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

Cost Allocation and Rate Design Phase

DIRECT TESTIMONY OF
KIT PEVOTO
ON BEHALF OF
University of Texas at El Paso

October 22, 2021

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Attachment KP-1 **Resume and Expert Experience of Kit Pevoto**

Attachment KP-2 **University of Texas at El Paso Optimized Operation Initiatives**

I. INTRODUCTION

Q. Please state your name and business address.

A. Kit Pevoto, 13436 Athens Trail, Austin, TX 78729.

Q. On whose behalf are you appearing?

A. I have been retained by The University of Texas at El Paso ("UTEP") to provide expert testimony.

Q. What are your principal areas of responsibility in this proceeding?

A. My principal areas of responsibility include reviewing the application for fuel and cost allocation rate design issues, providing expert recommendations to UTEP and testifying at the hearing on the merits.

Q. Please state your educational background and professional experience.

A. I received a Master of Science degree in Electrical Engineering from the University of Texas at Arlington. During my two years at UT Arlington, my studies were concentrated on electrical power systems under the supervision of Dr. Mo-Shen Chen. In particular, I studied issues related to the improvement of the performance of a transmission system by using static reactive capacitors. After completing my graduate study, I began working on a federally-funded project to study the benefits of the integration of the transmission systems in Texas for the Public Utility Commission of Texas ("PUC" or "Commission"). I started working on the development of transmission access and pricing rules for the Texas wholesale electricity market in 1997. The rules provided for equal and open access of the Texas Electric Reliability Council of Texas ("ERCOT") transmission system to all wholesale customers. The rules became the foundation for the

development of the deregulated electric wholesale market in Texas, as directed by Texas Legislature in 1995.

In addition to the transmission access rulemaking project, I have also worked on a number of rate cases for cooperatives and investor-owned utilities ("IOUs"), as a cost allocation and rate design expert. My work in those rate cases included developing complex cost allocation models and rate design analyses. As a result of my work experience in these cases, I am very familiar with the cost allocation models for all IOUs under PUC jurisdiction.

In 1997, after becoming the manager of the Costing and Pricing Section at the PUC, I started a project to separate the costs of nine IOUs in Texas into generation, transmission, distribution, metering & billing, and customer services categories. In this project, my staff and I collected data, developed guidelines and procedures for separating costs, and implemented the cost separation for the nine IOUs. The project produced a report that contains all the data collected, the procedure to separate the costs, and, most importantly, the results of the cost separation for the nine IOUs. The unbundled cost information presented in the report was used by the PUC in assisting the Texas Legislature in developing the electric deregulation bill (Senate Bill 7) in the 1999 Legislation. During the 1999 Legislative Session, I was very involved in developing information and data for the Legislature to review while it was developing Senate Bill 7. I was also involved in the negotiations among parties regarding the issue of allocation of stranded costs among customers and assisted in drafting the language reflecting the settlement of

this issue included in the Senate Bill 7. Senate Bill 7 provided for the use of the securitization financing to recover generation stranded costs from ratepayers.

In 1999, shortly after, Senate Bill 7 was passed and published as PURA Section 39.253, I led a team that developed rules governing the separation of competitive energy services from the integrated IOUs, the separation of the integrated IOUs into several business units, and the cost separation for the development of the non-bypassable charges, in order to implement the provisions related to business separation and the development of non-bypassable charges in Senate Bill 7. Specifically, the rules developed were eventually passed and published as PURA secs. 39.051, 39.201, 39.251 through 39.265.

I have participated and made significant contributions to rule making projects implementing Senate Bill 7, including Docket No. 22344, which related to the eight Texas IOUs cost unbundling cases. I testified before the PUC as an expert witness on the issues related to cost allocation and rate design for the non-bypassable charges to be applied in these unbundling cases. I recommended a simplified and uniform rate design for the transmission and distribution rates for all IOUs. The PUC eventually adopted my recommendations with very minor modifications.

I left PUC in May 2001 to pursue a consulting career. As a consultant, I perform information research, policy and economic analyses for clients and participate on behalf of clients before the PUC and Texas Railroad Commission in various rulemaking projects, tariff, and rate cases. I file and defend testimony as expert witness in contested tariff and rate cases before PUC and the Railroad

Commission. On behalf of various clients, including city governments, state agencies, state universities, state hospitals, private electricity consumers, and retail electric providers, I have participated in over eighty cases before the PUC and Texas Railroad Commission.

In 2008, I testified before the PUC in a case on the determination of transmission expansion plan to accommodate more renewable power into the ERCOT grid, on behalf of a renewable power supplier client. The PUC relied on the cost-benefit analyses developed by me and eventually adopted the transmission expansion plan-a 4.9 billion transmission expansion in west Texas to allow more wind power moving from the west to other parts of Texas as advocated by me.

In my participation in all of the cases, I have helped my clients save millions of dollars on their electricity spending.

I have provided a summary of my educational background and professional experience in Attachment KP-1.

II. SCOPE OF TESTIMONY AND SUMMARY OF RECOMMENDATIONS

Q. What is the purpose of your testimony in this Docket?

A. The purpose of my testimony is to address the cost allocation and rate design proposed by El Paso Electric Company (the "Company" or "EPE").

Q. Please describe the electric services UTEP is currently taking from EPE.

A. UTEP is one of the largest single electricity customers in the EPE service area. The campus is located within the City of El Paso. UTEP spent about $3.6 million on electricity for the test year ending December 31, 2020. UTEP takes a wide

range of electric services from EPE, including Large Power Service, General Service, Small General Service, Outdoor Recreational Lighting, Street Lighting, and Area Lighting. However, the majority of UTEP's electricity consumption bills (about 84%) were for service under Large Power Service. About 15% of its electricity bills related to service under General Power Service.

UTEP, as a public higher education institution, is proactive in pursuing energy efficiency in its operation of the university's facilities. The university's facilities operations team has taken initiatives and has been implementing many measures and programs to operate the campus efficiently to reduce its total energy usage and to shift its peak demand usage to the off-peak period. A list of the energy conservation measures and programs UTEP has implemented is included in Attachment KP-2.

Q. Please summarize your recommendations in this phase of the case.

A. I recommend the following:

1). **System Load Factor used in Determining EPE's proposed 4CP-A&E Demand Related Allocators**

EPE should use a 1 Coincident Peak ("1-CP") system load factor for determining its proposed 4 Coincident Peak Average & Excess ("4CP A&E") demand allocators and should calculate the system load factor used in determining the 4CP A&E based on the unadjusted (actual) energy and demand data for the test year.

2). **Rate Moderation Mechanism**

EPE's proposed rate moderation mechanism is not reasonable and does not comply with the Commission's rate setting policy. Therefore, it should not be adopted by the Commission. UTEP's proposed rate moderation mechanism is more reasonable and equitable and should be adopted by the Commission.

III. SYSTEM LOAD FACTOR IN THE 4 COINCIDENT PEAK AVERAGE AND EXCESS ("4CP-A&E") ALLOCATORS

Q. How does EPE allocate production capacity demand costs among its customer classes?

A. EPE proposes to allocate its production capacity demand-related costs associated with non-peaking generation facilities using the 4 Coincident Peak Average and Excess (4CP-A&E) methodology in its Jurisdictional and Texas Retail class cost of service study.

Q. Please explain how the 4CP-A&E allocators are determined.

A. The 4CP-A&E allocators are determined based on the following formula:

4CP-A&E = (System Load Factor x Class Average Demand Ratio) + [(1 minus System Load Factor) x Class Excess Demand Ratio]

Class Average Demand Ratio equals the ratio of the class's average demand to the total system average demand;

Class Excess Demand Ratio equals the ratio of the class's excess demand to the total system excess demand;

System Load Factor equals the ratio of the system's average demand to the system's maximum demand;

Average Demand equals the total annual energy consumption divided by the number of hours during the year i.e. 8760 hours; and

Excess Demand equals the average 4-CP demand minus the average demand.

Q. **What is a system load factor?**

A load factor is an expression of the proportion of time that a utility customer is utilizing the production capacities installed to serve them. It is expressed as a ratio or a percentage of the average demand to maximum peak demand during a specified time period (annual, monthly, or daily) (system load factor = average demand / system maximum peak demand).

Q. **Why is the system load factor needed in determining the 4CP-A&E allocators?**

A. The 4CP-A&E allocation methodology allocates production capacity demand related costs based on customers' contribution to both maximum peak demand usages and energy consumption (represented by average demand usages). This can be seen in the fact that the 4CP-A&E formula has two parts. The load factor is used to weight these two components in the calculation of the 4CP-A&E formula. The first component is each class' proportion of total average demand (or energy consumption) and it is weighted by the system load factor because the load factor represents the portion of the generating facilities that is associated with the energy consumption. The second component reflects each class' responsibility of the

difference between peak demands and average demand (the excess demand) and is weighted by the result of 1 minus the system load factor (representing the remaining portion of the generation capacities).

Q. What system load factor does EPE use in the determination of the 4CP-A&E allocators?

A. EPE uses a 4 coincident peak (4CP) system load factor in determining of the 4CP-A&E allocators. EPE also calculates the 4CP system load factor based on adjusted energy and demand data.

Q. Do you agree with EPE's proposed use of a 4CP system load factor in the determination of the 4CP-A&E allocators?

A. No, I don't agree for the following two reasons:

1. Comparing to the 4CP system load factor, the 1CP system load factor reflects more of the manner in which a utility plans and builds its generation facilities.
2. The use of a 4CP system load factor is not consistent with the Commission's previous decision on this issue.

Q. Why do you think the 1CP system load factor better reflects how a utility plans and builds its generation facilities?

A. It is because EPE does not plan and build its generation facilities based on the average peak demand over the summer months. EPE, like other utilities in Texas, plans and constructs its generation and transmission systems to meet the maximum peak demand usage which occurs during one of the summer months. Therefore, the 1CP system load factor reflects a manner more consistent with how EPE plans and builds its generation and transmission facilities. When allocating generation

and transmission demand costs, it is more reasonable and appropriate to use a system load factor that better represents what creates the costs – the need for generation and transmission facilities to meet the maximum demand usage during one of the summer months.

Q. Has the PUCT addressed this issue in any of previous rate cases?

A. Yes, in Docket No. 43695, the Commission ordered the use of a 1CP system load factor in determining the 4CP-A&E allocators because the 1CP system load factor was more consistent with how Southwestern Power Service Company ("SPS") plans and builds its generation and transmission system. SPS plans and builds its generation and transmission facilities to handle the greatest demand placed upon it in a single instance.

Both EPE and SPS are located in northwest Texas and their service areas are close to each other. In addition, they are both summer peaking utilities that must build their generation and transmission facilities to meet the maximum peak demand usage that occurs in one of the summer months. Therefore, EPE should follow the PUC's Final Order for SPS in Docket No. 43695, and utilize the 1CP system load factor in its proposed 4CP-A&E allocators calculation.

Q. Do you agree with EPE's proposed use of adjusted CP data for determining its proposed 1-CP system load factor?

A. No. In two recent rate cases, the Commission has already decided that the 1-CP system load factor used in determining the 4-CP A&E demand allocators should be based on **unadjusted (actual)** energy and demand data. In 2013, in Docket No. 40443, *Southwestern Electric Power Company for Authority to Change Rates*, the

Commission decided that the use of unadjusted (actual) energy and demand data to calculate the system load factor was appropriate.[1] Two years later, in Docket No. 43695, *Southwestern Public Service Company for Authority to Change Rates,* the Commission also approved the use of a 1-CP system load factor based on unadjusted (actual) energy and demand data in determining the 4-CP A&E demand allocators.[2]

Q. Do you have other reason to support the use of unadjusted energy and demand data for determining the 1-CP system load factor?

A. Yes, I do. Use of **actual** energy and peak demands reflects a more accurate measurement of the system usage pattern. A load factor is an expression of the proportion of time that a utility customer is utilizing the production capacities installed to serve them. It is an indicator of how fully the system is being utilized. The actual energy and peak demand data provides more accurate representation of how fully the system is being utilized than the peak demand adjusted for weather and customer normalization.

IV. ASSIGNMENT OF RATE CLASS BASE RATE REVENUE REQUIREMENT

Q. What are rate class base rate revenue requirement assignments?

A. The first step for designing rates for each rate class is to determine a base rate revenue for the rate class. Rate class base rate revenue requirements are the

[1] Proposal For Decision, page 266, Docket No. 40443, *Southwestern Electric Power Company for Authority to Change Rates.*

[2] Order on Rehearing, page 11, Docket No. 43695, *Southwestern Public Service Company for Authority to Change Rates.*

revenue levels that base rates are designed to recover from each rate class. The rate class base rate revenue requirement assignment is the process by which the rate class base rate revenue requirements are determined for each class.

Q. Should the results of the class cost allocation study at an equalized rate of return ("ROR") be used to determine the class revenue assignments?

A. Ideally, the results of a class cost allocation study at an equalized ROR (or at unity) should be adopted to assure that each rate class bears only its own share of targeted revenues.[3] However, accepting the class cost allocation study results at unity could produce significant impacts on some classes. Therefore, an adjustment to moderate the results of a class cost of service study may sometimes be necessary when assigning base rate revenue to different classes.

In most of the rate cases for the bundled utilities determined by the Commission, rate impact and rate shock are primary concerns, even though the Commission's objective is to set rates as close to cost (unity) as possible.

Q. What is a relative rate of return?

A. A relative rate of return ("RROR") is set by dividing each class's ROR by the system ROR. This index is often used as an indication of the degree to which the proposed class base rate revenue requirement tracks the class' cost of service at unity. If the relative rate of return ("RROR") for a particular class is equal to one, the revenue requirement assigned to the class equals its unity cost of service. This means that the customers for the rate class will pay exactly the cost to serve them,

[3] An equalized ROR cost allocation study produces cost results which reflect the same rate of return for all of the rate classes. At unity refers to the unity relative rate of return ("RROR") for each class, because each class' cost reflects the same ROR as the system.

no more or no less. However, if the class's RROR is greater than one, the revenue requirement assigned to the class is higher than its unity cost and, therefore, this class is subsidizing other classes. If the RROR is less than one, this rate class is being subsidized by other classes.

Q. How do you apply the RROR in determining class base rate revenue assignment?

A. Each class' RROR is used as a guideline in determining the class' base rate revenue assignment. When performing base rate revenue assignments, the goal is to move each class' revenue as close to its unity cost as possible. The movement of each class' RROR reflects whether the revenue assignment to that class is moving towards or away from its unity cost. Each class' proposed RROR is compared with the class' present RROR for its current rates.[4] If a class' present RROR is lower than one, the revenue adjustment to this class should be made to bring this class' proposed RROR move closer to one. If a class' present RROR is higher than one, a revenue adjustment should be made so that this class' proposed RROR would move to one.

[4] Each class' present RRORs is calculated based on the class' present base rate revenue.

Q. What are the present RRORs for EPE's seventeen rate classes?

A. The following table shows the present RRORs for all of EPE's seventeen rate classes:

Table KP-1

Table KP-1 EPE Rate Class Present RROR	
Rate Class Description	Present RROR
Rate Classes that subsidize	
Small General	1.54
Governmental Street Lt.	2.38
Traffic Signals	1.10
Municipal Pumping TOU	1.20
General Service	1.52
Large Pow er Service	1.11
Area Lighting	1.61
City/County	1.60
Rate Classes that are subsidized	
Residential	0.73
Outdoor Recreational Lt	0.56
Electrolytic Refining	0.58
Rider - Water Heating	(0.13)
Irrigation Service	0.54
Petroleum Refinery	0.64
Electric Furnace	0.47
Military Reservation	0.81
Cotton Gin	0.56

As shown in this table, all of the rate classes included in the top part of the table have a RROR greater than one. This means that these classes are paying more than the cost to serve them and are subsidizing the rate classes shown in the bottom part of the table. The rate classes in the bottom part of the table, which have a RROR less than one, are paying below their cost. For a rate class with a negative RROR, such as the Water Heating rider, EPE does not make any profit when serving these customers.

Q. Please describe how EPE's proposed base revenue increase would be allocated among rate classes if they were all moved to unity (a RROR of one).

A. The following table shows each rate class' unity cost change (an increase or decrease) that brings its RROR to one:

Table KP-2

Table KP-2 EPE's Proposed Rate Class Unity Cost Changes				
Rate Class Description	Present RROR	Unity Cost Revenue Increase (000)	Unit Cost Revenue Increase %	Unity RROR
Rate Classes that subsidize				
Small General	1.54	-$3,334	-10.01%	1.00
Governmental Street Lt.	2.38	-$983	-24.29%	1.00
Traffic Signals	1.10	$3	3.16%	1.00
Municipal Pumping TOU	1.20	$56	0.55%	1.00
General Service	1.52	-$11,214	-8.97%	1.00
Large Pow er Service	1.11	$1,179	3.28%	1.00
Area Lighting	1.61	-$296	-10.10%	1.00
City/County	1.60	-$2,202	-11.51%	1.00
Rate Classes that are subsidized				
Residential	0.73	$51,086	18.67%	1.00
Outdoor Recreational Lt	0.56	$151	32.62%	1.00
Electrolytic Refining	0.58	$399	21.78%	1.00
Rider - Water Heating	(0.13)	$330	69.51%	1.00
Irrigation Service	0.54	$133	31.46%	1.00
Petroleum Refinery	0.64	$1,927	17.57%	1.00
Electric Furnace	0.47	$309	25.94%	1.00
Military Reservation	0.81	$1,709	13.14%	1.00
Cotton Gin	0.56	$45	33.53%	1.00

As shown in this table, the rate classes with a present RROR greater than one receive either a rate decrease or a small rate increase if their rates are set at unity cost. To bring their RRORs to one, all of the rate classes with a present RROR less than one experience significant rate increases.

A. EPE's Proposed Rate Moderation Mechanism

Q. Does EPE adopt the results of its proposed class cost allocation study at an equalized ROR as the target base rate revenue requirements to be collected from each class?

A. No, it does not. EPE proposes a rate moderation mechanism to make adjustments to its proposed class cost allocation results at unity to address the electricity sales uncertainty for certain rate classes created by the COVID-19 impact. EPE's proposed rate moderation approach focuses primarily on moderating the unity cost increases for the Residential Rate Class and its Water Heating rider. EPE's rate moderation proposal reduces cost increases assigned to the Residential and the Water Heating rate classes while lessening significantly cost deceases to the Small General Service, General Service, and City/County rate classes. Under EPE's proposed moderation mechanism, all of the rate classes except for the Residential and Water Heating rate class would pay more than their unity costs.

Q. Please describe EPE's proposed rate moderation mechanism.

A. EPE's proposed rate moderation mechanism includes the following steps:

1. The cost increases at unity assigned to the Residential and Water Heating rate classes are first set at 1.5 times the system increase (11.07%=7.38%X1.5).
2. The cost decreases at unity allocated to the Small General Service, General Service, and City/County rate class are reduced to 50%.
3. The unrecovered cost increase resulting from the rate moderation in (1) and (2) is then allocated proportionally among all of the rate classes,(including the five

rate classes that have received rate moderation in (1) and (2)) based on each rate class' revenue requirement.

Q. What are the rate class base rate revenue requirements resulting from EPE's proposed rate moderation mechanism?

A. The following table summarizes EPE's proposed rate class base rate revenue requirement distribution:

Table KP-3

Table KP-3 EPE's Proposed Unity Cost and Rate Class Base Rate Revenue Distribution

Rate Class Description	Present Base Rate Revenue Adjusted (000)	Present RROR	Unity Cost Revenue Increase (000)	Unit Cost Revenue Increase %	Unity RROR	EPE Proposed Base Rate Req. Increase (000)	EPE Proposed Base Rate Req. Increase %	EPE Prposed RROR
Rate Classes that currently subsidize								
Small General	$33,320	1.54	-$3,334	-10.01%	1.00	-$947	-2.84%	1.29
Governmental Street Lt.	$4,047	2.38	-$983	-24.29%	1.00	-$913	-22.56%	1.09
Traffic Signals	$95	1.10	$3	3.16%	1.00	$5	4.97%	1.10
Municipal Pumping TOU	$10,102	1.20	$56	0.55%	1.00	$287	2.84%	1.08
General Service	$125,006	1.52	-$11,214	-8.97%	1.00	-$2,893	-2.31%	1.25
Large Pow er Service	$35,956	1.11	$1,179	3.28%	1.00	$2,019	5.62%	1.08
Area Lighting	$2,933	1.61	-$296	-10.10%	1.00	-$236	-8.06%	1.09
City/County	$19,126	1.60	-$2,202	-11.51%	1.00	-$691	-3.61%	1.30
Rate Classes that are currently subsidized								
Residential	$273,639	0.73	$51,086	18.67%	1.00	**$37,194**	**13.59%**	**0.85**
Outdoor Recreational Lt	$463	0.56	$151	32.62%	1.00	$165	35.63%	1.07
Electrolytic Refining	$1,830	0.58	$399	21.78%	1.00	$450	24.56%	1.09
Rider - Water Heating	$475	(0.13)	$330	69.51%	1.00	**$65**	**13.59%**	**(0.24)**
Irrigation Service	$423	0.54	$133	31.46%	1.00	$146	34.45%	1.07
Petroleum Refinery	$10,965	0.64	$1,927	17.57%	1.00	$2,220	20.24%	1.10
Electric Furnace	$1,192	0.47	$309	25.94%	1.00	$343	28.82%	1.09
Military Reservation	$13,010	0.81	$1,709	13.14%	1.00	$2,046	15.73%	1.09
Cotton Gin	$133	0.56	$45	33.53%	1.00	$49	36.57%	1.07

Q. What are your observations regarding EPE's proposed rate class base rate revenue requirement distribution?

A. Based on my review of Table KP-3, I have the following observations:

1) Out of the seventeen rate classes, only two rate classes, the Residential class and its Water Heating rider, are assigned a cost increase less than the amount

required to move them to unity. The percentage cost increase for the Residential class is reduced from 18.67% to 13.59%, and the Water Heating Rider's percentage cost increase is changed from 69.51% to 13.59%.

2) As a result, the rate classes other than the Residential class and its Water Heating rider, that would be assigned a cost increase to achieve unity, would actually receive a greater than necessary rate increase, thereby moving them away from unity. The rate classes that would receive a cost decrease at unity would actually get a smaller rate reduction, therefore not moving as close to unity.

3) After EPE's rate moderation adjustments were made, the RROR for each of the rate classes would move away from unity. Both the Residential and its Water Heating rate classes would have a RROR smaller than one, while the RRORs for all of the other rate classes would be greater than one. This means that EPE's proposal would result in customers of the non-Residential rate classes subsidizing Residential customers.

Q. **Do you agree with EPE's proposed rate moderation approach?**

A. No, I do not agree with EPE's proposed rate moderation approach for the following reasons:

1) It is not reasonable or equitable for the majority of the rate classes to subsidize two rate classes, which is a result of EPE's proposed rate moderation adjustments.

2) EPE's proposal is not consistent with the Commission's long-established rate setting policy of moving all classes to unity or substantially in that direction.

EPE's proposed rate moderation approach does not conform with the Commission's primary purpose of allowing rate moderation adjustments, that is to address rate impacts for rate classes experiencing large rate increases. It only addresses rate impacts for certain rates classes but not for all of the rate classes that might experience rate shock under EPE's proposal.

3) EPE's proposed rate moderation is not reasonable, because its primary purpose is to address a rate impact that may or may not occur and cannot be defined.

Q. **Please describe your understanding of the Commission's rate setting policy.**

A. The goal of the Commission's rate setting policy is to set each rate class' rates as close to its cost at unity as possible, so that each rate class would pay its costs, and no class is required to pay more or less than its cost. However, when there are rate shock concerns for rate classes because of a very large rate increase, when setting rates, the Commission often permits implementation of the significant rate increase on a more moderate or gradual timetable. In those instances, the Commission allows rate moderation adjustments for the rate classes experiencing the largest rate increases, with a goal of moving those classes gradually to their unity cost.

Q. **Explain why EPE's rate moderation proposal is not consistent with the Commission's rate setting policy?**

A. EPE's proposed rate moderation adjustments only singles out two classes for rate mitigation and fails to address rate shock concerns for all of the rate classes experiencing large rate. It contradicts the primary, and most of the time the only, reason for the Commission to allow rate moderation adjustments to rate classes'

costs, that is to address rate shock concerns for **all** rate classes experiencing large rate increases.

EPE's proposed rate moderation proposal only addresses rate impact concerns for the Residential rate class and its Water Heating rider, while ignoring rate shock for the rate classes that experience large rate increases at unity cost. The following table shows the rate impact comparison between Residential, Water Heating and the three rate classes experiencing more than 30% base rate increases:

Table KP-4

Table KP-4 Rate Impact Comparison among Residential/Wh and Rate Classes experience large rate increase		
	Unity Cost Revenue Increase %	EPE Proposed Base Rate Req. Increase %
Residential	18.67%	13.59%
Water Heating	69.51%	13.59%
Outdoor Rec. Lt	32.62%	35.63%
Irrigation	31.46%	34.45%
Cotton Gin	33.53%	36.57%

As shown in this table, the Water Heating, Outdoor Recreational Lighting, Irrigation, and Cotton Gin rate classes would all experience a more than 30% rate increase under a unity-based revenue distribution. Under EPE's rate moderation proposal, however, only the Water Heating rider receives a substantial reduction in its adjustment toward its unity cost. In fact, the rate increases for the Outdoor Recreational Lighting, Irrigation, and Cotton Gin rate classes become larger than their unity cost increase. As a result, the rate shock for these three rate classes

become worst. It is not reasonable or equitable for a rate moderation mechanism not to treat **all** rate classes with large rate increases in a consistent manner.

Q. What is EPE's justification for its proposed rate moderation approach?

A. The stated purpose of EPE's proposal is to address its concerns that the rates established in this case for certain rate classes may not represent their costs in the rate year[5]. EPE's concern stems from EPE's speculation that, when the COVID-19 pandemic improves, the future energy usage pattern for these rate classes may change back to the pre-COVID-19 level. EPE states that it is concerned that the usage patterns for certain rate classes (the Residential, Water Heating, Small General Service, General Service, and City/County rate classes) used to set rates in this rate case may not stay the same in the rate year and beyond. However, EPE is not certain when and how the energy usage patterns for these customers will change from the test year data in the future. Because of this uncertainty, EPE could not make known and measurable changes to its 2020 test year data to address possible energy usage changes that EPE speculates may happen in the future. Instead, EPE proposed a rate moderation adjustment to attempt to address this concern.

Q. Please explain how EPE identifies this concern created by the COVID-19 pandemic in 2020.

A. According to EPE's witness Mr. George Novela, EPE performed an analysis based on historical usage data and found a usage pattern shift occurs among certain rate classes during the test year, compared to previous years' usage pattern. In

[5] A rate year refers to the year when the new rates go into effect.

particular, EPE observed that the usage patterns for two groups of rate classes change significantly in 2020, compared to usage patterns in the years prior to 2020. The Residential rate class and its Water Heating customers increase their usage significantly while the Small General Service, General Service, and City/County rate classes see substantial decreases in their usage in 2020. EPE believes that the usage pattern changes for these two groups of rate classes is most likely due to COVID-19 pandemic. The COVID-19 pandemic changes the way individuals interact and how businesses are run. People stay home more, and many businesses and government office have their employees working remotely from home. As a result, Residential electricity usage surges and the Commercial customers including government offices electricity decreases during the pandemic.

Q. **Why does EPE believe that the Residential and Commercial/City/County customers' usage pattern will change back to pre-COVID-19 pattern?**

A. Because EPE attributes the usage pattern changes in 2020 to the COVID-19 pandemic, EPE speculates that the usage pattern for these five rate classes used to determine their rates in this rate case will reverse at some point in the future when the pandemic improves. EPE believes that when the COVID-19 pandemic improves, there will be a reduction in Residential customer usage and an increase in the commercial/city/county customers. But EPE draws this conclusion entirely based on speculation, and there is no evidence to support when or if this would happen. In his testimony, Mr. Novela even acknowledges that it may not happen soon, and he does not provide any timeline as to when the usage pattern for these classes will change back to the pre-COVID-19 level.

In addition, Mr. Novela is not certain of the extent that the usage patterns for Residential and Commercial customers will change back to the pre-COVID-19 level. He admits that even when COVID-19 pandemic situation improves, not all businesses and offices that closed will re-open or will operate under the same operating environment as that in the pre-COVID-19 time. He further recognizes the possibility that employers may choose to continue to allow employees working remotely from home as has been done since the pandemic started in March 2020.

Q. **Do you agree that EPE should propose a rate moderation mechanism to address a concern that is based on speculation?**

A. No, I do not, because it is not reasonable for EPE to apply a rate moderation mechanism to address a rate impact concern that may or may not happen. Furthermore, it is also not justified to require the majority of the rates classes to subsidize two rate classes for a rate impact that may not be real.

Q. **What are your conclusion and recommendation regarding EPE's proposed rate moderation mechanism?**

A. I conclude that EPE's proposed rate moderation mechanism is neither reasonable nor equitable, and it is not consistent with the Commission's rate setting policy. Therefore, I recommend that EPE's proposed rate moderation mechanism not be adopted by the Commission.

B. UTEP's Proposed Rate Moderation Mechanism

Q. **Do you believe that a rate moderation mechanism is needed when assigning base rate revenue to different rate classes in this case?**

A. Yes, I do. While I disagree with EPE on the mechanism it uses to moderate rate impacts among rate classes, I believe that the atypical rate impact changes for certain rate classes because of the COVID-19 pandemic in the test year need to be addressed. The abnormal rate increase for the Residential customers is significant and should be recovered on a more gradual timeline. In addition, no rate class should receive a rate increase above 30%. However, the moderation of the rate increase for the Residential customers should only be provided by reducing the rate decreases for the Commercial and City/County customers. This moderation approach for the Residential and Commercial customers is reasonable and equitable because it accurately reflects the electricity usage behavior changes during the COVID-19 pandemic for these customers. While the COVID-19 pandemic impacts every rate class' electricity usage, the major effect is the shift of electricity usage between the Residential and Commercial/City/County customers. Therefore, it is appropriate to reduce the rate decreases for the Commercial/City/County customers to mitigate the rate increases for the Residential customers.

A rate moderation mechanism is also needed in this rate case to address the rate shock for **all** the rate classes experiencing large rate increases. Four rate classes receive a more than 30% cost increase. The following table shows the four rate classes experience large rate increases:

Table KP-5

Table KP-5 Rate Classes w th Large Rate Increase	
	Unity Cost Revenue Increase %
Water Heating	69.51%
Outdoor Rec. Lt	32.62%
Irrigation	31.46%
Cotton Gin	33.53%

These four classes' rate increases should be mitigated to avoid rate shock and to allow for a cost increase recovery on a more gradual basis.

Q. Please explain why the rate increases for the rate classes experiencing more than a 30% cost increase should be moderated.

A. The percentage rate increases for these rate classes are more than four times the average 7.38% system increase. This level of rate increases is substantial and would create rate shock to customers. In addition, the Commission, in Docket No. 39896[6], has set a precedence that it does not support the use of rate moderation for rate classes experiencing a less than 30% cost increase. In that docket, the Commission ordered to set each rate class' rates at cost, even for the Lighting rate class which would experience a 29% rate increase.

[6] Docket No. 39896, *Application of Entergy Texas, Inc. for Authority to Change Rates, Reconcile Fuel Costs, and Obtain Deferred Accounting Treatment.*

Q. Please describe your rate moderation proposal.

A. My rate moderation proposal involves the following steps:

1) Moderate the rate impact changes for the Residential, Water Heating, Small General Service, General Service and City/County Service rate classes in the following manner:

   a. Reduce the rate decreases at unity cost for the Small General Service, General Service, and City/County Service rate classes by 50%;

   b. Cap the percentage rate increase at 30% for the Water Heating rider;

   c. Use the rate decrease reduction in (a) above to offset the rate increase amount not recovered from the Water Heating rider in (b) above;

   d. Use the remaining rate decrease reduction after (c) to reduce the rate increase for the Residential customers; and,

   e. The following summarize the reallocation of the rate increase/decrease among these five rate classes:

Table KP-6

Table KP-6 Rate Moderation Result for Res, Small Gen, Water Heating, Gen Serv. City/County Rate Classes								
	Present Base Rate Revenue Adjusted (000)	Present RROR	Unity Cost Revenue Increase (000)	Unit Cost Revenue Increase %	Unity RROR	UTEP Proposed Base Rate Req. Increase (000)	UTEP Proposed Base Rate Req. Increase %	UTEP Prposed RROR
Res	$273,639	0.73	$51,086	18.67%	1	$42,898	15.68%	0.91
Water Heating	$475	(0.13)	$330	69.51%	1	$142	30.00%	0.12
Small Gen	$33,320	1.54	-$3,334	-10.01%	1	-$1,667	-5.00%	1.20
Gen Serv.	$125,006	1.52	-$11,214	-8.97%	1	-$5,607	-4.49%	1.17
City/County	$19,126	1.60	-$2,202	-11.51%	1	-$1,101	-5.76%	1.22

2) To moderate the rate increases for the Outdoor Recreational Lighting, Irrigation, and Cotton Gin rate classes that would experience a more than 30% percentage increase, I recommend the following::

a. Cap the percentage rate increase at 30% for the Outdoor Recreational Lighting, Irrigation, Cotton Gin rate classes;

b. Use the rate decreases for the Government Street Lighting and Area Lighting rate classes to offset the rate increase unrecovered from Outdoor Recreational Lighting, Irrigation, Cotton Gin rate classes in (a) above. The unrecovered rate increase would be deducted proportionally between the Government Street Lighting and Area Lighting rate classes based on their unity cost decreases; and,

c. The following summarize the reallocation of the rate increase/decrease among these five rate classes:

Table KP-7

Table KP-7 Rate Moderation Result for Outdoor Recreational Lt, Irrigation, Cotton Gin, Govermental Street Lt, and Area Lt								
	Present Base Rate Revenue Adjusted (000)	Present RROR	Unity Cost Revenue Increase (000)	Unit Cost Revenue Increase %	Unity RROR	UTEP Proposed Base Rate Req. Increase (000)	UTEP Proposed Base Rate Req. Increase %	UTEP Prposed RROR
Outdoor Lt	$463	0.56	$151	32.62%	1	$139	30.00%	0.94
Irrigiation	$423	0.54	$133	31.46%	1	$127	30.00%	0.97
Cotton Gin	$133	0.56	$45	33.53%	1	$40	30.00%	0.92
Gov. Lt.	$4,047	2.38	-$983	-24.29%	1	-$965	-23.85%	1.02
Area Lt	$2,933	1.61	-$296	-10.10%	1	-$291	-9.92%	1.01

3) No rate moderation adjustments were made for the remaining rates classes.

Q. **Please summarize the base rate revenue requirement distribution resulting from UTEP proposed rate moderation mechanism.**

A. The following table summarizes the base rate revenue requirement distribution resulting from UTEP proposed rate moderation mechanism:

Table KP-8

Table KP-8 UTEP's Proposed Rate Class Base Rate Revenue Requirement Distribution								
	Present Base Rate Revenue Adjusted (000)	Present RROR	Unity Cost Revenue Increase (000)	Unit Cost Revenue Increase %	Unity RROR	UTEP Proposed Base Rate Req. Increase (000)	UTEP Proposed Base Rate Req. Increase %	UTEP Prposed RROR
Res	$273,639	0.73	$51,086	18.67%	1	$42,898	15.68%	0.91
Water Heating	$475	-0.13	$330	69.51%	1	$142	30.00%	0.12
Small Gen	$33,320	1.54	-$3,334	-10.01%	1	-$1,667	-5.00%	1.20
Gen Serv.	$125,006	1.52	-$11,214	-8.97%	1	-$5,607	-4.49%	1.17
City/County	$19,126	1.60	-$2,202	-11.51%	1	-$1,101	-5.76%	1.22
Outdoor Lt	$463	0.56	$151	32.62%	1	$139	30.00%	0.94
Irrigiation	$423	0.54	$133	31.46%	1	$127	30.00%	0.97
Cotton Gin	$133	0.56	$45	33.53%	1	$40	30.00%	0.92
Gov. Lt.	$4,047	2.38	-$983	-24.29%	1	-$965	-23.85%	1.02
Area Lt	$2,933	1.61	-$296	-10.10%	1	-$291	-9.92%	1.01
Traffic Signals	$95	1.10	$3	3.16%	1	$3	3.16%	1.00
Mun. Pumping	$10,102	1.20	$56	0.55%	1	$56	0.55%	1.00
Electrolytic Ref.	$1,830	0.58	$399	21.78%	1	$399	21.78%	1.00
Large Pow er	$35,956	1.11	$1,179	3.28%	1	$1,179	3.28%	1.00
Petroleum Ref	$10,965	0.64	$1,927	17.57%	1	$1,927	17.57%	1.00
Electric Furnace	$1,192	0.47	$309	25.94%	1	$309	25.94%	1.00
Military Reservatic	$13,010	0.81	$1,709	13.14%	1	$1,709	13.14%	1.00

As shown from this table, UTEP's proposed rate moderation mechanism brings the RRORs for all of the rate classes either to one or closer to one, compared to the present RRORs for these rate classes. UTEP's proposal would also set seven rate classes' rates at cost.

C. Comparison of EPE's and UTEP's Rate Moderation Mechanisms

Q. Please compare EPE and UTEP's proposed base rate revenue requirement distribution.

A. The following table compares EPE's and UTEP's proposed base rate revenue requirement distribution:

Table KP-9

Table KP-9 Comparison of EPE and UTEP's Proposed Rate Class Base Rate Revenue Requirement Distributions

	Present Base Rate Revenue Adjusted (000)	Present RROR	EPE Proposed Base Rate Req. Increase (000)	EPE Proposed Base Rate Req. Increase %	EPE Prposed RROR	UTEP Proposed Base Rate Req. Increase (000)	UTEP Proposed Base Rate Req. Increase %	UTEP Prposed RROR
Res	$273,639	0.73	$37,194	13.59%	0.85	$42,898	15.68%	0.91
Water Heating	$475	-0.13	$65	13.59%	-0.24	$142	30.00%	0.12
Small Gen	$33,320	1.54	-$947	-2.84%	1.29	-$1,667	-5.00%	1.20
Gen Serv.	$125,006	1.52	-$2,893	-2.31%	1.03	-$5,607	-4.49%	1.17
City/County	$19,126	1.60	-$691	-3.61%	1.30	-$1,101	-5.76%	1.22
Outdoor Lt	$463	0.56	$165	35.63%	1.07	$139	30.00%	0.94
Irrigiation	$423	0.54	$146	34.45%	1.07	$127	30.00%	0.97
Cotton Gin	$133	0.56	$49	36.57%	1.07	$40	30.00%	0.92
Gov. Lt.	$4,047	2.38	-$913	-22.56%	1.09	-$965	-23.85%	1.02
Area Lt	$2,933	1.61	-$236	-8.06%	1.09	-$291	-9.92%	1.01
Traffic Signals	$95	1.10	$5	4.97%	1.10	$3	3.16%	1.00
Mun. Pumping	$10,102	1.20	$287	2.84%	1.08	$56	0.55%	1.00
Electrolytic Ref.	$1,830	0.58	$450	24.56%	1.09	$399	21.78%	1.00
Large Pow er	$35,956	1.11	$2,019	5.62%	1.08	$1,179	3.28%	1.00
Petroleum Ref	$10,965	0.64	$2,220	20.24%	1.10	$1,927	17.57%	1.00
Electric Furnace	$1,192	0.47	$343	28.82%	1.09	$309	25.94%	1.00
Military Reservation	$13,010	0.81	$2,046	15.73%	1.09	$1,709	13.14%	1.00
Total	$532,714	1.00	$39,308	7.38%	1.00	$39,297	7.38%	1.00

Q. What observations do you draw from the comparison of EPE's and UTEP's proposed base rate revenue requirement comparison as shown in Table KP-9?

A. Based on the comparison analysis shown in Table KP-9, I have the following observations:

1) Under EPE's proposal, all of the non-Residential rate classes (a total of fifteen rate classes) contribute to mitigating the rate increase for the Residential rate class and its Water Heating rider. As a result, the customers in EPE's fifteen rate classes subsidize the Residential and Water Heating customers.
2) Under UTEP's proposal, the moderation of the rate increases is absorbed by five rate classes experiencing rate increases.
3) Under UTEP's proposal, seven rate classes were assigned its unity costs and therefore their rates would be set at cost. To the contrary, no rate class would pay exactly its cost under EPE's proposal.
4) UTEP's proposed rate moderation mechanism would set the rates of all rate classes closer to their unity cost than EPE's proposed rate moderation mechanism. The following table compares the rate classes' RRORs between EPE's and UTEP's proposals:

Table KP-10

Table KP-10 Summary of EPE and UTEP RROR among rate classes			
	Present RROR	EPE Proposed RROR	UTEP Proposed RROR
Res	0.73	0.85	0.91
Water Heating	-0.13	-0.24	0.12
Small Gen	1.54	1.29	1.20
Gen Serv.	1.52	1.03	1.17
City/County	1.60	1.30	1.22
Outdoor Lt	0.56	1.07	0.94
Irrigiation	0.54	1.07	0.97
Cotton Gin	0.56	1.07	0.92
Gov. Lt.	2.38	1.09	1.02
Area Lt	1.61	1.09	1.01
Traffic Signals	1.10	1.10	1.00
Mun. Pumping	1.20	1.08	1.00
Electrolytic Ref.	0.58	1.09	1.00
Large Pow er	1.11	1.08	1.00
Petroleum Ref	0.64	1.10	1.00
Electric Furnace	0.47	1.09	1.00
Military Reservatic	0.81	1.09	1.00
Total	1.00	1.00	1.00

As noted in this table, UTEP's proposal moves the RRORs of all of the rate classes closer to one, compared to their present RRORs. However, under EPE's proposal, the RRORs for more than half of the total seventeen rate classes moves away from one. The negative RROR for the Water Heating rider moves further from one, changing from -0.13 to -0.24. Eight rate classes with a present RROR less than one see their RRORs changing to be more than one after EPE rate moderation adjustments. This means that these eight rate classes change from being subsidized by other rate classes to providing subsidies to other rate classes. Finally, under EPE's proposal, none of the rate classes' rates has their RROR equal to one.

5) As shown in the following table (Table KP-11), EPE's proposal would enlarge the unity rate increases for all of rate classes except for the Residential rate class and its Water Heating rider . Under UTEP's proposal, the unity rate increases for these classes would either be reduced or remain the same.

Table KP-11

Table KP-11 Unity, EPE, UTEP proposed Rate Increases			
	Unity Cost Revenue Increase %	EPE Proposed Rev. Increase %	UTEP Proposed Rev. Increase %
Outdoor Rec. Lt	32.62%	35.63%	30.00%
Traffic Signals	3.16%	4.97%	3.16%
Mun. Pumping	0.55%	2.84%	0.55%
Electrolytic Ref.	21.78%	24.56%	21.78%
Irrigation	31.46%	34.45%	30.00%
Large Pow er	3.28%	5.62%	3.28%
Petroleum Ref	17.57%	20.24%	17.57%
Electric Furnace	25.94%	28.82%	25.94%
Military Reservation	13.14%	15.73%	13.14%
Cotton Gin	33.53%	36.57%	30.00%

Q. **What conclusions do you draw from the comparison of EPE and UTEP's proposed base rate revenue requirement comparison as shown in Table KP-9?**

A. Based on these observations, I conclude that UTEP's proposed rate moderation mechanism would produce a more reasonable and equitable base rate revenue requirement distribution among rate classes than that of EPE. UTEP's proposed rate moderation mechanism would bring the rates for all of the rate classes to unity (cost) or at least much closer to their unity costs than EPE's proposal. Under UTEP's proposal, out of seventeen rate classes, seven rate classes' rates would be set at cost, while none of rate classes would pay their fair share of costs under EPE's proposal. Therefore, I recommend that EPE's proposed rate moderation

mechanism **not** be adopted. Instead, UTEP's proposed rate moderation mechanism should be adopted by the Commission.

Q. Does this conclude your testimony?

A. Yes, it does.

1

Attachment KP-1

Kit Pevoto
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EDUCATION:
University of Texas at Arlington, Arlington, Texas

M.S. in Electrical Engineering, May 1991
Concentration: Power System Analysis
Thesis Title: The Dynamic Stability Analysis of a Power System with Static Var System Using the Eigenvalue Method

National Taiwan University, Taiwan

B.S. in Electrical Engineering, June 1983

EXPERIENCE
Career Summary:
Ms. Pevoto has been working in Texas electric regulatory industry for more than 25 years. She previously worked at Public Utility Commission of Texas for twelve years and has been an independent consultant for the last 20 years. She is a recognized cost allocation and rate design expert in the industry. Ms. Pevoto has a strong knowledge of the cost of service, cost unbundling, cost allocation for electricity utilities and rate design/pricing issues for different aspects of the electricity prices. In addition to her expertise knowledge and experience, her creative and innovative approaches toward finding solutions for issues have allowed her numerous opportunities to get deeply involved and contributed greatly in developing the groundbreaking activities, projects, and rulemakings that led to deregulation at both wholesale and retail level in Texas. Most importantly, her work has helped Texas ratepayers and her clients save millions of dollars on their electricity bills. Ms. Pevoto also represented clients as an expert witness in natural gas utilities rate cases in Texas.

President, March 2019 to Present
Kit Pevoto LLC, Austin, Texas
Independent Consultant, June 2001-Feb 2019
Summary: Performs information research for clients. Performs policy and economic analyses for clients and participates on behalf of clients before the Texas Public Utility Commission (PUCT) in various rulemaking projects, tariff, and rate cases. Files and defends testimony in contested tariff and rate cases before PUCT.

Highlights:

- In the summer of 2008, Ms. Pevoto testified before the Commissioners in the Competitive Renewable Energy Zone docket on the determination of transmission expansion plan to accommodate more renewable power into the ERCOT grid, on behalf of a renewable power supplier client. The Commission relied on the cost-benefit analyses developed by Ms. Pevoto and eventually adopted the transmission expansion plan-a 4.9 billion transmission expansion in west Texas to allow more wind power moving from the west to

other parts of Texas as recommended by Ms. Pevoto. Today, this transmission expansion plan is complete and last year (2019), ERCOT just reached a milestone-the wind power production outpaces the coal generation in the first half of the year. The transmission expansion Ms. Pevoto recommended allowed this to happen.

- On behalf of various clients, including city governments, state agencies, state universities, state hospitals, private electricity consumers, and retail electric providers, Ms. Pevoto has participated in over forty cases before the Public Utility Commission of Texas and Texas Railroad Commission. The forty cases include the rate increase cases for the two largest ERCOT TD utilities (Oncor and CenterPoint), the Oncor buyout case, and the Oncor/Sharyland acquisition case. In her participation in all of these cases, Ms. Pevoto has helped her clients save millions of dollars on their electricity spending. In Docket No. 34800, Ms. Pevoto evaluated a Competitive Generation Service that allowed customers to purchase generation power from sources other than the incumbent utility (Entergy Texas).
- Ms. Pevoto participated in several significant rulemaking projects affecting utilities cost recoveries. These projects affect the cost recoveries for the distribution facilities investments and purchase power costs. One of the projects was to set up the rules and pricing for the Provider of Last Resort Services in ERCOT.
- Ms. Pevoto provides services to help clients to monitor and maintain a database for most updated retail transmission and distribution rates in ERCOT.

Chief Rate Analyst, November 1999 to May 2001
Assistant Director, April 1997-November 1999
Public Utility Commission of Texas (PUC), Austin, Texas

Summary: Participated in the development of rules to implement Texas Deregulation Bill (Senate Bill 7). Leader of a team to work on the development of rules governing the separation of the competitive energy services from the integrated IOUs, the separation of the integrated IOUs into several business units, and the cost separation for the development of the non-bypassable charges. Filed and defended testimony in contested cases (including cost unbundling cases) on: jurisdictional and Texas retail class cost allocation, cost and rate unbundling, rate design, pricing in an increasingly competitive electric industry, transmission cost of service. Supervised new and junior staff. Supervised new and junior staff. Provided training to staff on cost allocation and rate design.

Highlights:

- In the summer of 1999, shortly after the Texas Legislature passed Senate Bill 7, Ms. Pevoto led a team that developed rules governing the separation of competitive energy services from the integrated IOUs, the separation of the integrated IOUs into several business units, and the cost separation for the development of the non-bypassable charges. This project was part of the PUCT's implementation of the Senate Bill 7 provisions related to business separation and development of non-bypassable charges including the unbundled transmission and distribution service charges.
- Ms. Pevoto testified, in the spring of 2000, in Texas IOUs' first cost unbundling cases, before the Commission as an expert witness on cost allocation and rate design regarding the determination of transmission and distribution charges to be applied in these unbundling cases. The Commission adopted her recommendations a simplified and

uniform rate design for the transmission and distribution rates for all IOUs with very minor modifications. In particular, the retail transmission cost recovery rate design recommended by Ms. Pevoto has encouraged and allowed significant investments and improvement in ERCOT's transmission system.

- Ms. Pevoto also made significant contributions in other rulemaking projects involving the implementation of Senate Bill 7, such as the tariff Terms and Conditions for Transmission and Distribution Services and the Price to Beat.
- During the 1999 Legislative Session, Ms. Pevoto was actively involved in developing information and data for the Legislature to review while it was developing Senate Bill 7. She was also involved in the negotiations among parties regarding allocation of stranded costs among customers.
- Ms. Pevoto initiated a project to separate the costs of nine IOUs in Texas into generation, transmission, distribution, metering & billing, and customer services categories. Ms. Pevoto and her staff collected data, developed guidelines and procedures for separating costs, and implemented the cost separation for the nine IOUs. The project produced a report containing all of the data collected, the procedure to separate the costs, and most importantly the results of the cost separation for the nine IOUs. The Commission used the unbundled cost information resulting from this project in assisting the Texas Legislature to develop the electric deregulation bill (Senate Bill 7) in the 1999 legislation.

Senior Rate Analyst, January 1994-March 1997
Public Utility Commission of Texas (PUC), Austin, Texas

- Key staff in the development of the transmission open access rules for Texas, which established the policy for the open access of Texas's ERCOT transmission system, the rate for the usage of the transmission system. The post stamp transmission pricing scheme included in the rules allows generation developers to build anywhere in ERCOT and connect to the statewide transmission system but still pay the same wholesale transmission service rate. This pricing scheme provides the necessary foundation for the wind power potential in West Texas to be realized. Since then, the wind generation developed in west Texas has been exceedingly successful.
- Developed complex cost of service studies and analyzed rate design issues in major electric investor-owned utility rate proceedings. Testified as key expert witness on cost of service studies and rate design issues. Supervised new and junior staff.

Rate Analyst, September 1990-December 1993
Public Utility Commission of Texas, Austin, Texas
Analyzed cost of service study and rate design issues presented in electric utility rate proceedings. Testified as expert witness on above issues. Reviewed compliance and administrative tariff applications filed by regulated electric utilities. Supervised new and junior staff.

Utility Specialist, June 1989-August 1990
Public Utility Commission of Texas, Austin, Texas
Implemented load flow models and developed transmission line database for the project "Optimal State Electricity Supply in Texas," funded by the Oil Overcharge Settlement Funds. Evaluated

model results, wrote the project reports and assisted in presenting the results to other agencies and utilities.

Research Assistant, June 1988-May 1989
University of Texas at Arlington, Arlington, Texas
The Energy Systems Research Center (ESRC)
Assisted in the research of the installation of the Static Var System in a power system and in the demonstration of the effects of the Static Var System in the Power System Simulation Laboratory at the ESRC.

Software Engineer, November 1983-July 1987
Grace Baptist Church, Taipei, Taiwan
Set up and executed the office automation system, and developed the personnel information management and the financial management systems for the church office.

Software Engineer, September 1983-November 1983
5 Plus 2 Information Inc. Taipei, Taiwan
Developed commercialized management information systems for businesses and offices.

Kit Pevoto

Rate Case Experience

Docket	Utility Name	Issues Addressed
Before the Public Utility Commission		
9892	Denton County Electric Cooperative	Cost Allocation and Rate Design
10266	Sam Houston Electric Cooperative	Cost Allocation and Rate Design
10561	Jackson Electric Cooperative	Cost Allocation and Rate Design
10820	Magic Valley Electric Cooperative	Service Rules and Regulations
11011	Southwestern Public Service	Fuel Reconciliation
11347	Johnson County Electric Cooperative	Cost Allocation and Rate Design
11567	Kaufman County Electric Cooperative	Service Rules and Regulations
11571	Fayette Electric Cooperative	Cost Allocation and Rate Design
11650	Navasota Valley Electric Cooperative	Cost Allocation and Rate Design
11735	Texas Utilities Electric Company	Cost of Service Study
11999	Houston Lighting and Power Company	Economic Incentive Rate
12700	El Paso Electric Company	Cost of Service Study
12820	Central Power and Light Company	Cost Allocation and Rate Design
13109	Magic Valley Electric Cooperative	Time of Use Rate
14965	Central Power and Light Company	Rate Design
15296	Texas Municipal Power Agency	Transmission Rates
16705	Entergy Gulf States	Cost Allocation
22344	UCOS cases for all IOUs	Rate Design for Unbundled T&D rates
22351	Southwestern Public Service Company	T&D Rate Design
22352	Central Power and Light Company	T&D Rate Design
22353	Southwestern Electric Power Company	T&D Rate Design
22354	West Texas Utilities Company	T&D Rate Design
22355	Reliant Energy HL&P	T&D Rate Design
22356	Entergy Gulf States	T&D Rate Design
28556	Texas-New Mexico Power Company	Design of Competitive Metering Credits
28559	AEP Texas Central Company	Design of Competitive Metering Credits
28560	AEP Texas North Company	Design of Competitive Metering Credits
28562	CenterPoint Energy Houston	Design of Competitive Metering Credits

	Electric		
28563	Oncor Electric Delivery Company		Design of Competitive Metering Credits
28813	Cap Rock Energy Corporation		Cost Allocation and Rate Design
28840	AEP-Texas Central Company		Cost Allocation and Rate Design
30485	CenterPoint Energy Houston Electric		Cost Allocation and Rate Design for TC
30706	CenterPoint Energy Houston Electric		Cost Allocation and Rate Design For CTC
32766	Southwestern Public Service Company		Cost allocation and Rate Design
33734	Electric Transmission Texas, LLC		Certificate of Convenience and Necessity Application
34800	Entergy Gulf States		Cost Allocation and Rate Design
33672	Competitive Renewable Energy Zones Docket		Selection of transmission expansion plans
35717	Oncor Electric Delivery Company		Cost Allocation and Rate Design
35763	Southwestern Public Service Company		Cost Allocation and Rate Design
36025	Texas-New Mexico Power Co.		Cost Allocation and Rate Design
37364	Southwestern Electric Power Company		Cost Allocation and Rate Design
37482	Entergy Texas, Inc.		Purchased Power Capacity Cost Recovery
39690	El Paso Electric Company		Cost Allocation and Rate Design
37744	Entergy Texas, Inc.		Cost Allocation and Rate Design
38147	Southwestern Public Service Company		Cost Allocation and Rate Design
38480	Texas-New Mexico Power Co.		Cost Allocation and Rate Design
38929	Oncor Electric Delivery Company		Cost Allocation and Rate Design
39896	Entergy Texas, Inc.		Cost Allocation and Rate Design
40094	El Paso Electric Company		Cost Allocation and Rate Design
40824	Southwestern Public Service Company		Cost Allocation and Rate Design
41791 .	Entergy, Texas, Inc.		Cost Allocation and Rate Design
42004	Southwestern Public Service Company		Cost Allocation and, Rate Design
43111	Entergy Texas, Inc.		Distribution Cost Recovery Factor
43695	Southwestern Public Service Company		Cost Allocation and, Rate Design
44572	CenterPoint Energy		Distribution Cost Recovery Factor
45083	Entergy Texas, Inc.		Distribution Cost Recovery Factor
44491	El Paso Electric Company		Cost Allocation and Rate Design
45524	Southwestern Public Service Company		Cost Allocation and, Rate Design
45414	Sharyland Utilities		Cost Allocation and, Rate Design

46449	Southwestern Electric Power Company		Cost Allocation and, Rate Design
46831	El Paso Electric Company		Cost Allocation and Rate Design
46957	Oncor Electric Delivery Company		Cost Allocation and Rate Design
48233	Southwestern Electric Power Company		Cost Allocation and Rate Design
48325	Oncor Electric Delivery Company		Cost Allocation and Rate Design
49421	CenterPoint Energy Houston Electric		Cost Allocation and Rate Design
51415	Southwestern Electric Power Company		Cost Allocation and Rate Design
52040	El Paso Electric Company		Advanced Metering Service Charge
52195	El Paso Electric Company		Cost Allocation and Rate Design
Before the Railroad Commission of Texas			
9672	Atmos Energy Corp		Cost Allocation and Rate Design
10567	CenterPoint Energy Resource		Cost Allocation and Rate Design
7061	CenterPoint Energy Resource		Gas Securitization Rate Design
Rulemaking			
P14045	Transmission Open Access		
P21803	Cost Unbundling and Separation of Utility Business Activities, Including Separation of Competitive Energy Services and Distribution Generation		
P21409	Price to Beat		
P22187	Rulemaking to Establish Terms and Conditions of Transmission and Distribution Utilities' Retail Distribution Service		
P26418	Rulemaking to address Competitive Energy Services		
P31416	Rulemaking to address Price To Beat and Provider Of Last Resource rules		
P38298	Rulemaking to Address Recovery by Electric Utilities of Distribution Costs		
P39465	Rulemaking to Address Periodic Rate Adjustments		
P39246	Rulemaking to Address Recovery of Purchased Power Capacity Costs		

Attachment KP-2

Attachment KP-2

University of Texas at El Paso
Optimized Operation Initiatives
For Electricity Usage
2021

Starting in 2011, UTEP has been optimizing its operations to reduce peak energy usage and total energy usage with the following initiatives:

- The 3.6 million gallon thermal energy storage tank was charged at night to they estimated demand of the next day and to fully deplete its energy on a daily basis.
- The thermal mass of the buildings, along with the thermal energy storage tank, was used to minimize the on-peak run time of chillers and pumps.
- Operations began shutting down buildings completely, when not needed, to divert that energy back to the central plant. This ensured the delta-T across the cold decks and tank was maintained at an optimal 16 degrees.
- Operations and maintenance began to install Variable Frequency Drives on large motors and pumps. This initiative continues throughout campus.
- Operations began nightly audits of buildings to identify and address unneeded energy usage throughout campus.
- In 2012, a 187kW PV solar generation facility was installed at the Physical Plant and Student Rec Center.
- Class schedules were managed to better utilize space and minimize loads.
- More aggressive temperature setbacks were implemented in 2012 to reduce load. In 2017, a six-sigma optimization program was begun to further explore the limits of temperature setbacks while maintaining occupant comfort.
- In 2018, a campus-wide LED retrofit project was created to relamp the campus to LED fixtures. As of the end-of-year 2021, 53 of the 96 buildings will be converted to LED.
- In 2020, the campus was upgraded to the Siemens Enlighted system allowing dynamic control of lighting and HVAC throughout campus as well as space management.