#### Water Conservation Rate Structure Analyses

Cities of Apopka, Leesburg, Margate, and West Palm Beach, Florida; as well as Charlotte County, Florida; Daphne Utilities in Alabama; and Gasparilla Island Water Association, Inc. in Florida.

Other financial consulting services for Mr. Salcedo include the development of water supply financial planning analysis to the City of Margate and the St. Johns River Water Management District in Florida.

#### Utility Valuation and Acquisition Studies

Mr. Salcedo has also assisted in the development of utility valuation and acquisition studies used in conjunction with transition of ownership between private and public utilities. Utility valuation experience includes:

City of Oviedo, Florida – financial evaluation of Alafaya Utilities, Inc.

Florida Government Utility Authority – financial evaluation of the North Fort Meyers Utility, Inc. water and wastewater system.

Financial Feasibility Studies for Issuance of Long-term Indebtedness

Charlotte County, Florida – preparation of the County’s revenue study and financing plan required for the issuance of the County’s Utility System Refunding Revenue Bonds, Series 2006 and 2011.

Florida Government Utility Authority, Florida – preparation of the Authority’s revenue study and financing plan required for the issuance of the Authority’s Tax-Exempt and Taxable Utility Revenue Bonds, Series 2010A and 2010B (Build America Bonds) for the North Fort Myers system and the Aloha utility system.

City of Oviedo, Florida – preparation of the bond feasibility report for the issuance of the City’s Tax-Exempt and Taxable Utility Revenue Bonds, Series 2010A and 2010B.

City of West Palm Beach, Florida – preparation of the City’s revenue study and financial plan required for the issuance of the City’s Utility System Revenue Bonds, Series 2008A, 2008B, 2008C, 2010, 2011A, and 2012A.

Fairfax County, Virginia – preparation of the County’s revenue study and financing plan required for the issuance of the County’s Sewer Revenue Bonds, Series 2009.

Mr. Salcedo has also assisted in the preparation of bond resolutions, official statements, additional bond test certificates, and other related documents in support of long-term indebtedness.

Recent Expert Testimony Presented

Before the Kansas State Corporation Commission, Docket No. 17-WSEE-147-RTS, *In the Matter of the Applications of Westar Energy, Inc. and Kansas Gas and Electric Company for Approval to Make Certain Changes in their Charges for Electric Service*, April 2017, on behalf of the DoD and all other federal executive agencies. Testified on the proposed increase to revenues; specifically, presented findings on the utility’s adjustments to rate base, net operating income, and allocation of such increase among the different retail customer classes. (Case settled prior to cross-examination.)

The following files are not convertible:

52195_DOD_Salcedo_Direct.xlsx	Schedule FAS-1 DN
52195_DOD_Salcedo_Direct.xlsx	Schedule FAS-2 DN
52195_DOD_Salcedo_Direct.xlsx	Schedule FAS-3 DN
52195_DOD_Salcedo_Direct.xlsx	Schedule FAS-4 DN

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.