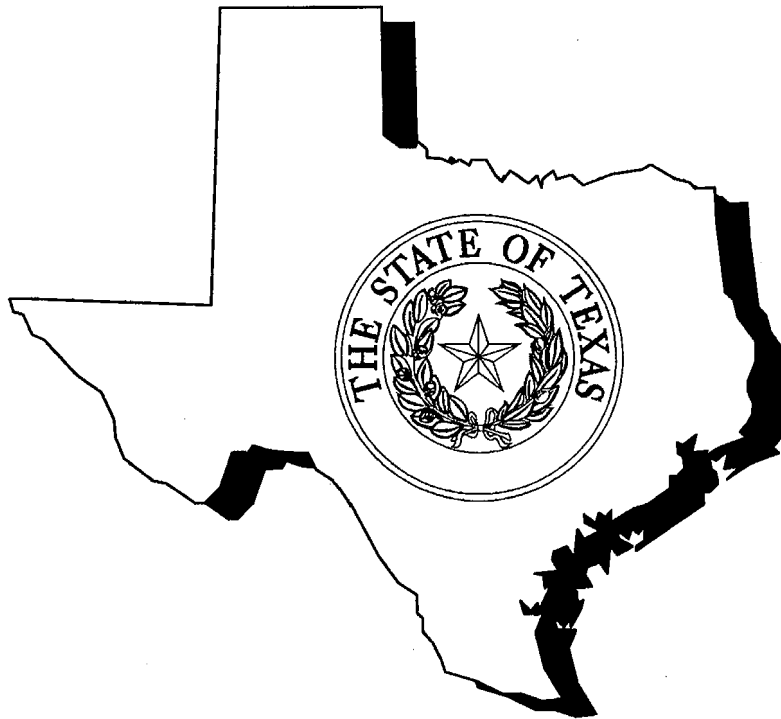




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**BEFORE THE STATE OFFICE
OF
ADMINISTRATIVE HEARINGS**



DIRECT TESTIMONY OF RUTH STARK
RATE REGULATION DIVISION
PUBLIC UTILITY COMMISSION OF TEXAS
OCTOBER 29, 2021

TABLE OF CONTENTS

1	I. QUALIFICATIONS	1
2	II. PURPOSE AND SCOPE OF TESTIMONY	2
3	III. ADJUSTMENTS TO EPE’S REQUEST	3
4	A. Rate-Case Expense Regulatory Assets	3
5	B. COVID-19 Regulatory Asset	6
6	C. Excess ADIT	10

ATTACHMENTS

Attachment RS-1	List of Previous Testimony
Attachment RS-2	EPE’s Response to DOD/FEA’s 1 st RFI, 1-24
Attachment RS-3	Foregone Late Payment Fees to Commercial and Industrial Customers with Carrying Charges
Attachment RS-4	Staff Recommended COVID-19 Regulatory Asset Balance
Attachment RS-5	Recovery of COVID-19 Regulatory Asset Through Separate Charge
Attachment RS-6	Workpapers

I. QUALIFICATIONS

Q. Please state your name and business address.

A. Ruth Stark, 1701 North Congress Avenue, Austin, Texas 78701.

Q. By whom are you employed and in what capacity?

A. I am employed by the Public Utility Commission of Texas (Commission) as a Senior Regulatory Accountant in the Rate Regulation Division.

Q. What are your principal responsibilities?

A. My responsibilities include testifying as a witness on accounting matters in rate cases and other proceedings filed at the Commission and participating in the overall examination, review, and analysis of rate change and other applications.

Q. Please briefly state your educational background and professional experience.

A. I received a Bachelor of Business Administration degree with a major in Accounting from the University of Texas at Austin in 1983. I am a Certified Public Accountant licensed in the State of Texas. I have accounting experience in public practice, industry, and state government. My public accounting responsibilities included tax and financial services to individuals, private enterprises, and non-profit organizations. As the accountant for a multi-divisional construction, engineering, and surveying company, I oversaw all accounting functions from maintaining the general ledger through financial statement and tax return preparation. At the Texas Water Development Board, I performed administrative duties associated with a federal construction grant program and state revolving loan fund related to municipal capital improvement projects. Except for the three-month period encompassing October through December 2015, I have been employed with the Public Utility Commission of Texas since September 1990. Prior to

1 my retirement in September 2015, I held the position of Director of Financial Review in
2 the Rate Regulation Division for sixteen years.

3 **Q. Have you previously testified before the Commission?**

4 A. Yes. Attachment RS-1 presents a summary of the dockets in which I have testified.

5 **Q. On whose behalf are you testifying?**

6 A. I am testifying on behalf of the Commission Staff (Staff).

7 **II. PURPOSE AND SCOPE OF TESTIMONY**

8 **Q. What is the purpose of your testimony in this proceeding?**

9 A. The purpose of my testimony is to present recommended adjustments to certain items in
10 the requested revenue requirement presented by El Paso Electric Company (EPE) in its
11 application to change rates (Application) filed on June 1, 2021.¹ The requested revenue
12 requirement is based on a test year reflecting the 12-month period ending December 31,
13 2020.² EPE's current base rates were established in Docket No. 46831.³

14 **Q. What is the scope of your review?**

15 A. My review encompasses analysis of the Application, the required update thereto filed on
16 July 16, 2021, the first and second errata to the Application, and EPE's responses to
17 various Requests for Information (RFIs).

18 **Q. What specific items in EPE's requested revenue requirement are addressed in your
19 testimony?**

20 A. My testimony addresses EPE's request to include the balances of unrecovered rate-case
21 expenses as regulatory assets in rate base, EPE's request to recover a regulatory asset for

¹ El Paso Electric Company's Petition and Statement of Intent to Change Rates (Application) (Jun. 1, 2021).

² *Id.* at 1.

³ *Application of El Paso Electric Company to Change Rates*, Docket No. 46831, Order (Dec. 18, 2017).

costs incurred related to the COVID-19 pandemic, and EPE's request with respect to the refund to ratepayers of excess deferred income taxes (ADIT).

Q. What standards are you applying in your review of the reasonableness of EPE's requests in this proceeding?

A. I am applying the standards set forth in the Public Utility Regulatory Act, Tex. Util. Code Ann. (PURA).⁴ I am also applying 16 Texas Administrative Code (TAC) § 25.231, otherwise known as the Commission's cost of service rule.

III. ADJUSTMENTS TO EPE'S REQUEST

A. Rate-Case Expense Regulatory Assets

Q. Please describe your proposed adjustment to EPE's requested regulatory assets related to rate-case expenses.

A. I propose to remove from EPE's requested rate base the rate-case expense regulatory assets associated with various Texas proceedings:

Description	Amount ⁵
2021 Texas Rate Case Cost	\$3,176,288
2015 and 2017 Texas Rate Case Cost	\$ 286,538
Texas Corporate Tax Compliance	\$ 80,127
Texas DCRF Filing	\$ 147,467
Texas TCRF Filing	\$ 243,843
Texas Demand Response	\$ 152,905
Total	\$4,087,168

⁴ Public Utility Regulatory Act, Tex. Util. Code Ann. §§ 36.051-36.066.

⁵ Application at WP/B-1, Adjustment No. 3, Page 1.

1 **Q. Why are you proposing to remove these regulatory assets from EPE's requested rate**
2 **base?**

3 A. Classifying these expenses as regulatory assets and including them in EPE's requested
4 rate base would allow it to earn a return on them at the weighted average cost of capital
5 ultimately adopted by the Commission in this proceeding. The Commission has
6 consistently rejected a return on rate-case expenses for many years. For example, in
7 2001, the Commission's Order in Docket No. 22355 explained:

8 98G. The Commission finds that Reliant should not earn a return
9 on the outstanding balance of its rate case expenses.⁶

10 In another case in 2005, Docket No. 30706, the Commission found:

11 77. Recovery of the rate-case expenses at issue in this
12 proceeding without interest is consistent with past
13 Commission decisions requiring that rate-case expenses be
14 recovered without interest.⁷

15 Additionally, a Conclusion of Law in that same proceeding found that:

16 33. Commission precedent requires that rate-case expenses be
17 recovered without interest.⁸

18 My recommended disallowance of \$4,087,168 for EPE's requested regulatory assets
19 related to Texas rate-case expenses is consistent with Commission precedent.

⁶ *Application of Reliant Energy for Unbundled Cost of Service Rate Pursuant to PURA § 39.201 and Public Utility Commission Substantive Rule § 25.344*, Docket No. 22355, Order at Finding of Fact No. 98G (Oct. 4, 2021).

⁷ *Application of CenterPoint Energy Houston Electric, LLC for a Competition Transition Charge*, Docket No. 30706, Order at Finding of Fact No. 77 (Jul. 14, 2005).

⁸ *Id.* at Conclusion of Law No. 33.

1 **Q. Is there an additional basis for disallowing EPE's proposed inclusion of its Texas**
2 **rate-case expenses as regulatory assets in rate base?**

3 A. Yes, there is an additional basis to disallow the Texas rate-case expenses as regulatory
4 assets in rate base. PURA § 36.051 explains that:

5 In establishing an electric utility's rates, the regulatory authority
6 shall establish the utility's overall revenues at an amount that will
7 permit the utility a reasonable opportunity to earn a reasonable
8 return on the utility's invested capital used and useful in providing
9 service to the public in excess of the utility's reasonable and
10 necessary operating expenses.

11 The Texas Court of Appeals, Third District, at Austin (Third Court) found that:

12 The utility's reasonable and necessary operating expenses to be
13 included in the utility's rate may include reasonable rate-case
14 expenses.⁹

15 Additionally, the Third Court found that:

16 PURA specifically addresses the allowance of rate-case expenses
17 as an operating expense.¹⁰

18 As shown above, PURA permits a return on invested capital. The Third Court explained
19 that PURA classifies rate-case expenses as operating expenses, not invested capital. EPE
20 should therefore not earn a return on these operating expenses.

21 **Q. Why are you not proposing a disallowance of the New Mexico or Federal Energy**
22 **Regulatory Commission (FERC) jurisdictional regulatory assets, including rate-case**
23 **expenses?**

24 A. My testimony is presented on a total company basis. The New Mexico and FERC
25 regulatory assets are directly assigned to those jurisdictions and not included in the Texas

⁹ *Oncor Electric Delivery Company LLC v. Public Utility Commission of Texas*, No. 03-11-00233-CV, WL 3013899, at 3 (Tex.App.—Austin Jun. 14, 2013 no pet.).

¹⁰ *Id.* at 16.

jurisdictional revenue requirement. Staff witness Adrian Narvaez addresses jurisdictional allocations in this proceeding.

B. COVID-19 Regulatory Asset

Q. Please explain EPE's request to recover expenses related to COVID-19.

A. According to the testimony of EPE witness Cynthia S. Prieto, EPE recorded a regulatory asset to capture expenses related to the COVID-19 pandemic in compliance with one of the Commission's orders in Project No. 50664.¹¹ As explained by Ms. Prieto, EPE removed its COVID-19 related costs, net of savings, from cost of service to a regulatory asset and has included the regulatory asset and associated carrying charges less one year of amortization in its requested rate base.¹²

Q. What is the amount of EPE's requested COVID-19 regulatory asset?

A. EPE requests to recover a total COVID-19 regulatory asset of \$8,345,323. Of this amount, \$4,016,247 is for COVID-19 related bad debts.¹³ The remainder consists of EPE's share of Palo Verde COVID-19 costs, operational support, safety, customer support, medical costs, information technology, and forfeited discounts (late payment fees not assessed between March 2020 and October 2020).¹⁴ These costs were offset by \$768,725 of COVID-19 related cost savings identified by EPE for items like office supplies, training, and travel.¹⁵ EPE also included \$199,870 of interest charges in the COVID-19 regulatory asset.¹⁶

¹¹ Direct Testimony of Cynthia S. Prieto (Prieto Direct) at 37:6-10, citing to *Issues Related to the State of Disaster for the Coronavirus Disease 2019*, Project No. 50664, Order Related to Accrual of Regulatory Assets (Mar. 26, 2020).

¹² Prieto Direct at 37:18-23.

¹³ Application at WP/A-3, Adjustment No. 7, page 2 of 2.

¹⁴ *Id.*

¹⁵ *Id.*

¹⁶ Application at WP/B-1, Adjustment No. 3, Page 3 of 3.

1 **Q. How does EPE propose to recover its COVID-19 regulatory asset?**

2 A. EPE requests to recover the regulatory asset through its proposed Project No. 50664
3 Asset Surcharge (COVID-19 tariff). EPE explains that it intends to recover its actual
4 expenses included in the regulatory asset plus additional COVID-19 related bad debt and
5 other costs over a three-year period.¹⁷ EPE proposes to file an annual update to the
6 surcharge to reflect any over- or under-recovery of the regulatory asset and to account for
7 any subsequent recovery by EPE of costs included in the regulatory asset.¹⁸

8 **Q. What is your recommendation with respect to EPE's requested recovery of its**
9 **COVID-19 regulatory asset?**

10 A. I have several recommendations with respect to EPE's COVID-19 regulatory asset
11 request. First, I propose an adjustment of (\$973,693) to the balance of the regulatory
12 asset to remove \$944,710 of unassessed late payment fees and associated carrying
13 charges.

14 **Q. Please explain this adjustment.**

15 A. According to EPE, this represents late payments fees not assessed to Texas small and
16 large commercial and industrial customers from March 13, 2020 through October 15,
17 2020, based on Commission orders in Project No. 50664.¹⁹ The Commission's initial
18 order in that project, adopted on March 26, 2020, directed the suspension of late payment
19 fees "until the Governor's disaster declaration is terminated."²⁰ The Commission
20 clarified in its Second Order issued April 17, 2020 that the suspension of the rules was

¹⁷ Prieto Direct at 37:27-29

¹⁸ Application at Schedule Q-8.8, page 157 of 221.

¹⁹ El Paso Electric Company's Response to the United States Department of Defense and All Other Federal Executive Agencies' First Request for Information (EPE's Response to DOD/FEA's 1st RFI) at 1-24 (Oct. 13, 2021) (Attachment RS-2).

²⁰ Project No. 50664, Order Directing Certain Actions and Granting Exceptions to Certain Rules at 2 (Mar. 26, 2020).

1 “to the extent that these rules apply to residential customers”²¹ and “renews the exception
2 . . . until May 15, 2020.”²² Speaking on the subject of the rules suspension at the April
3 17, 2020 open meeting, Chairman Walker stated, “. . . I did take the industrials and the
4 small commercial out and left it just to the residential . . .”²³ This explanation, combined
5 with the Second Order, made it clear that the suspension of late payment fees applied to
6 residential customers only. The Commission did not issue additional orders that would
7 suspend the rules related to late payment fees for residential (or any other) customers past
8 the May 15, 2020 date.

9 The Commission’s Second Order in Project No. 50664 issued on April 17, 2020
10 only provided for the suspension of residential late payment fees. Nevertheless, in May of
11 2020, EPE refunded late payment fees of \$160,538 charged to its commercial and
12 industrial ratepayers from March 13th through April 30th of 2020.²⁴ Additionally, the
13 \$944,710 EPE requests to include in the COVID-19 regulatory asset for foregone late
14 payment fees from Texas commercial and industrial customers is for the period beginning
15 May 2020 through October 15, 2020.²⁵ Also included in EPE’s request is \$28,983 of
16 associated carrying charges.²⁶ To the extent that EPE did not charge late payment fees of
17 \$944,710 to its Texas commercial and industrial customers from May of 2020 through
18 October of 2020, it did not forego those revenues by order of the Commission.
19 Therefore, the balance of the COVID-19 regulatory asset should be reduced by the
20 foregone late payment fees for May through October 2020 plus the associated carrying

²¹ Project No. 50664, Second Order Directing Certain Actions and Granting Exceptions to Certain Rules at 1 (Apr. 17, 2020).

²² *Id.*

²³ Open Meeting Tr. 57:19-20 (Apr. 17, 2020).

²⁴ EPE’s Response to DOD/FEA’s 1st RFI at 1-24, Attachment 1 at note (2).

²⁵ *Id.* at line 2.

²⁶ Attachment RS-3, Foregone Late Payment Fees to Commercial and Industrial Customers with Carrying Charges.

1 charges totaling \$973,693, resulting in my recommended COVID-19 regulatory asset
2 balance of \$7,371,631.²⁷

3 **Q. What is your next recommendation related to EPE's COVID-19 regulatory asset?**

4 A. I recommend that EPE be allowed to recover its COVID-19 regulatory asset in its
5 proposed COVID-19 tariff. However, I recommend that, rather than including the
6 unamortized balance of the COVID-19 regulatory asset in invested capital as part of rate
7 base as requested by EPE, the carrying charges on the unamortized balance should be
8 incorporated into the COVID-19 tariff so that all COVID-19 related costs are recovered
9 in one place. EPE is not required to file another rate case for four years from the final
10 order date in this proceeding under 16 TAC § 25.246(c). Under EPE's proposal, EPE
11 would recover all of its COVID-19 related costs in three years, while two-thirds of those
12 costs would be left in rate base earning a return until rates in the next base rate case go
13 into effect. Attachment RS-5 presents the total recovery of the COVID-19 regulatory
14 asset in the separate COVID-19 tariff.

15 **Q. Do you have any other recommendations related to EPE's COVID-19 request?**

16 A. Yes, I have two additional recommendations. First, EPE includes \$2,781,774 (total
17 company) for one year of amortization expense for its COVID-19 regulatory asset in the
18 requested base rate revenue requirement.²⁸ EPE also includes the Texas portion of the
19 amortization expense in its requested COVID-19 tariff.²⁹ Including the amortization in
20 both the COVID-19 tariff and the base rate revenue requirement as requested by EPE
21 would result in a double-recovery of the COVID-19 regulatory asset. Accordingly, I
22 recommend an adjustment of (\$2,781,774) to EPE's requested base rate revenue
23 requirement to remove the COVID-19 regulatory asset amortization.

²⁷ Attachment RS-4, Staff Recommended COVID-19 Regulatory Asset Balance.

²⁸ Application at Schedule A, line labeled "Regulatory Debits and Credits."

²⁹ Direct Testimony of Manuel Carrasco at Ex. MC-9.

1 **Q. What is your final recommendation with respect to the COVID-19 regulatory asset?**

2 A. I recommend that EPE not be permitted to include additional COVID-19 expenses in its
3 COVID-19 tariff prior to submitting them for review in its proposed annual true-up
4 filings. This will ensure that only reasonable and necessary COVID-19 related expenses
5 that are consistent with the Commission's Project No. 50664 orders are recovered from
6 ratepayers.

7 **C. Excess ADIT**

8 **Q. Please explain the concept of excess accumulated deferred income tax (ADIT) and**
9 **your recommendation related thereto.**

10 A. ADIT arises from temporary differences between the income tax used to set rates and the
11 actual income tax paid on a utility's tax return due to the use of items like accelerated
12 depreciation. Depending on the particular temporary difference, the resulting ADIT will
13 be either a deferred tax asset or a deferred tax liability. ADIT is recorded at the enacted
14 income tax rate at the time the temporary difference arises. The Tax Cuts and Jobs Act
15 (TCJA)³⁰ reduced the corporate federal income tax rate from 35 percent to 21 percent
16 effective January 1, 2018. EPE had ADIT recorded on its books at the previous enacted
17 rate of 35 percent that will only be payable to the IRS at the new 21 percent rate.
18 Revaluation of the ADIT balances recorded at 35 percent down to the 21 percent tax rate
19 results in the excess ADIT balances that should either be returned to EPE's ratepayers or
20 recovered from them, depending on whether such items are deferred tax assets or deferred
21 tax liabilities. In Docket No. 46831, EPE's last base rate case, the Commission ordered
22 that "[t]he regulatory treatment of any excess deferred taxes resulting from a reduction in
23 the federal-income-tax rate will be addressed in EPE's next base-rate case."³¹

³⁰ Act to Provide for Reconciliation Pursuant to Titles II and V of the Concurrent Resolution on the Budget for Fiscal Year 2018, Pub. L. No. 115-97, 113 Stat. 2054 (Dec. 22, 2017).

³¹ Docket No. 46831, Order on Rehearing at Finding of Fact No. 29.

1 **Q. What is the balance of EPE's excess ADIT as a result of the TCJA?**

2 A. Schedule G-7.09(a) identifies an excess ADIT liability balance associated with the TCJA
3 of \$193,822,696 at the December 31, 2020 test year end in this proceeding.³² Of this
4 amount, EPE identified a protected net deferred tax liability of \$212,132,367 and an
5 unprotected net deferred tax asset of (\$18,309,671).³³

6 **Q. Please explain EPE's request with respect to excess ADIT in this proceeding.**

7 A. Because EPE agreed in Docket No. 46831 to defer the return of excess ADIT resulting
8 from future tax rate changes, it has not included any amortization of the excess ADIT in
9 its income tax expense to date. In its Application in this proceeding, EPE proposed to
10 return to its ratepayers \$20,748,433 of unamortized protected excess ADIT liability
11 resulting from the TCJA accrued for the years 2018 to 2021 (that EPE designates as the
12 "stub period") netted with the entire amount of \$18,309,671 of the unprotected excess
13 ADIT asset over a four-year period through a separate federal tax refund factor update
14 (FTRF Update).³⁴ As explained by Ms. Prieto, the combination of these amounts would
15 result in a net decrease to tax expense of \$2,438,763 which averages \$609,691 annually
16 over four years prior to gross-up.³⁵ However, in EPE's Second Errata to its Application,
17 it explains that it identified an error in the Schedule G Workpaper 7-9(a).03 at the tab
18 labeled "WP1a Excess TCJA for Rider."³⁶ According to EPE, the error was the result of
19 excluding federal and New Mexico net operating loss carryforwards in the amortization
20 of the protected excess deferred taxes.³⁷ The corrected version of the workpaper shows

³² Application at Schedule G-7.9a.

³³ *Id.* at WP/G-7.9(a).3.

³⁴ Prieto Direct at 29:6-14.

³⁵ Prieto Direct at 29:11-14.

³⁶ El Paso Electric Company's Errata No. 2 to its Application at 2, Item No. 9 (Oct. 1, 2021).

³⁷ *Id.*

1 the protected excess amortization for the stub period to be a liability of \$18,604,894³⁸ (as
2 opposed to the \$20,748,433 shown in the original Application). This liability, combined
3 with the unprotected excess ADIT asset of \$18,309,671, results in a net decrease to tax
4 expense of \$295,223 prior to gross-up (compared to the \$2,438,763 net balance in EPE's
5 original Application).³⁹

6 **Q. Why is EPE not offering to return the total remaining unamortized balance of**
7 **protected excess ADIT to ratepayers as it proposes to do with the unprotected excess**
8 **ADIT balance?**

9 A. Protected excess ADIT relates to differences in method and life for calculating
10 depreciation expense between book and tax purposes. As such, it cannot be amortized
11 more rapidly than over the remaining lives of the assets that gave rise to the deferred
12 taxes under the IRC normalization provisions. The balance of protected excess ADIT
13 will therefore be amortized through the income tax expense calculation in EPE's revenue
14 requirement over the remaining lives of the associated assets. All other excess deferred
15 ADIT is considered unprotected, which means there are no such limitations on the timing
16 or manner of returning it to ratepayers.

17 **Q. Why is EPE proposing to return the unprotected excess ADIT and the protected**
18 **excess ADIT amortization for the stub period over four years?**

19 A. According to EPE, it chose a four-year period because that is the number of years of
20 amortization of protected excess ADIT that has not been returned for the stub period
21 (2018 – 2021) which coincides with the average remaining life of the unprotected excess
22 ADIT, that is also four years.⁴⁰

³⁸ *Id.* at Attachment 12.

³⁹ Protected excess liability of \$18,604,894 - \$18,309,671 unprotected excess asset = \$295,223.

⁴⁰ Prieto Direct at 28:22-25.

1 **Q. What is your recommendation related to EPE's excess ADIT?**

2 A. I recommend that the Commission order EPE to immediately return the entire net excess
3 ADIT amount of \$295,223 to its ratepayers by crediting the refund against any amount
4 owed by ratepayers because of the November 3, 2021 relate-back date for rates in this
5 proceeding.⁴¹ To the extent that the Commission orders a different amount of excess
6 ADIT returned to ratepayers, that amount should first be credited against any amount
7 owed by ratepayers because of the relate-back date, with any remainder to be returned to
8 ratepayers over a six-month period with carrying charges at the weighted average cost of
9 capital determined in this proceeding. This method is consistent with the method
10 recommended by the administrative law judges in Docket No. 51415 where they found “. . .
11 . . . it is most reasonable to return the currently refundable excess ADFIT to customers
12 promptly, as opposed to extending those refunds over a period of years”⁴² and that it “. . .
13 would accomplish the refunds in no more than six months while having the added benefit
14 of eliminating or offsetting any surcharges that customers would owe due to the relate-
15 back date, in effect an immediate refund of the offsetting amount.”⁴³

16 **Q. Please summarize your recommendations in this proceeding.**

17 A. For all the reasons previously explained, I recommend the following adjustments to
18 EPE's request in this proceeding

- 19 • Regulatory assets related to rate-case expenses in the amount of
20 \$4,087,168 should be excluded from EPE's rate base consistent
21 with prior Commission precedent and PURA;
- 22 • All recovery related to EPE's COVID-19 regulatory asset should
23 occur in its proposed rider, Project No. 50664 Asset Surcharge.

⁴¹ SOAH Order No. 2 Memorializing Prehearing Conference; Admitting Intervenors; Finding Application and Notice Sufficient; Adopting Procedural Schedule; Resetting Effective Date; Adopting Protective Order at 2 (Jun. 29, 2021).

⁴² *Application of Southwestern Electric Power Company for Authority to Change Rates*, Docket No. 51415 Proposal for Decision at 94 (Aug. 27, 2021).

⁴³ *Id.*

Therefore, the requested unamortized balance of \$5,563,549 should be excluded from rate base;

- Because all COVID-19 regulatory asset recovery should occur in the proposed rider, and, in order to avoid double-recovery of the COVID-19 regulatory asset, \$2,781,774 of amortization related to this asset should be removed from EPE's requested base rate revenue requirement;
- EPE's COVID-19 regulatory asset should exclude \$973,692 of late payment fees not charged to commercial and industrial customers and associated carrying costs. The balance of EPE's COVID-19 regulatory asset to be recovered is therefore \$7,371,631; and
- EPE should credit excess ADIT of \$295,223 to the amount owed by ratepayers as a result of the relate-back date of November 3, 2021 rather than recovering this amount through a separate rider over 4 years as requested by EPE.

Q. Does this conclude your testimony?

A. Yes.

LIST OF PREVIOUS TESTIMONY
Before the Public Utility Commission of Texas

Docket No. 9874:

Application of Kimble Electric Cooperative, Inc. for Authority to Change Rates

Docket No. 9981:

Inquiry of the General Counsel into the Reasonableness of the Rates and Services of Central Telephone Company of Texas

Docket No. 13050:

Application of Rayburn Country Electric Cooperative, Inc. for Authority to Change Rates

Docket No. 12065:

Complaint of Kenneth D. Williams Against Houston Lighting and Power Company

Docket No. 14980:

Application of Southwestern Public Service Company Regarding Proposed Business Combination with Public Service Company of Colorado

Docket No. 17751:

Texas-New Mexico Power Company's Application for Approval of the TNMP Transition Plan and Statement of Intent to Decrease Rates, and Appeal of Municipal Rate Actions

Docket No. 29206:

Application of Texas-New Mexico Power Company, First Choice Power, Inc., and Texas Generating Company, L.P. to Finalize Stranded Costs Under PURA §39.262

Docket No. 28813:

Petition to Inquire into the Reasonableness of the Rates and Services of Cap Rock Energy Corporation

Docket No. 31994:

Application of Texas-New Mexico Power Company to Establish a Competition Transition Charge

Docket No. 32766:

Application of Southwestern Public Service Company for: (1) Authority to Change Rates; (2) Reconciliation of its Fuel Costs for 2004 and 2005; (3) Authority to Revise the Semi-Annual Formulae Originally Approved in Docket No. 27751 used to Adjust its Fuel Factors; and (4) Related Relief

Docket No. 34800:

Application of Entergy Gulf States, Inc. for Authority to Change Rates and to Reconcile Fuel Costs

Docket No. 40627:

Petition for Homeowners United for Rate Fairness to Review Austin Rate Ordinance No. 20120607-055

Docket No. 41430:

Joint Report and Application of Sharyland Utilities, LP, Sharyland Distribution & Transmission Services, and Southwestern Public Service Company for Approval of Purchase and Sale of Facilities, for Regulatory Accounting Treatment of Gain on Sale, and for Transfer of Certificate Rights

Docket No. 41906

Compliance Tariff of CenterPoint Energy Houston Electric LLC Related to Non-Standard Metering and Service Pursuant to PUC SUBST.R.25.133

Docket No. 41901

Compliance Tariff of Texas-New Mexico Power Company LLC Related to Non-Standard Metering and Service Pursuant to PUC SUBST.R.25.133

Docket No. 41890

Compliance Tariff of Oncor Electric Delivery Company LLC Regarding the Rulemaking Related to Advanced Metering Alternatives, Pursuant to PUC SUBST.R.25.133(E)(1)

Docket No. 45747

Application of CenterPoint Energy Houston Electric, LLC to Amend its Distribution Cost Recovery Factor and to Reconcile Docket No. 44572 Revenues

Docket No. 46449

Application of Southwestern Electric Power Company for Authority to Change Rates

Docket No. 48371

Entergy Texas Inc. 's Statement of Intent and Application for Authority to Change Rates

Docket No. 48233

Application of Southwestern Electric Power Company to Implement Base Rate Decrease in Compliance with Docket No. 46449

Docket No. 48071

Joint Application of NextEra Energy Transmission Southwest, LLC and Rayburn Country Electric Cooperative, Inc. to Transfer Certificate Rights to Facilities in Cherokee, Smith, and Rusk Counties

Docket No. 47141

Review of Rate Case Expenses Incurred by Southwestern Electric Power Company and Municipalities in Docket No. 46449

Docket No. 48439

Review of the Rate Case Expenses Incurred in Docket No. 48371

Docket No. 49737

Application of Southwestern Electric Power Company for Certificate of Convenience and Necessity Authorization and Related Relief for the Acquisition of Wind Generation Facilities

Docket No. 50731

Application of Texas-New Mexico Power Company for a Distribution Cost Recovery Factor

Docket No. 50205

Application of Floresville Electric Light and Power System to Change Rates for Wholesale Transmission Service

Docket No. 50790

Joint Report and Application of Entergy Texas, Inc. and East Texas Electric Cooperative, Inc. for Regulatory Approvals Related to Transfers of the Hardin County Peaking Facility and a Partial Interest in Montgomery Power Station

Docket No. 50908

Application of CenterPoint Energy Houston Electric, LLC to Adjust its Energy Efficiency Cost Recovery Factor

Docket No. 50806

Application of CenterPoint Energy Houston Electric, LLC to Adjust its Energy Efficiency Cost Recovery Factor and Establish Revised Cost Cap

Docket No. 51215

Application of Entergy Texas, Inc. to Amend its Certificate of Convenience and Necessity for the Acquisition of a Solar Facility in Liberty County

Docket No. 51415

Application of Southwestern Electric Power Company for Authority to Change Rates

Docket No. 51536

Application of Brownsville Public Utilities Board for Transmission Cost of Service and Wholesale Transmission Rates

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 1-24:

Please provide the amount of monthly Late Payment Fees assessed by the Company for each month of the Test Year by rate class. Please include and separately identify the amounts actually assessed, and the amounts that would have been assessed absent the PUCT Orders Granting Exceptions to Certain Rules in Project No. 50664. Please also provide the amount of monthly Late Payment Fees collected by the Company for each month of the Test Year.

RESPONSE:

Please refer to DOD/FEA 1-24, Attachment 1, for the late payment fees for each month of the Test Year from Small and Large Commercial and Industrial customers. Late payment fees totaling \$944,710 were not assessed to Texas Small and Large Commercial and Industrial customers from March 13, 2020 through October 15, 2020 based on the Public Utility Commission of Texas ("PUCT") Orders Granting Exceptions to Certain Rules in Docket No. 50664 and therefore were not collected. The amount of Late Payment Fees collected is not available.

Preparer: Alma Arvizo
En Li

Title: Manager – Revenue Accounting
Manager – Financial Accounting

Sponsor: Cynthia S. Prieto

Title: Vice President – Controller

Line No.	Late Payment Fees	Year 2020												Total
		January	February	March	April	May (2)	June	July	August	September	October	November	December	
1	Late Payment Fees assessed	\$ 70,390	\$ 48,049	\$ 63,198	\$ 104,051	\$ (160,538)	\$ (9)	\$ (2)	\$ (23)	\$ 32	\$ 69,573	\$ 133,838	\$ 103,321	\$ 431,880
2	Late Payment Fees Suspended per PUCT Docket No. 50664 (1)	-	-	-	-	277,957	109,878	148,023	152,655	126,178	130,019	-	-	944,710
3	Late Payment Fees absent Suspension per Project No. 50664	\$ 70,390	\$ 48,049	\$ 63,198	\$ 104,051	\$ 117,419	\$ 109,869	\$ 148,021	\$ 152,632	\$ 126,210	\$ 199,592	\$ 133,838	\$ 103,321	\$ 1,376,590

(1) Effective March 13, 2020 through October 15, 2020, assessment of penalty was suspended due to COVID-19 pandemic, in accordance to PUCT Docket No. 50664.
(2) Refund in May of 2020 represents a refund of late payment fees charged from March 13th through April 30, 2020.

Foregone Late Payment Fees to Commercial and Industrial Customers With Carrying Charges

	(a)	(b)	(c)	(d)	(e)	(f)	(g)
Line	Month	Foregone Late Payment Fees	Cumulative Principal Balance	Compound Interest at 7.725% (((1+0.07725)^(1/12))-1 (A)	Interest	Cumulative Interest	Cumulative Total
1	Jan-20		-	0.00622022	-	-	-
2	Feb-20		-	0.00622022	-	-	-
3	Mar-20		-	0.00622022	-	-	-
4	Apr-20		-	0.00622022	-	-	-
5	May-20	277,957.00	277,957.00	0.00622022	-	-	277,957.00
6	Jun-20	109,878.00	387,835.00	0.00622022	1,728.95	1,728.95	389,563.95
7	Jul-20	148,023.00	535,858.00	0.00622022	2,423.18	4,152.13	540,010.13
8	Aug-20	152,655.00	688,513.00	0.00622022	3,358.98	7,511.11	696,024.11
9	Sep-20	126,178.00	814,691.00	0.00622022	4,329.43	11,840.54	826,531.54
10	Oct-20	130,019.00	944,710.00	0.00622022	5,141.21	16,981.75	961,691.75
11	Nov-20		944,710.00	0.00622022	5,981.94	22,963.69	967,673.69
12	Dec-20		944,710.00	0.00622022	6,019.15	28,982.84	973,692.84
13		944,710.00			28,982.84		
Foregone Late Pmts		944,710.00					
Carrying Charges		28,982.84					
Total		973,692.84					

Staff Recommended COVID-19 Regulatory Asset Balance

	(a)	(b)	(c)	(d)	(e)	(f)	(g)
Line	Month	Monthly Activity	Cumulative Principal Balance	Compound Interest at 7.725% ((1+0.07725)^(1/12))-1 (A)	Interest	Cumulative Interest	Cumulative Total
1	Jan-20		-	0.00622022	-	-	-
2	Feb-20		-	0.00622022	-	-	-
3	Mar-20	407,728.74	407,728.74	0.00622022	-	-	407,728.74
4	Apr-20	204,399.40	612,128.14	0.00622022	2,536.16	2,536.16	614,664.30
5	May-20	155,630.07	767,758.21	0.00622022	3,823.35	6,359.51	774,117.72
6	Jun-20	1,272,820.22	2,040,578.43	0.00622022	4,815.19	11,174.70	2,051,753.13
7	Jul-20	553,022.84	2,593,601.27	0.00622022	12,762.36	23,937.06	2,617,538.33
8	Aug-20	1,015,073.98	3,608,675.25	0.00622022	16,281.67	40,218.74	3,648,893.99
9	Sep-20	1,359,240.18	4,967,915.43	0.00622022	22,696.94	62,915.67	5,030,831.10
10	Oct-20	481,204.98	5,449,120.41	0.00622022	31,292.90	94,208.57	5,543,328.98
11	Nov-20	1,206,201.96	6,655,322.37	0.00622022	34,480.75	128,689.32	6,784,011.69
12	Dec-20	545,420.83	7,200,743.20	0.00622022	42,198.07	170,887.39	7,371,630.59
13		7,200,743.20			170,887.39		

(A) Monthly carrying cost factor is computed using the formula $(1 + i)^{1/12} - 1$; where $i = 7.725\%$, the weighted average cost of capital approved in the Final Order in EPE's 2017 Texas Rate Case, Docket No. 46831.

Principal	7,200,743.20
Interest	170,887.39
Total Covid-19 Regulatory Asset	7,371,630.59

COVID REG ASSET \$ 7,371,631
Pretax WACC 8.67%
Months 36
Monthly Surcharge \$ 233,285

RECOVERY OF COVID-19 REGULATORY ASSET THROUGH SEPARATE CHARGE

PERIOD	BEGINNING BALANCE	MONTHLY SURCHARGE	MONTHLY AMORTIZATION	MONTHLY RETURN + FIT	CUMULATIVE AMORTIZATION	CUMULATIVE RETURN+FIT	UNAMORTIZED BALANCE
1	7,371,631	233,285	180,025	53,260	180,025	53,260	7,191,605
2	7,191,605	233,285	181,326	51,959	361,351	105,219	7,010,279
3	7,010,279	233,285	182,636	50,649	543,987	155,869	6,827,643
4	6,827,643	233,285	183,956	49,330	727,943	205,198	6,643,688
5	6,643,688	233,285	185,285	48,001	913,228	253,199	6,458,403
6	6,458,403	233,285	186,623	46,662	1,099,851	299,861	6,271,780
7	6,271,780	233,285	187,972	45,314	1,287,823	345,175	6,083,808
8	6,083,808	233,285	189,330	43,956	1,477,153	389,130	5,894,478
9	5,894,478	233,285	190,698	42,588	1,667,850	431,718	5,703,780
10	5,703,780	233,285	192,076	41,210	1,859,926	472,928	5,511,705
11	5,511,705	233,285	193,463	39,822	2,053,389	512,750	5,318,241
12	5,318,241	233,285	194,861	38,424	2,248,250	551,174	5,123,380
13	5,123,380	233,285	196,269	37,016	2,444,519	588,190	4,927,111
14	4,927,111	233,285	197,687	35,598	2,642,206	623,789	4,729,424
15	4,729,424	233,285	199,115	34,170	2,841,321	657,959	4,530,309
16	4,530,309	233,285	200,554	32,731	3,041,875	690,690	4,329,755
17	4,329,755	233,285	202,003	31,282	3,243,878	721,973	4,127,753
18	4,127,753	233,285	203,462	29,823	3,447,340	751,796	3,924,290
19	3,924,290	233,285	204,932	28,353	3,652,273	780,149	3,719,358
20	3,719,358	233,285	206,413	26,872	3,858,686	807,021	3,512,945
21	3,512,945	233,285	207,904	25,381	4,066,590	832,402	3,305,041
22	3,305,041	233,285	209,406	23,879	4,275,996	856,281	3,095,634
23	3,095,634	233,285	210,919	22,366	4,486,916	878,647	2,884,715
24	2,884,715	233,285	212,443	20,842	4,699,359	899,489	2,672,271
25	2,672,271	233,285	213,978	19,307	4,913,337	918,796	2,458,293
26	2,458,293	233,285	215,524	17,761	5,128,861	936,557	2,242,769
27	2,242,769	233,285	217,081	16,204	5,345,943	952,761	2,025,688
28	2,025,688	233,285	218,650	14,636	5,564,593	967,397	1,807,038
29	1,807,038	233,285	220,229	13,056	5,784,822	980,453	1,586,809
30	1,586,809	233,285	221,821	11,465	6,006,643	991,918	1,364,988
31	1,364,988	233,285	223,423	9,862	6,230,066	1,001,780	1,141,565
32	1,141,565	233,285	225,038	8,248	6,455,104	1,010,027	916,527
33	916,527	233,285	226,663	6,622	6,681,767	1,016,649	689,864
34	689,864	233,285	228,301	4,984	6,910,068	1,021,634	461,563
35	461,563	233,285	229,951	3,335	7,140,019	1,024,968	231,612
36	231,612	233,285	231,612	1,673	7,371,631	1,026,642	0

ATTACHMENT RS-6

WORKPAPERS

EL PASO ELECTRIC COMPANY
2021 TEXAS RATE CASE
RATE BASE

WP/ B-1
ADJUSTMENT NO. 03
PAGE 1 OF 3

REGULATORY ASSETS AND LIABILITIES AND OTHER ADDITIONS/DEDUCTIONS
TO RATE BASE

SPONSOR: JENNIFER I BORDEN
PREPARED BY: MELODY BOISSELIER
FOR THE TEST YEAR ENDED DECEMBER 31, 2020

Line No.	(a) Description	(b) FERC Acct	(c) Per Book	(d) Adjustments	(e) As Adjusted
<u>Regulatory Assets & Liabilities</u>					
1	2021 Texas Rate Case Cost	182.3	\$ -	\$ 3,176,288 (A)	\$ 3,176,288
2	2015 and 2017 Texas Rate Case Cost	182.3	418,309	(131,771) (B)	286,538
3	COVID-19 Related Costs	182.3	3,213,029	2,350,520 (C)	5,563,549
4	Texas Corporate Tax Compliance Reform	182.3	106,836	(26,709) (D)	80,127
5	Texas DCRF Filing	182.3	196,623	(49,156) (E)	147,467
6	Texas TCRF Filing	182.3	325,124	(81,281) (F)	243,843
7	Texas Demand Response Program	182.3	203,873	(50,968) (G)	152,905
8	Texas Other Regulatory Assets	182.3	1,353,734	(1,353,734) (H)	0
9	Texas FC Decommissioning	182.3	2,832,053	(2,832,053) (I)	0
10	Unamortized Coal Reclamation Asset	182.3	2,744,081	(2,744,081) (J)	0
11	New Mexico FC Decommissioning	182.3	1,400,433	(1,400,433) (I)	0
12	New Mexico Renewable Energy Cost	182.3	2,472,554	0	2,472,554 (K)
13	New Mexico Rate Case Cost	182.3	1,919,103	0	1,919,103 (K)
14	New Mexico Other Regulatory Assets	182.3	4,144,265	(127,326)	4,016,939 (K)
15	FERC Regulatory Assets	182.3	487,132	0	487,132 (K)
16	Total Regulatory Assets & Liabilities		\$ 21,817,149	\$ (3,270,704)	\$ 18,546,445
<u>Other Additions / Deductions to Rate Base</u>					
17	Nuclear Fuel	125	\$ 125,676,192	\$ (125,676,192) (L)	\$ 0
18	Misc Deferred Debits	186	6,697,300	(1,944,163) (M)	4,753,137
19	Customer Deposits	235	(8,321,655)	0	(8,321,655)
20	Customer Advances for Construction	252	(31,754,536)	0	(31,754,536)
21	Other Regulatory Liabilities	254.3	(26,009,854)	26,009,854 (L)	0
22	Total Additions / Deductions to Rate Base		\$ 66,287,447	\$ (101,610,501)	\$ (35,323,054)
23	Total Regulatory Assets & Liabilities and other Rate Base Additions/Deductions		\$ 88,104,596	\$ (104,881,205)	\$ (16,776,609)

Justification for requested adjustment

To include adjusted amounts of Regulatory Assets and Liabilities and other Additions/Deductions in Rate Base.

- (A) To include \$3,176,288, or three-fourths, of estimated 2021 Texas rate case costs. See EPE Witness Schichtl's testimony for the proposed recovery of the current rate case costs.
- (B) To remove unamortized 2015 and 2017 Texas rate case costs of \$8,915 and \$27,342, respectively, not recovered through base rates. In addition, to include \$382,051, or three-fourths, of the 2017 Texas rate case costs deferred for consideration in this case. See EPE Witness Schichtl's testimony for the proposed recovery of these rate case costs.
- (C) On March 26, 2020, the PUCT issued in Docket No 50664, an order authorizing electric utilities to record as regulatory assets, expenses resulting from the effects of COVID-19, including but not limited to, non-payment of qualified customer bills. The Company is requesting these amounts and associated carrying costs less one-third of amortization be recovered in a separate rider. See EPE Witness Prieto's testimony.
- (D) To remove one year of amortization associated with the Company's filing of a refund tariff with the PUCT in Docket No 48124. The tariff reduced Texas base rate charges for the decrease in federal income tax expense resulting from the TCJA.

EL PASO ELECTRIC COMPANY

2021 TEXAS RATE CASE

RATE BASE

REGULATORY ASSETS AND LIABILITIES AND OTHER ADDITIONS/DEDUCTIONS
TO RATE BASE

SPONSOR: JENNIFER I. BORDEN

PREPARED BY: MELODY BOISSELIER

FOR THE TEST YEAR ENDED DECEMBER 31, 2020

WP/ B-1
ADJUSTMENT NO. 03
PAGE 2 OF 3

- (E) To remove one year of amortization associated with the Company's 2019 and 2020 DCRF filings, PUCT Docket No. 49395 and Docket No. 51348
- (F) To remove one year of amortization associated with the Company's 2019 TCRF filing, PUCT Docket No. 49148.
- (G) To remove one year of amortization associated with the Company's Texas Demand Response program costs, PUCT Docket No. 48516. See EPE Witness Schichtl's testimony for the proposed recovery of these rate case costs.
- (H) To remove assets related to Energy Efficiency recoveries, relate back surcharge, automated metering program and tax credit refund not recovered in base rates.
- (I) To remove the unamortized NM and TX Four Corners Decommissioning regulatory asset from rate base.
- (J) To remove the unamortized TX and NM Four Corners Coal Reclamation Regulatory asset from rate base.
- (K) These amounts are not allocated to the Texas jurisdiction.
- (L) To remove nuclear fuel and liabilities related to Merger credits, relate back surcharge, and MBDRF not recovered in base rates.
- (M) To adjust miscellaneous deferred debits to only include an EPWU Land Lease and an Effluent Water Agreement related to PVNGS.

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
CITY OF EL PASO'S SECOND REQUEST FOR INFORMATION
QUESTION NOS. CEP 2-1 THROUGH CEP 2-17

CEP 2-3:

Regulatory Assets and Liabilities: For each regulatory asset and liability, provide and explanation of the item, the reason for including it in rate base, and any related statutes, orders, legal precedent or other available documentary support for including the item in rate base.

RESPONSE:

Please refer to CEP 2-3, Attachment 1 for the information related to regulatory assets and liabilities included in rate base. This response does not include any tax regulatory assets and liabilities.

Preparer: Melody Boisselier

Title: Principal Accountant – Regulatory
Accounting

Sponsor: Jennifer I. Borden

Title: Director – Regulatory Accounting

EL PASO ELECTRIC COMPANY
REGULATORY ASSETS AND LIABILITIES

SOAH Docket No. 473-21-2606
PUC Docket No. 52195
CEP's 2nd, Q. No. CEP 2-3
Attachment 1
Page 1 of 1

	(a)	(b)	(c)	(d)
Line No.	Description	FERC Acct.	Notes	As Adjusted
1	2021 Texas Rate Case Cost	182.3	(A)	\$ 3,176,288
2	2017 Texas Rate Case Cost	182.3	(B)	286,538
3	COVID-19 Related Costs	182.3	(C)	5,563,549
4	Texas Corporate Tax Compliance Reform	182.3	(D)	80,127
5	Texas DCRF Filing	182.3	(E)	147,467
6	Texas TCRF Filing	182.3	(F)	243,843
7	Texas Demand Response Program	182.3	(G)	152,905
8	New Mexico Renewable Energy Cost	182.3	(H)	2,472,554
9	New Mexico Rate Case Cost	182.3	(H)	1,919,103
10	New Mexico Other Regulatory Assets	182.3	(H)	4,016,939
11	FERC Regulatory Assets	182.3	(H)	487,132
				<u>\$ 18,546,445</u>

- (A) The \$3,176,288 requested in this case is three fourths of the Company's estimated 2021 Texas rate case costs. See EPE Witness Schichtl's testimony for the proposed recovery of the current rate case costs.
- (B) Per the Final Order in the Company's 2017 rate case filing, PUCT Docket No. 46831, the commission ordered that costs related to Docket No. 46831 incurred on or after August 1, 2017, could be requested for recovery in the next base rate case. See EPE Witness Schichtl's testimony for the proposed recovery of these rate case costs.
- (C) On March 26, 2020, the PUCT issued an order in Docket No. 50664 authorizing electric utilities to record, as regulatory assets, expenses resulting from the effects of COVID-19, including but not limited to, non-payment of qualified customer bills. The Company is requesting these amounts and associated carrying costs less one-third of amortization be recovered in a separate rider. See EPE Witness Prieto's testimony.
- (D) Represents outside legal counsel and consultant related costs associated with the Company's filing of a refund tariff with the PUCT in Docket No. 48124. The tariff reduced Texas base rate charges for the decrease in federal income tax expense resulting from the TCJA. See EPE Witness Prieto's testimony.
- (E) Represents outside legal counsel and consultant related costs associated with the Company's 2019 and 2020 filings to establish its Distribution Cost Recovery Factor ("DCRF") in PUCT Docket No. 49395 and Docket No 51348.
- (F) Represents outside legal counsel and consultant related costs associated with the Company's 2019 filing to establish its Transmission Cost Recovery Factor ("TCRF") in PUCT Docket No. 49148.
- (G) Represents program costs related to the Texas Demand Response program, PUCT Docket No. 48516.
- (H) These amounts are not allocated to the Texas jurisdiction.

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
COMMISSION STAFF'S FIFTH REQUEST FOR INFORMATION
QUESTION NOS. STAFF 5-1 THROUGH STAFF 5-8

STAFF 5-8:

Please provide a detailed reconciliation of the per book amounts, adjustments, and the adjusted amounts that were reported on WP B-1 Adjustment 3, Reg Assets and Liabilities with the amounts reported on Schedule B-01.01. Please identify each item on WP B-1, Adjustment 3 that is either a rate-case or other regulatory proceeding expense.

RESPONSE:

Please see Staff 5-8, Attachment 1 for a reconciliation of regulatory assets and liabilities reported on WP B-1 Adjustment 3, Schedule B-1.1 and WP B-1.1.

Preparer: Melody Boisselier

Title: Principal Accountant – Regulatory
Accounting

Sponsor: Jennifer I. Borden
Adrian Hernandez

Title: Director – Regulatory Accounting
Senior Rate Analyst – Rates

	(a)	(b)	(c)	(d)	(e)	(f)	(g)
Line No.	Description	FERC Acct.	Total Company Per Book	Total Company Adjustments	Total Company Adjusted	Texas Jurisdiction Adjustments	Texas Adjusted
<u>Regulatory Assets & Liabilities</u>							
1	2021 Texas Rate Case Cost	182.3	\$ - a	\$ 3,176,288	\$ 3,176,288	\$ 3,176,288 b	\$ 3,176,288 A
2	2015 and 2017 Texas Rate Case Cost	182.3	418,309 a	(131,771)	286,538	(131,771) b	286,538 A
3	COVID-19 Related Costs	182.3	3,213,029 a	2,350,520	5,563,549	2,350,520 b	5,563,549
4	Texas Corporate Tax Compliance Reform	182.3	106,836 a	(26,709)	80,127	(26,709) b	80,127 B
5	Texas DCRF Filing	182.3	196,623 a	(49,156)	147,467	(49,156) b	147,467 A
6	Texas TCRF Filing	182.3	325,124 a	(81,281)	243,843	(81,281) b	243,843 A
7	Texas Demand Response Program	182.3	203,873 a	(50,968)	152,905	(50,968) b	152,905
8	Texas Other Regulatory Assets	182.3	1,353,734 a	(1,353,734)	-	(1,353,734) b	-
9	Texas FC Decommissioning	182.3	2,832,053 a	(2,832,053)	-	(2,832,053) b	-
10	Unamortized Coal Reclamation Asset	182.3	2,744,081	(2,744,081)	-	-	-
11	New Mexico FC Decommissioning	182.3	1,400,433	(1,400,433)	-	-	-
12	New Mexico Renewable Energy Cost	182.3	2,472,554	-	2,472,554	(2,472,554) G	-
13	New Mexico Rate Case Cost	182.3	1,919,103	-	1,919,103	(1,919,103) G	-
14	New Mexico Other Regulatory Assets	182.3	4,144,265	(127,326)	4,016,939	(4,271,591) G	(127,326) b,C
15	FERC Regulatory Assets	182.3	487,132	-	487,132	(487,132) G	-
16	Total Regulatory Assets & Liabilities		\$ 21,817,149 D	\$ (3,270,704) D	\$ 18,546,445 D, E	\$ (8,149,244) F	\$ 9,523,391 E, F
			Sum of a's F		Sum of b's	873,810 F	

A - These amounts are related to rate case expenses. Refer to the footnotes on WP B-1 Adjustment 3 for further explanation.

B - These amounts are related to other regulatory proceeding expenses. Refer to the footnotes on WP B-1 Adjustment 3 for further explanation.

C - This is related to the New Mexico jurisdiction and was inadvertently adjusted out of the Texas jurisdiction.

D - Agrees to WP B-1 Adjustment 3

E - Agrees to WP B-1 .1

F - Agrees to Schedule B-1.1

G - These costs were directly assigned to the New Mexico or FERC jurisdictions with the exception of the (\$127,326) inadvertently adjusted out of the Texas jurisdiction.

Amounts may not add or tie to other schedules due to rounding.

TIEC. As such, 42.6% of Reliant's requested rate case expenses are attributable to the transmission and distribution functions and are recoverable as a result. TIEC Ex. 9 at 14 (Gorman Direct).

- 98D. Pursuant to PURA §33.023(b), Reliant is responsible for reimbursing Cities for reasonable expenses incurred as a result of any ratemaking proceeding. The Commission finds that the City of Houston and the Gulf Coast Coalition of Cities' rate case expenses in the amounts of \$1,649,000 and \$472,000, respectively, are reasonable. Accordingly, Reliant shall reimburse Cities' for rate case expenses in the amount of \$2,121,000.
- 98E. The Commission finds it reasonable for Reliant to recover all recoverable rate case expenses in the amount of \$1,204,728 through the annual report required by PURA § 39.257 for the calendar year 2001. Should Reliant not have earnings in its annual report sufficient to cover the entire amount of recoverable rate case expenses, Reliant may petition the Commission for other relief, including approval of the recovery of the remaining amount as a regulatory asset.
- 98F. The Commission finds that any rate case expenses incurred in excess of the estimated \$4,949,000 shall not be deferred or considered in Reliant's next rate proceeding.
- 98G. The Commission finds that Reliant should not earn a return on the outstanding balance of its rate case expenses.

19. Retirement Plan

99. Reliant's over-funded retirement plan should not be added to rate base because payments to the plan were derived from customer rates.

20. Cost of Capital

100. Based upon decisions of the Commission in Docket No. 22344, a reasonable return on equity for Reliant's unbundled TDU is 11.25%.

COH/COC and GCCC Rate-Case Expenses

72. CenterPoint has requested \$4,771,380 in incurred and estimated rate-case expenses for COH/COC and GCCC for Docket Nos. 24835, 26195, 29526, 30485, and 30706. This amount consists of \$3,875,330 for COH/COC, and \$896,050 for GCCC.
73. No party has contested the reasonableness of COH/COC and GCCC's rate-case expenses.
74. COHC/COC and GCCC rate-case expenses in the amount of \$4,771,380 are reasonable and should be recovered by CenterPoint in this proceeding.

Period and Mechanism of Rate-Case Expense Recovery

75. A three-year recovery period for rate-case expenses is reasonable and permits CenterPoint to receive its rate-case expenses in a timely fashion.
76. Recovery of rate-case expenses through a surcharge rather than the CTC is appropriate because such an approach permits rate-case expenses to be recovered without interest.
77. Recovery of the rate-case expenses at issue in this proceeding without interest is consistent with past Commission decisions requiring that rate-case expenses be recovered without interest.

Total Amount to Be Recovered Through the CTC—Summary

78. The balance to be recovered through the CTC is \$1,135,750,257, consisting of the capacity- auction true-up and interest through May 31, 2005.
79. The negative-balance true-up items to be amortized over the 14-year CTC recovery period total \$565,732,436, consisting of the ADFIT benefit quantified in Docket No. 30485, the final fuel balance and interest on the final fuel balance through December 17, 2004, and the retail clawback.
80. The rate-case expenses to be recovered through a three-year surcharge, without interest, total \$24,032,114. This amount includes CenterPoint's own rate-case

COH/COC and GCCC Rate-Case Expenses

30. CenterPoint is entitled to recover in this proceeding \$4,771,380 related for incurred and estimated rate-case expenses incurred by COH/COC and GCCC for Docket Nos. 24835, 26195, 29526, 30485, and 30706.
31. CenterPoint is required by PURA § 33.023 to reimburse COH/COC and GCCC for their rate-case expenses, as approved in this Order.

Period and Mechanism of Rate-Case Expense Recovery

32. A three-year recovery of rate-case expenses through a surcharge complies with PURA and the Commission's rules by ensuring that CenterPoint recovers, but does not over-recover, its authorized rate-case expenses.
33. Commission precedent requires that rate-case expenses be recovered without interest.

Total Amount to Be Recovered—Summary

34. The total amount to be recovered through the CTC and the rate-case expense surcharge is in accordance with PURA and the Commission's rules.

V. Ordering Paragraphs

1. CenterPoint's application for a CTC is approved consistent with the decisions set forth in this Order.
2. The amount related to the retail clawback, fuel balance over-recovery, and ADFIT benefit of \$313,620,745 is to be amortized over the same time period as the CTC recovery period, and shall be subject to an 11.075% interest rate.
3. CenterPoint or Commission Staff shall request an adjustment to the CTC if there is, and is projected to continue to be, a cumulative over- or under-collection of revenues, including interest, greater than or equal to 15% of the projected CTC recovery amount as approved by this order. The request shall be based on the difference between the actual CTC revenues collected from consumers and the cumulative amount authorized to be collected since the last CTC adjustment or

establishment and regulation of rates.³ To establish a utility's rates, the appropriate regulatory authority must quantify the utility's invested capital "used and useful in providing service to the public," the appropriate rate of return on that invested capital, and the utility's reasonable and necessary operating expenses.⁴ *Id.* The utility's reasonable and necessary operating expenses to be included in the utility's rates may include reasonable rate-case expenses. *See id.* § 36.061(b)(2) (establishing that "[t]he regulatory authority may allow as a cost or expense . . . reasonable costs of participating in a [ratemaking] proceeding" in amount that regulatory authority approves).

Oncor is a regulated electric utility company that applied to the Commission for authorization to change its system-wide rates on June 27, 2008 (the "system-wide rate case"). As part of its requested revenue increase, Oncor initially sought recovery under PURA section 36.061(b)(2) of its reasonable and necessary rate-case expenses totaling \$11,477,898.40. After the parties settled the issues related to reasonable and necessary amounts of all expenses and the recoverability of the expenses related to the system-wide rate case, Oncor sought a total of \$10,127,047.86 in its own expenses. Of that total, \$6,737,009.70 was for Oncor's expenses incurred directly in connection with the system-wide rate case; \$1,540,004.81 was for Oncor's 2004 and 2005 expenses; and \$1,850,053.35 was for Oncor's Docket No. 34040 expenses.

³ *See* Tex. Util. Code §§ 32.001(a) (establishing Commission's exclusive original jurisdiction over electric utility's rates, operations, and services in areas outside municipality and in areas within municipality that surrenders jurisdiction to Commission), (b) (establishing Commission's exclusive appellate jurisdiction over municipality orders); 33.001 (establishing municipality's exclusive original jurisdiction over electric utility's rates, operations, and services in municipality's area), .002 (establishing mechanism by which municipality can elect to have Commission exercise exclusive original jurisdiction over electric utility).

⁴ The statute defines "regulatory authority" as "either the [C]ommission or the governing body of a municipality, in accordance with the context." *See* Tex. Util. Code § 11.003(18).

accounted for in the utility's cost of service are "limited to amounts actually realized or which can be anticipated with reasonable certainty." *Suburban Util.*, 652 S.W.2d at 362.

The Commission sets rates for an indefinite period in the future based on the utility's past costs. *Id.* at 366. The Commission begins by considering revenue and expense data from a historic test year. *See Public Util. Comm'n v. GTE-Southwest, Inc.*, 901 S.W.2d 401, 411 (Tex. 1995); *see also* 16 Tex. Admin. Code § 25.234(b) (2013) (Pub. Util. Comm'n of Tex., Rate Design) ("Rates will be determined using revenues, billing and usage data for a historical test year adjusted for known and measurable changes, and costs of service as defined in § 25.231 . . ."). Those test-year expenses must be adjusted for known and measurable changes to ensure that they will more accurately reflect future costs. *GTE-Southwest, Inc.*, 901 S.W.2d at 411; 16 Tex. Admin. Code § 25.231(b) (2013) (Pub. Util. Comm'n of Tex., Cost of Service). The Commission may consider expenses outside the test year "when necessary to achieve just and reasonable rates." *City of El Paso v. Public Util. Comm'n*, 883 S.W.2d 179, 188 (Tex. 1994). This discretion enables the Commission to make the test year as representative as possible of the expected future cost situation. *Id.*

PURA specifically addresses the allowance of rate-case expenses as an operating expense. The statute establishes that "the regulatory authority may allow as a cost or expense . . . reasonable costs of participating in a proceeding under this title [PURA] not to exceed the amount approved by the regulatory authority." Tex. Util. Code § 36.061(b)(2). Although section 36.061(b)(2) gives the Commission the discretion to disallow improper expenses, this discretion is tempered by section 36.051's mandate that the utility must be allowed to recover its operating expenses and a reasonable return on invested capital. *See Suburban Util.*, 652 S.W.2d at 362-63



EL PASO ELECTRIC COMPANY
2021 TEXAS RATE CASE FILING
OPERATION AND MAINTENANCE EXPENSE
INTERNAL WORKPAPER - COSTS RELATED TO COVID-19 PANDEMIC
SPONSOR CYNTHIA S. PRIETO
PREPARER MYRNA A. ORTIZ
FOR THE TEST YEAR ENDED DECEMBER 31, 2020

WP/A-3
ADJUSTMENT NO. 7
PAGE 2 of 2

Line No.	(a) Account and Description	(b) Palo Verde Costs (1)	(c) Operational Support (2)	(d) Safety (3)	(e) Customer Support (4)	(f) Medical Costs (5)	(g) Information Technology (6)	(h) Costs Savings (7)	(i) Bad Debt Expense	(j) Total
1	506000 - MISC STEAM POWER EXP	\$ -	\$ 5,118	\$ 77,582	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 82,700
2	524000 - MISC NUCLEAR POWER EXP	1,546,840	-	-	-	-	-	-	-	1,546,840
3	549000 - MISC OTHER POWER GEN EXP	-	12,493	23,583	-	-	-	-	-	36,076
4	556000 - SYSTM CONTROL & LOAD DISP	-	-	2,935	-	-	-	-	-	2,935
5	566000 - MISC TRANSMISSION EXP	-	1,540	8,058	-	-	-	-	-	9,598
6	566000 - METER EXPENSES	-	-	1,885	-	-	-	-	-	1,885
7	588000 - MISC DISTR EXPENSE	-	15,863	61,154	-	-	-	-	-	77,018
8	903000 - CUST RECORDS & COLL EXP	-	451	11,863	111,957	-	7,005	-	-	131,276
9	904000 - UNCOLLECTIBLE ACCOUNTS	-	-	-	-	-	-	-	803,227 (8)	803,227
10	921000 - OFFICE SUPPLIES & EXP	-	235,356	1,061,103	31,639	-	73,375	(768,725)	-	632,746
11	923000 - OUTSIDE SVS EMPLOYED	-	66,078	14,143	-	-	38,745	-	-	118,966
12	926000 - EMPLOYEE PENSIONS & BEN	-	-	-	-	544,456	-	-	-	544,456
13	COVID-19 related costs included in Cost of Service	1,546,840	336,900	1,262,305	143,596	544,456	119,125	(768,725)	803,227	3,987,723
14	182399 - OTHER REGULATORY ASSETS	-	-	-	-	-	-	-	3,213,020 (9)	3,213,020
15	Total COVID-19 expenses	\$ 1,546,840	\$ 336,900	\$ 1,262,305	\$ 143,596	\$ 544,456	\$ 119,125	\$ (768,725)	\$ 4,016,247	\$ 7,200,743
16	450000 - FORFEITED DISCOUNTS	-	-	-	-	-	-	-	-	944,710 (10)
17	Total COVID-19 rider request	-	-	-	-	-	-	-	-	\$ 8,145,453

Notes:

- (1) O&M charges from APS identified as COVID-19 related, including outside services and materials and supplies costs
- (2) Security, medical consulting, food and accommodations (i.e. beds, freezers, washers, dryers, televisions).
- (3) Personal protective equipment, janitorial services, disinfectants, etc
- (4) Mailings and notices related to COVID-19
- (5) Medical claims and testing costs for COVID-19 incurred between March 2020 and November 2020
- (6) Third party support, software (webex and cell service), computer peripherals (headsets, printers, cables), added due to COVID-19
- (7) Costs savings identified for office supplies and training and travel when comparing 2020 to 2019 costs
- (8) COVID-19 related bad debts charged to expense
- (9) COVID-19 related bad debts charged to regulatory assets.
- (10) Late payment fees not assessed to customers between March 2020 and October 2020 per PUCT orders.

WP/A-3
ADJUSTMENT NO. 7
PAGE 2 of 2

EL PASO ELECTRIC COMPANY
 2021 TEXAS RATE CASE
 RATE BASE
 REGULATORY ASSETS AND LIABILITIES AND OTHER ADDITIONS/DEDUCTIONS
 TO RATE BASE
 SPONSOR JENNIFER I BORDEN
 PREPARED BY MELODY BOISSELIER
 FOR THE TEST YEAR ENDED DECEMBER 31, 2020

WP/ B-1
 ADJUSTMENT NO 03
 PAGE 3 OF 3

COVID-19 Deferrals

	(a)	(b)	(c)	(d)	(e)	(f)	(g)
Line	Month	Monthly Activity	Cumulative Principal Balance	Compound Interest at 7.725% ((1+0.07725) ⁿ -(1/12))-1 (A)	Interest	Cumulative Interest	Cumulative Total
1	Jan-20		-	0.00622022	-	-	-
2	Feb-20		-	0.00622022	-	-	-
3	Mar-20	407,728.74	407,728.74	0.00622022	-	-	407,728.74
4	Apr-20	204,399.40	612,128.14	0.00622022	2,536.16	2,536.16	614,664.30
5	May-20	433,587.07	1,045,715.21	0.00622022	3,823.35	6,359.51	1,052,074.72
6	Jun-20	1,382,698.22	2,428,413.43	0.00622022	6,544.14	12,903.65	2,441,317.08
7	Jul-20	701,045.84	3,129,459.27	0.00622022	15,185.54	28,089.19	3,157,548.46
8	Aug-20	1,167,728.98	4,297,188.25	0.00622022	19,640.66	47,729.85	4,344,918.10
9	Sep-20	1,485,418.18	5,782,606.43	0.00622022	27,026.36	74,756.21	5,857,362.64
10	Oct-20	611,223.98	6,393,830.41	0.00622022	36,434.11	111,190.32	6,505,020.73
11	Nov-20	1,206,201.96	7,600,032.37	0.00622022	40,462.69	151,653.01	7,751,685.38
12	Dec-20	545,420.83	8,145,453.20	0.00622022	48,217.22	199,870.22	8,345,323.42
13		8,145,453.20			199,870.22		

(A) Monthly carrying cost factor is computed using the formula $(1 + i)^{1/12} - 1$, where $i = 7.725\%$, the weighted average cost of capital approved in the Final Order in EPE's 2017 Texas Rate Case, Docket No. 46831.

Principal	8,145,453.20
Interest	199,870.22
Total Covid-19 Regulatory Asset	8,345,323.42
Amortization period	3 years
Amortization per year	2,781,774.47
Regulatory Asset pg 1	<u>5,563,548.96</u> 2/3 of Total Covid-19 Regulatory Asset

WEIGHTED AVERAGE COST OF CAPITAL

	<i><u>% of Total</u></i>	<i><u>Component Cost</u></i>	<i><u>Weighted Avg. Cost</u></i>	<i><u>Tax Rate</u></i>	<i><u>Pre-Tax WACC</u></i>
Long-term Debt	49.00%	5.58%	2.73%		2.73%
Common Equity	51.00%	9.20%	4.69%	21.00%	5.94%
	100.00%		7.42%		8.67%
Calculated Pretax WACC based on E Sears' WACC					

**ISSUES RELATED TO THE STATE OF
DISASTER FOR THE CORONAVIRUS
DISEASE 2019**

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**PUBLIC UTILITY COMMISSION
OF TEXAS**

2020 MAR 26 AM 11:40
UTILITY COMMISSION
FILING CLERK

**ORDER DIRECTING CERTAIN ACTIONS AND
GRANTING EXCEPTIONS TO CERTAIN RULES**

On March 13, 2020 pursuant to Texas Government Code § 418.014, in response to the growing threat of the coronavirus disease (COVID-19), Governor Greg Abbott issued a Declaration of State of Disaster for all counties in Texas. Pursuant to 16 Texas Administrative Code (TAC) §§ 25.480(j)(1)(B) and 25.498(i)(1)(B), the Commission directs all retail electric providers to offer a deferred payment plan to customers, upon request.

Furthermore, under the authority found in 16 TAC § 22.5(a), the Commission finds that there exists a public emergency and imperative public necessity that constitutes good cause for granting exceptions to the following rules:

- Water and Sewer Rules
 - 16 TAC § 24.165(c), which relates to assessment of late fees on customers for delinquent bills.
 - 16 TAC § 24.165(d), which authorizes a water utility to charge interest on a deferred payment plan.
 - 16 TAC § 24.165(i), which relates to requirements for estimated bills.
 - 16 TAC § 24.167(a)(2)(A), which allows a retail public utility to disconnect water or sewer service for nonpayment.
 - 16 TAC § 24.167(a)(2)(F), which authorizes a utility to disconnect water service for non-payment of a solid waste charge.
 - 16 TAC § 24.167(e), which requires a retail public utility to disconnect water service for nonpayment of sewer charges.
- Electric Rules
 - 16 TAC § 25.28(b), which relates to assessment of late fees on customers for delinquent bills.
 - 16 TAC § 25.29(b)(1), which allows an electric utility to disconnect electric service for nonpayment.
 - 16 TAC § 25.480(c), which relates to assessment of late fees on customers for delinquent bills.

106


Such suspension will best serve the public interest and will not prejudice the rights of any party.

Accordingly, it is ordered that, until the Governor's disaster declaration is terminated,

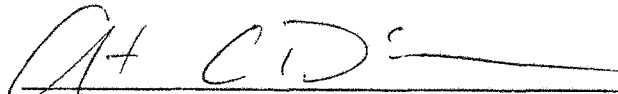
1. All retail electric providers must offer a deferred payment plan to customers, upon request.
2. Exceptions are granted to the following water and sewer rules: 16 TAC § 24.165(c), which relates to assessment of late fees on customers for delinquent bills; 16 TAC § 24.165(d), which authorizes a water utility to charge interest on a deferred payment plan; 16 TAC § 24.165(i), which relates to requirements for estimated bills; 16 TAC § 24.167(a)(2)(A), which allows a retail public utility to disconnect water or sewer service for nonpayment; 16 TAC § 24.167(a)(2)(F), which authorizes a utility to disconnect water service for nonpayment of a solid waste charge; and 16 TAC § 24.167(e), which requires a retail public utility to disconnect water service for nonpayment of sewer charges.
3. Exceptions are granted to the following electric rules: 16 TAC § 25.28(b), which relates to assessment of late fees on customers for delinquent bills; 16 TAC § 25.29(b)(1), which allows an electric utility to disconnect electric service for nonpayment; and 16 TAC § 25.480(c), which relates to assessment of late fees on customers for delinquent bills.

Signed at Austin, Texas the 26th day of March 2020.

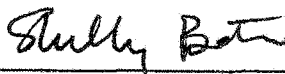
PUBLIC UTILITY COMMISSION OF TEXAS



DEANN T. WALKER, CHAIRMAN



ARTHUR C. D'ANDREA, COMMISSIONER



SHELLY BOTKIN, COMMISSIONER

PROJECT NO. 50664

**ISSUES RELATED TO THE STATE OF
DISASTER FOR THE CORONAVIRUS
DISEASE 2019**

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**PUBLIC UTILITY COMMISSION
OF TEXAS**

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FILED 10 AM

**SECOND ORDER DIRECTING CERTAIN ACTIONS AND
GRANTING EXCEPTIONS TO CERTAIN RULES**

On March 13, 2020 pursuant to Texas Government Code § 418.014, in response to the growing threat of the coronavirus disease (COVID-19), Governor Greg Abbott issued a Declaration of State of Disaster for all counties in Texas. On April 12, 2020, Governor Abbott renewed the disaster proclamation for all counties in Texas. Pursuant to 16 Texas Administrative Code (TAC) §§ 25.480(j)(1)(B) and 25.498(i)(1)(B), the Commission on March 26, 2020 directed all retail electric providers to offer a deferred payment plan to customers, upon request. Through this Order, the Commission renews this directive to all retail electric providers.

Furthermore, on March 26, 2020, under the authority found in 16 TAC § 22.5(a), the Commission found that there existed a public emergency and imperative public necessity that constitutes good cause for granting exceptions to certain rules. Good cause continues to exist, and the Commission through this Order renews the exception to the following rules until May 15, 2020 to the extent that these rules apply to residential customers:

- Water and Sewer Rules
 - 16 TAC § 24.165(c), which relates to assessment of late fees on residential customers for delinquent bills.
 - 16 TAC § 24.165(d), which authorizes a water utility to charge interest on residential customers on a deferred payment plan.
 - 16 TAC § 24.165(i), which relates to requirements for estimated bills.
 - 16 TAC § 24.167(a)(2)(A), which allows a retail public utility to disconnect water or sewer service for nonpayment of a residential customer.
 - 16 TAC § 24.167(a)(2)(F), which authorizes a utility to disconnect water service for non-payment of a solid waste charge of a residential customer.
 - 16 TAC § 24.167(e), which requires a retail public utility to disconnect water service for nonpayment of sewer charges of a residential customer.

171

- Electric Rules
 - 16 TAC § 25.28(b), which relates to assessment of late fees on residential customers for delinquent bills.
 - 16 TAC § 25.29(b)(1), which allows an electric utility to disconnect electric service of a residential customer for nonpayment.
 - 16 TAC § 25.480(c), which relates to assessment of late fees on residential customers for delinquent bills.

These exceptions will best serve the public interest and will not prejudice the rights of any party.

Accordingly, the following is ordered:

1. All retail electric providers must continue to offer a deferred payment plan to customers, upon request during the state of disaster declared by Governor Abbott.
2. Until May 15, 2020, exceptions are granted to the following water and sewer rules to the extent that these rules apply to residential customers: 16 TAC § 24.165(c), which relates to assessment of late fees on residential customers for delinquent bills; 16 TAC § 24.165(d), which authorizes a water utility to charge interest on residential customers on a deferred payment plan; 16 TAC § 24.165(i), which relates to requirements for estimated bills; 16 TAC § 24.167(a)(2)(A), which allows a retail public utility to disconnect water or sewer service for nonpayment of a residential customer; 16 TAC § 24.167(a)(2)(F), which authorizes a utility to disconnect water service for non-payment of a solid waste charge of a residential customer; and 16 TAC § 24.167(e), which requires a retail public utility to disconnect water service for nonpayment of sewer charges of a residential customer.
3. Until May 15, 2020, exceptions are granted to the following electric rules to the extent that these rules apply to residential customers: 16 TAC § 25.28(b), which relates to assessment of late fees on residential customers for delinquent bills; 16 TAC § 25.29(b)(1), which allows an electric utility to disconnect electric service of a residential customer for nonpayment; and 16 TAC § 25.480(c), which relates to assessment of late fees on residential customers for delinquent bills.

Signed at Austin, Texas the 17th day of April 2020.

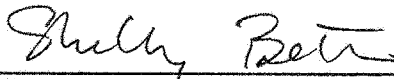
PUBLIC UTILITY COMMISSION OF TEXAS



DEANN T. WALKER, CHAIRMAN



ARTHUR C. D'ANDREA, COMMISSIONER



SHELLY BOTKIN, COMMISSIONER

PROJECT NO. 50664

ISSUES RELATED TO THE STATE OF
DISASTER FOR THE CORONAVIRUS
DISEASE 2019

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PUBLIC UTILITY COMMISSION
OF TEXAS

2020 MAR 26 AM 11:42

**ORDER
RELATED TO ACCRUAL OF REGULATORY ASSETS**

On March 13, 2020, in response to the growing threat of the coronavirus disease (COVID-19), Governor Greg Abbott issued a Declaration of State of Disaster for all counties in Texas. This Commission Order addresses the effects of COVID-19 for services provided by electric utilities and water and sewer utilities in the state of Texas.

Through this Order, the Commission takes steps to provide regulated utility companies some regulatory certainty by authorizing the use of an accounting mechanism and a subsequent process through which regulated utility companies may seek future recovery of expenses resulting from the effects of COVID-19.

The Commission issues this accounting order under its statutory authority to preserve on utilities' books the effects of unpaid customer accounts until the Commission approves rate changes that adjust charges to Texas customers.¹ The Commission authorizes each electric, water, and sewer utility to record as a regulatory asset expenses resulting from the effects of COVID-19, including but not limited to non-payment of qualified customer bills as specified by separate order issued on this same date. In future proceedings, the Commission will consider whether each utility's request for recovery of these regulatory assets is reasonable and necessary. The Commission will also consider in the future proceeding other issues, such as the appropriate period of recovery for the approved amount of regulatory assets, any amount of carrying costs thereon, and other related matters.

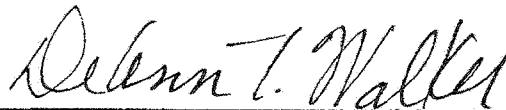
¹ Public Utility Regulatory Act, Tex. Util. Code Ann. § 14.151 (West 2016 & Supp. 2017); Tex. Water Code Ann. § 13.131(a) (West 2008 & Supp. 2017).

Consistent with the above discussion, the Commission orders the following:

1. Each electric utility and water and sewer utility in the state of Texas shall record as a regulatory asset expenses resulting from the effects of COVID-19.
2. In future proceedings, the Commission will consider, on a case-by-case basis, the appropriate adjustment to a utility's rates to reflect the recovery of the approved amount of regulatory assets recorded in accordance with this Order.

Signed at Austin, Texas the 26th day of March 2020.

PUBLIC UTILITY COMMISSION OF TEXAS



DEANN T. WALKER, CHAIRMAN



ARTHUR C. D'ANDREA, COMMISSIONER



SHELLY BOTKIN, COMMISSIONER

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

APPLICATION OF EL PASO ELECTRIC COMPANY TO CHANGE RATES	§ § §	BEFORE THE STATE OFFICE OF ADMINISTRATIVE HEARINGS
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**EL PASO ELECTRIC COMPANY'S
ERRATA NO. 2 TO ITS APPLICATION**

El Paso Electric Company (EPE) files this Errata No. 2 to its rate filing application in this proceeding in order to correct certain errors it has discovered during the course of this proceeding.

I. ERRATA NO. 2

1. Manuel Carrasco Direct Testimony and Exhibit MC-8 Excess ADIT Refund by Rate Class

The changes to the Excess Accumulated Deferred Income Tax (EDIT) in the workpaper to Schedule G 7-9(a).03 described below required a change to Mr. Carrasco's Direct Testimony and Exhibit MC-8 Excess ADIT Refund by Rate Class.

2. Daniel S. Dane Direct Testimony, Exhibits, and Workpapers

EPE found errors in the reported results of its lead-lag study. Specifically, the number of days for the payment processing lag is revised from 1.2 days to 0.8 days; the total lag is revised from 45.1 to 44.7; and the revenue lag, inclusive of both retail revenues and wholesale and other revenues is changed from 44.4 to 44.0. Therefore, the testimony and exhibits (DSD-2 through DSD-9) of EPE witness Daniel S. Dane will need to be revised to reflect these changes. The changes to the results of EPE's lead-lag study will also impact EPE's cash working capital requirement. The calculation of the cash working capital requirement will require EPE to update a number of schedules, workpapers, and testimony. Therefore, EPE plans to submit the required revisions to Mr. Dane's testimony when EPE submits its rebuttal testimony.

3. Workpapers for the Direct Testimony of Larry J. Hancock

EPE discovered that the workpapers for the Direct Testimony of Larry J. Hancock were not submitted in the original rate case application filing. The workpapers are included as part of this errata:

- 2019 Study – Unit 1 TX Funding 12-31-19.xls

1 under Schedule No. 38 – Notice Interruptible Service. The intent of this schedule is to
2 reduce customer rates to reflect the impact of the federal corporate tax rate reduction
3 established in the Tax Cuts and Jobs Act of 2017 ("TCJA") on EPE's annual revenue
4 requirement. Since its inception, an annual update of Schedule No. FTRF Update has been
5 filed with the PUCT in Docket Nos. 49251²⁸ (2019), 50575²⁹ (2020), and 51826³⁰ (2021).
6 The currently effective schedule provides a tax credit factor of 4.5515% which results in a
7 reduction to the non-fuel base-rate charges on the customers' monthly bills. The applicable
8 non-fuel base rates are those that were approved in EPE's last base rate case, Docket
9 No. 46831. Pursuant to the Final Order in EPE's last base rate case, a reduction to non-fuel
10 base-rate charges is to continue annually until the effective date of rates in EPE's next base
11 rate case.

12 The rates set in this base rate case are based on income tax expense calculated using
13 the lower federal income tax rate set by the TCJA and, therefore, there is no longer a need
14 for Schedule No. FTRF Update. However, as discussed by EPE witness Prieto, EPE is
15 proposing to return the unamortized accumulated deferred income taxes ("ADIT") relating
16 to the TCJA from calendar years 2018 through 2021 to customers over a four-year period.
17 EPE intends to repurpose Schedule No. FTRF Update as the tariff to accomplish this
18 refund.

19 As discussed in the Direct Testimony of EPE witness Prieto, the amount of excess
20 ADIT is \$295,223 which averages to \$73,806 per year. When grossed up for income taxes,
21 revenue related taxes, and uncollectible expenses, the amount to return to customers is
22 calculated to be \$100,519, which was then allocated to each rate class. EPE is proposing
23 to refund this amount on a per kWh basis to customers taking service at secondary and
24 primary voltage levels and on a monthly amount basis for customers taking service at
25 transmission voltage. Please see Exhibit MC-8 for the calculations discussed here and the
26 proposed Schedule No. FTRF Update included in the RFP Schedule Q-8.8 for the
27 description of the applicability of the refund. In addition, EPE proposes that this tariff

²⁸ *Application of El Paso Electric Company to Implement the First Updated Refund Tariff for Federal Income Tax Rate Decrease in Compliance with Docket No. 46831*, Docket No. 49251, Order (Jun. 27, 2019).

²⁹ *Application of El Paso Electric Company to Implement Second Updated Refund Tariff for Federal Income Tax Rate Decrease in Compliance with Docket No. 46831*, Docket No. 50575, Order (Jul. 7, 2020).

³⁰ *Application of El Paso Electric Company to Implement the Third Updated Refund Tariff for Federal Income Tax Rate Decrease in Compliance with Docket No. 46831*, Docket No. 51826, Order (Pending).

EL PASO ELECTRIC COMPANY
2021 TEXAS RATE CASE FILING
WORKPAPER G-7.9(a).3: AMORTIZATION OF EXCESS
SPONSOR: CYNTHIA S. PRIETO
PREPARER: TAMMY HENDERSON
FOR THE TEST YEAR PERIODS ENDED DECEMBER 31, 2020

CALCULATION OF EXCESS ADIT RESULTING FROM THE
TCJA - TO BE INCLUDED IN THE RIDER

Line No.	Description	UNPROTECTED EXCESS AMORTIZATION				PROTECTED EXCESS AMORTIZATION						TOTAL
		(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	
		Unprotected Excess ADIT from TCJA	Estimated remaining life of ADIT	Calculation of Average Life of Unprotected Excess ADIT	Annual Amortization of Unprotected Excess ADIT - 4 year average life	Amortization of Protected Excess for 2018	Amortization of Protected Excess for 2019	Amortization of Protected Excess for 2020	Amortization of Protected Excess for 2021	Total Amortization of Protected Excess Not Taken to Date	Annual Amortization of Protected Excess ADIT - 4 year life	Annual Net Amortization Protected and Unprotected Excess ADIT - 4 Year Average Life
1	199000 190000 ACCUM DEF INCOME TAXES											
2	Alternative Minimum Tax Credit CF	\$ -		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
3	AOCI Amortization of Debt Costs	(2,442,723)	5 years	468,545	810,691							610,691
4	AOCI Decommissioning Costs											
5	AOCI Retirement Plans	(4,645,909)	10 years	464,591	1,161,477							1,161,477
6	Capitalized Costs and Interest					1,059,573	1,004,193	914,392	843,731	3,821,889	955,472	955,472
7	CIAC					442,349	416,527	391,162	373,668	1,622,706	405,677	405,677
8	Coal Reclamation Costs											
9	Decommissioning Costs											
10	Deferred Fuel FERC											
11	Deferred Fuel NM											
12	Deferred Fuel TX											
13	Excess Deferred Taxes Fed											
14	Gross-Up on Excess from TCJA 2017											
15	Excess Deferred Taxes State											
16	ITC											
17	NOL Carryforward - Federal					564,520	544,255	515,404	546,701	2,170,881	542,720	542,720
18	NOL Carryforward - NM					(7,110)	(6,855)	(6,491)	(6,886)	(27,342)	(6,835)	(6,835)
19	Other	(967,571)	5 years	193,514	241,893							241,893
20	Other Employee Benefits	(2,579,192)	1 year	2,679,192	844,798							844,798
21	R & D Credit											
22	Retirement Plans	(10,094,312)	10 years	1,009,431	2,523,578							2,523,578
23	SFAS 143 ARO											
24	Taxes Other Than Federal Income Tax	8,080	1 year	(8,080)	(2,015)							(2,015)
25	Unbilled Revenue											
26	Total For 190000 190000 ACCUM DEF INCOME TAXES:	(20,721,647)										
27	282000 282000 ADIT-OTHER PROPERTY											
28	ABFUDC - CWIP											
29	AEFUDC											
30	AEFUDC - CWIP											
31	Decommissioning Costs											
32	Basis and Depreciation Differences					(6,021,557)	(5,805,395)	(5,497,647)	(5,931,483)	(23,156,082)	(5,789,020)	(5,789,020)
33	Plant removed from rate base											
34	Excess Deferred Taxes Fed											
35	Repair Allowance					(699,013)	(632,096)	(630,590)	(634,823)	(2,596,522)	(641,631)	(641,631)
36	Section 174 R&D					(118,351)	(117,821)	(116,730)	(117,722)	(470,424)	(117,606)	(117,606)
37	Total For 282000 282000 ADIT-OTHER PROPERTY:											
38	283000 283000 ACCUM DEF INC TAXES-OTHER											
39	Amortization of Debt Costs	1,897,516	5 years	(361,503)	(451,879)							(451,879)
40	Deferred Fuel FERC											
41	Deferred Fuel NM											
42	Deferred Fuel TX											
43	Excess Deferred Taxes State											
44	Other	798,306	5 years	(159,661)	(199,577)							(199,577)
45	Taxes Other Than Federal Income Tax	(193,846)	1 year	193,846	48,462							48,462
46	Total For 283000 283000 ACCUM DEF INC TAXES-OTHER	2,411,976										
47	Total For RAP Consolidated:	(18,309,671)		4,398,894	4,577,418	(4,749,686)	(4,697,992)	(4,430,501)	(4,826,913)	(18,604,894)	(4,651,223)	(73,806) (A)
48	Amortization of Unprotected Excess divided by total Unprotected Excess:				0.2403							
49	Average life of Unprotected Excess:				4.1614							

(A) Annual Net Amortization of Protected and Unprotected Excess ADIT over a 4 Year Average Life.

(B) Total amount of Rider is equal to (2,438,763).

owed to
ratepayers

owed to
ratepayers
Net = (295,223) owed to ratepayers

ERRATA NO. 2
WP/G-7.9(a).3
PAGE 3 OF 13

CALCULATION OF EXCESS ADIT RESULTING FROM THE
TCJA - TO BE INCLUDED IN THE RIDER

Line No.	(a) Description	UNPROTECTED EXCESS AMORTIZATION				PROTECTED EXCESS AMORTIZATION						TOTAL	
		(b) Unprotected Excess ADIT from TCJA	(c) Estimated remaining life of ADIT	(d) Calculation of Average Life of Unprotected Excess ADIT	(e) Annual Amortization of Unprotected Excess ADIT - 4 year average life	(f) Amortization of Protected Excess for 2018	(g) Amortization of Protected Excess for 2019	(h) Amortization of Protected Excess for 2020	(i) Amortization of Protected Excess for 2021	(j) Total Amortization of Protected Excess Not Taken to Date	(k) Annual Amortization of Protected Excess ADIT - 4 year life	(L) Annual Net Amortization Protected and Unprotected Excess ADIT - 4 Year Average Life	
1	190000 190000 ACCUM DEF INCOME TAXES												
2	Alternative Minimum Tax Credit CF	\$ -		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
3	AOCI Amortization of Debt Costs	(2,442,723)	5 years	488,545	610,681							610,681	
4	AOCI Decommissioning Costs	-											
5	AOCI Retirement Plans	(4,645,909)	10 years	464,591	1,161,477							1,161,477	
6	Capitalized Costs and Interest					1,059,573	1,004,193	914,392	843,731	3,821,889	955,472	955,472	
7	CIAC					442,349	415,527	391,162	373,668	1,622,706	405,677	405,677	
8	Coal Reclamation Costs	-											
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21	R & D Credit												
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23	SFAS 143 ARO												
24	Taxes Other Than Federal Income Tax	8,060	1 year	(8,060)	(2,015)							(2,015)	
25	Unbilled Revenue												
26	Total For 190000 190000 ACCUM DEF INCOME TAXES:	(20,721,647)											
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33	Plant removed from rate base												
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36	Section 174 R&D					(669,013)	(632,096)	(630,590)	(634,823)	(2,566,522)	(641,631)	(641,631)	
37	Total For 282000 282000 ADIT-OTHER PROPERTY:	-				(118,351)	(117,621)	(116,730)	(117,722)	(470,424)	(117,606)	(117,606)	
38	283000 283000 ACCUM DEF INC TAXES-OTHER												
39	Amortization of Debt Costs	1,807,516	5 years	(361,503)	(451,879)							(451,879)	
40	Deferred Fuel FERC	-											
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44	Other	798,306	5 years	(159,661)	(199,577)							(199,577)	
45	Taxes Other Than Federal Income Tax	(193,846)	1 year	193,846	48,462							48,462	
46	Total For 283000 283000 ACCUM DEF INC TAXES-OTHER	2,411,976											
47	Total For RAP Consolidated:	\$ (18,309,671)		4,399,894	\$ 4,577,418	\$ (5,306,998)	\$ (5,135,393)	\$ (4,939,413)	\$ (5,366,629)	\$ (20,748,433)	\$ (5,187,108)	\$ (609,691) (A)	
48	Amortization of Unprotected Excess divided by total Unprotected Excess:			0.2403									
49	Average life of Unprotected Excess:			4.1614									

(A) Annual Net Amortization of Protected and Unprotected Excess ADIT over a 4 Year Average Life.

(B) Total amount of Rider is equal to (2,438,763).

See Prieto
w/ p 29

owed to ratepayers
(2,438,762)
net owed to ratepayers

Finally, there remains the question of how the excess ADFIT refund amount should be paid to customers. As discussed previously, SWEPCO proposes to use the entire excess ADFIT refund amount to offset the net book value of Dolet Hills, effecting an immediate recovery of most of the plant's remaining value. The ALJs have recommended instead that SWEPCO recover that value under its current amortization schedule, first as depreciation on the plant (alongside return and other costs of service) through the plant's retirement on December 31, 2021, and thereafter through amortized recovery from a regulatory asset. Thus, the ALJs must now address alternative methods or means by which SWEPCO should return the excess ADFIT refund amount. The parties addressing that issue have proposed four alternative options:

- Staff would have SWEPCO credit the balance against any amount owed by customers because of the March 18, 2021 relate-back date in this proceeding, and then return the remainder over a six-month period, with carrying charges at the same WACC that is determined in this proceeding.⁴²⁶
- ETEC/NTEC would require SWEPCO to refund the balance over the four-year period in which the rates are expected to remain in effect, with the balance offsetting rate base (and thereby lowering rates) in the meantime.⁴²⁷
- TIEC would require SWEPCO to refund the balance over one year, with carrying costs calculated using SWEPCO's regulated rate of return, on the balance from the relate-back date.⁴²⁸
- OPUC would require: (1) the eligible protected excess ADFIT to be returned through a one-time refund on SWEPCO customers' electricity bills within sixty days of the final order in this case; and (2) the unprotected excess ADFIT to be returned to customers through a separate tax-return rider, effective for two years from the effective dates of the rates approved in this proceeding.⁴²⁹ OPUC further recommends that this tax-return rider include an additional monthly carrying charge equal to the monthly WACC approved by the Commission in this proceeding.⁴³⁰

⁴²⁶ Staff Ex. 3 (Stark Dir.) at 46-47.

⁴²⁷ ETEC/NTEC Initial Brief at 10-11; ETEC/NTEC Ex. 1 (Hunt Dir.) at 7-8.

⁴²⁸ TIEC Ex. 4 (LaConte Dir.) at 14-17; Tr. at 356-57.

⁴²⁹ OPUC Initial Brief at 9-10; OPUC Ex. 1 (Cannady Dir.) at 53-54.

⁴³⁰ OPUC Initial Brief at 10.

The ALJs find it most reasonable to return the currently refundable excess ADFIT to customers promptly, as opposed to extending those refunds over a period of years. As TIEC witness LaConte observed, SWEPCO had been accruing and owing excess ADFIT for three years.⁴³¹ Moreover, prompt refund is more likely to return the excess ADFIT to the same customers who overpaid the taxes. As to specific method, the ALJs recommend Staff's approach, as it would accomplish the refunds in no more than six months while having the added benefit of eliminating or offsetting any surcharges that customers would owe due to the relate-back date, in effect an immediate refund of the offsetting amount. Until the excess ADFIT is fully refunded, the balance should accrue carrying costs equal to SWEPCO's WACC, as Staff and other parties also advocated.

In the event the Commission rejects SWEPCO's proposal to offset the refundable excess ADFIT against Dolet Hills' net book value, SWEPCO's Mr. Baird proposed that the Commission adopt Staff's recommendation and that any refunds after offsetting the relate-back surcharge be handled through a rate rider.⁴³² He observed that "a separate rider makes more sense," as "[t]he two components of the [excess] ADFIT are fixed, and not ongoing, so they should not be included in base rates," and would also "allow for an exact refund, including applicable carrying costs."⁴³³ The ALJs agree and recommend that a rider be used.

D. Accumulated Depreciation [PO Issue 12]

SWEPCO's witness Cash and also Mr. Baird testified concerning SWEPCO's calculations of depreciation rates and accumulated depreciation amounts.⁴³⁴ They explained that because SWEPCO operates in multiple jurisdictions—FERC, Arkansas, and Louisiana, in addition to Texas—the Company records depreciation expense based on a composite rate that results in a

⁴³¹ TIEC Ex. 4 (LaConte Dir.) at 17.

⁴³² SWEPCO Ex. 36 (Baird Reb.) at 24.

⁴³³ SWEPCO Ex. 36 (Baird Reb.) at 24.

⁴³⁴ SWEPCO Ex. 6 (Baird Dir.) at 43-44, SWEPCO Ex. 16 (Cash Dir.) at 8.

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