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

WORKPAPERS TO THE DIRECT TESTIMONY AND EXHIBITS OF KEVIN C. HIGGINS

ON BEHALF OF
TEXAS INDUSTRIAL ENERGY CONSUMERS

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APPLICATION OF ENTERGY TEXAS, INC. FOR AUTHORITY TO CHANGE RATES	§ § §	**BEFORE THE STATE OFFICE OF ADMINISTRATIVE HEARINGS**

COST ALLOCATION/RATE DESIGN

REBUTTAL TESTIMONY

OF

RICHARD E. LAIN

ON BEHALF OF

ENTERGY TEXAS, INC.

August 16, 2018

1

384

SOAH DOCKET NO. 473-18-3733
PUC DOCKET NO. 48371

APPLICATION OF ENTERGY TEXAS, INC. FOR AUTHORITY TO CHANGE RATES	§ § §	BEFORE THE STATE OFFICE OF ADMINISTRATIVE HEARINGS

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REBUTTAL TESTIMONY OF RICHARD E. LAIN

I. Introduction

Q1. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A. My name is Richard E. Lain. My business address is 919 Congress, Suite 740, Austin, Texas 78701.

Q2. ARE YOU THE SAME RICHARD E. LAIN WHO PREVIOUSLY FILED DIRECT TESTIMONY IN THIS PROCEEDING?

A. Yes, I provided direct testimony on behalf of Entergy Texas, Inc. ("ETI").

Q3. PLEASE STATE THE PURPOSE OF YOUR COST ALLOCATION/RATE DESIGN REBUTTAL TESTIMONY.

A. The dynamics of the cost allocation and rate design phase of an electric utility rate case are usually very different from the revenue requirement phase. Whereas intervenors may be united in their interest in reducing the utility's proposed revenue requirement, once the responsibility for that revenue requirement is set to be allocated among classes of ratepayers, competing interests arise. In this respect, this case is very traditional. Parties offer differing positions on the methodologies to allocate costs to rate classes. They also have competing perspectives about ETI's various rate design proposals, but those will be taken up by other ETI witnesses. My rebuttal testimony addresses the specific issues raised in the direct testimonies of Office of Public Utility Counsel ("OPUC") witness Clarence L. Johnson and Texas Industrial Energy Consumers ("TIEC") witness Jeffry Pollock related to the allocation of ETI's cost of service to its rate classes. I also address the allocation methodology for ETI's proposed Tax Cuts and Jobs Act of 2017 ("TCJA") Rider raised by Mr. Pollock, as well as Cities Served by ETI's ("Cities") witness Brian T. Murphy's proposed true-ups of the Company's Transmission Cost Recovery Factor Rider ("TCRF") and Distribution Cost Recovery Factor Rider ("DCRF"), both of which are currently in effect. Finally, I address the recommendation by

Staff ("Staff") of the Public Utility Commission of Texas ("Commission") witness Grant Gervais that no Small Qualified Facility ("SQF") customers be grandfathered in connection with the termination of the net-metering billing option of the SQF tariff.

I have endeavored to classify and allocate ETI's proposed cost of service utilizing the Commission's historical treatment for ETI and the Commission's historic ratemaking principles such as direct assignment and cost causation. The arguments presented in this case to make changes to the historical treatment of ETI are based in large part on Commission decisions involving utilities other than ETI. I prioritized the Commission's historical treatment of ETI in my class cost-of-service recommendations in my Direct Testimony.

ETI has no economic incentive to favor one rate class over another in the allocation of its reasonable and necessary cost of service because costs that are shifted from one class in its class cost-of-service study ("CCOSS") have to be paid by one or more other classes, and in the end, the total revenue requirement to be paid by ETI's customers remains the same. Accordingly, my rebuttal testimony rebuts the efforts of the intervening parties to shift costs from their favored class or classes to other classes.

II. Response to OPUC Witness Johnson and TIEC Witness Pollock

Q4. HAVE YOU REVIEWED THE RECOMMENDATIONS OF MESSRS. JOHNSON AND POLLOCK FOR THE ALLOCATION OF ETI'S REASONABLE AND NECESSARY BASE RATE COSTS TO ITS RATE CLASSES?

A. Yes, I have. Below, I discuss each of their recommendations and offer either my rebuttal or my opinion that ETI does not oppose parties' various recommendations. OPUC and TIEC witnesses recommend a number of cost-allocation modifications that impact ETI's rate classes compared to ETI's proposals in its CCOSS provided in its Application. Table 1 below shows the overall changes in class base-cost allocations associated with their recommendations.

TABLE 1

OPUC Base Cost/Misc. Revenues Allocation Recommendations	
Residential	$(11,159,455)
Small Gen. Svc.	$ (589,321)
General Service	$ 4,055,586
Large Gen. Svc.	$ 2,482,710
Large Industrial PS	$ 5,330,745
Lighting	$ (120,263)
Source: Schedule CJ-2, Page 2	
TIEC Base Cost Allocation Recommendation	
Residential	$ (56,598)
Small Gen. Svc.	$ 17,278
General Service	$ 657,578
Large Gen. Svc.	$ 101,345
Large Industrial PS	$ (768,781)
Lighting	$ 49,177
Source: Exhibit JP-CA/RD-1	

Q5. OPUC WITNESS JOHNSON RECOMMENDS ALLOCATING UNCOLLECTIBLE EXPENSE ON A TOTAL REVENUE BASIS BY CITING PRIOR COMMISSION DECISIONS FOR ETI AND OTHER COMMISSION DECISIONS FOR OTHER UTILITIES.[1] HOW DO YOU RESPOND?

A. Mr. Johnson testifies that recent Commission precedent requires a revenue methodology that allocates uncollectible expense broadly across all classes.[2] Mr.

[1] *See* Direct Testimony of Clarence L. Johnson at 29:2–4.

[2] Direct Testimony of Clarence L. Johnson at 31:3–6 (citing *Application of Southwestern Electric Power Company for Authority to Change Rates*, Docket No. 46449, Order on Rehearing, Findings of Fact Nos. 303-05 (Mar. 19, 2018)).

Johnson also identifies a Commission decision related to ETI where the Commission decided in a base rate case involving ETI's predecessor operating company, Entergy Gulf States, Inc. ("EGSI"), that uncollectible expense was to be allocated based on jurisdictional and class operating revenues.[3]

Q6. HAS MR. JOHNSON CORRECTLY INTERPRETED ETI'S PROPOSED ALLOCATION OF UNCOLLECTIBLE EXPENSES AND PRECEDENT?

A. No, he has not. As provided in Table 2, ETI, in recent cases and in this proceeding, has calculated its proposed uncollectible expense allocation factors consistently with prior decisions for ETI; that is, the uncollectible expenses are allocated based on class revenues. In the table, the acronym for the allocation factor "RU-RR-TO" signifies "Revenue-Uncollectible, Revenue Requirement, Total" under ETI's current internal data processing system, because it is a function of test-year revenues. "CAUAFT" denotes "uncollectible accounts for Texas" as one of several of ETI's revenue allocation factors for its CCOSS provided in its base rate applications prior to Docket No. 39896.

TABLE 2

Dockets	Alloc. Factor	RES	SGS	GS	LGS	LIPS	Lighting
ETI PROPOSED	RU-RR-TO	88.60%	1.72%	3.32%	0.27%	0.59%	5.49%
DN 41791	RU-RR-TO	87.41%	1.81%	5.60%	0.54%	0.00%	4.63%
DN 39896	RU-RR-TO	86.85%	2.17%	5.54%	0.53%	0.00%	4.91%
DN 37744	CAUAF	83.08%	2.19%	4.90%	0.77%	3.28%	5.78%
DN 34800	CAUAFT	79.81%	2.27%	5.03%	1.03%	5.86%	5.98%
DN 16705	CAUAFT	80.19%	2.12%	8.07%	0.44%	4.47%	4.71%

[3] Direct Testimony of Clarence L. Johnson at 29:6–30:11 (citing *Application of Entergy Gulf States, Inc. for Approval of its Transition to Competition Plan and the Tariffs Implementing the Plan, and for the Authority to Reconcile Fuel Costs, to Set Revised Fuel Factors, and to Recover a Surcharge for Under-Recovered Fuel Costs,* Docket No. 16705, Second Order on Rehearing, Finding of Fact No. 231 (Oct. 14, 1998)).

Q7. MR. JOHNSON CLAIMS THAT ETI'S UNCOLLECTIBLE EXPENSE IS SIMILAR TO A CUSTOMER-BASED ALLOCATION FACTOR. HOW DO YOU RESPOND?

A. The two proposed allocators, provided in Table 3, are similar in result for the residential class, but not for the other classes. More importantly, they are fundamentally dissimilar because they are derived from two different sources of information; data from revenue (uncollectible), and data from the number of customers (average customers).

TABLE 3

Allocation Factor	AF Acronym	RES	SGS	GS	LGS	LIPS	Lighting
Revenue Uncollectible, Revenue Requirement, Total	RU-RR-TO	88.60%	1.72%	3.32%	0.27%	0.59%	5.49%
Total Average Customers	DG-CC-TO	87.34%	7.85%	4.39%	0.09%	0.02%	0.31%

Because ETI's proposed uncollectible expense allocator is a function of revenues, consistent with ETI's prior base rate applications and consistent prior Commission decisions related to ETI, the Commission, in this proceeding, should reaffirm its prior decisions.

Q8. MR. JOHNSON RECOMMENDS ASSIGNING $1.5 MILLION IN EXPENSES ASSOCIATED WITH LARGE CUSTOMER ACCOUNTS DIRECTLY TO ETI'S LARGE GENERAL SERVICE ("LGS") AND LARGE INDUSTRIAL POWER SERVICE ("LIPS") RATE CLASSES.[4] HOW DO YOU RESPOND?

A. Mr. Johnson testifies that in Docket No. 46449, the Commission found that the expenses related to Southwestern Electric Power Company's ("SWEPCO") major account representatives should be allocated to large commercial and industrial customers and not to residential and general service customers who do not receive those services.[5] He also notes that in ETI's most recent fully-litigated base rate case, Docket No. 39896, the Commission approved approximately $2 million of

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[4] Direct Testimony of Clarence L. Johnson at 31:11–33:10

[5] *Application of Southwestern Electric Power Company for Authority to Change Rates*, Docket No. 46449, Order on Rehearing, Findings of Fact Nos. 295–302 (Mar. 19, 2018).

affiliate sales and marketing expenses to be directly assigned to General Service ("GS"), LGS, and LIPS classes. In light of these prior rulings by the Commission, ETI does not oppose Mr. Johnson's recommendation.

Q9. OPUC WITNESS JOHNSON ALSO RECOMMENDS THE RE-CLASSIFICATION OF ACCOUNT 514 (MAINTENANCE-MISCELLANEOUS STEAM) AS ENERGY, AND 42% OF ACCOUNTS 502 (OPERATIONS-STEAM EXPENSE) AND 505 (OPERATIONS-ELECTRIC EXPENSE) AS ENERGY.[6] DO YOU AGREE WITH HIS RECOMMENDATIONS?

A. No, I do not. In his testimony in EGSI Docket No. 16705, Mr. Johnson made a similar recommendation based on support similarly cited from the National Association of Regulatory Utility Commissioners ("NARUC") Electric Utility Cost Allocation Manual (the "Manual").[7] The Commission, nevertheless, established the precedent for EGSI by determining that FERC Accounts 514, 502, and 505 should be classified as demand when it stated, "The FERC staff method used by the Company to classify production non-fuel O&M expense is a reasonable method and produces reasonable results."[8]

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[6] Direct Testimony of Clarence L. Johnson at 35:12–36:19

[7] *Application of Entergy Gulf States, Inc. for Approval of its Transition to Competition Plan and the Tariffs Implementing the Plan, and for the Authority to Reconcile Fuel Costs, to Set Revised Fuel Factors, and to Recover a Surcharge for Under-Recovered Fuel Costs,* Docket No. 16705, Direct Testimony of Clarence Johnson at 33–36 (Aug. 6, 1997).

[8] *Application of Entergy Gulf States, Inc. for Approval of its Transition to Competition Plan and the Tariffs Implementing the Plan, and for the Authority to Reconcile Fuel Costs, to Set Revised Fuel Factors, and to Recover a Surcharge for Under-Recovered Fuel Costs,* Docket No. 16705, Second Order on Rehearing, Finding of Fact No. 230 (Oct. 14, 1998).

Q10. CAN YOU PROVIDE A COMPARISON OF ETI'S PROPOSED ALLOCATORS FOR THESE ACCOUNTS WITH THOSE IT HAS RELIED ON IN RECENT CLASS COST OF SERVICE STUDIES?

A. Yes. As the table below demonstrates, ETI's proposed allocation factors for these accounts have been very consistent over time, and I believe it is reasonable to continue to use these allocation factors.

TABLE 4

Dockets	Alloc. Factor	RES	SGS	GS	LGS	LIPS	Lighting
ETI PROPOSED	PG-DD-TO	47.95%	2.40%	19.49%	6.65%	23.19%	0.33%
DN 41791	PG-DD-TO	47.47%	2.04%	21.59%	7.45%	21.14%	0.31%
DN 39896	PG-DD-TO	49.75%	2.20%	18.90%	7.42%	21.43%	0.30%

Q11. MR. JOHNSON RECOMMENDS THE ELIMINATION OF THE CUSTOMER NCP COMPONENT IN ETI'S SECONDARY-VOLTAGE DISTRIBUTION FACILITIES ALLOCATION FACTOR.[9] DO YOU AGREE?

A. No, I do not. The Commission's treatment of this issue for ETI has been in place for almost twenty years, going back to when it decided ETI's customer NCP component was appropriate in Docket No. 16705, and more recently again in Docket No. 39896.[10] Mr. Johnson's recommendation is based on theoretical considerations about what may be reasonable to better reflect the diversity of ETI's distribution system and his concern that, because the Residential Service NCP maximum demand was set in January of the Test Year, NCP demand was overly influenced by winter heating customers. While the Commission has every right to consider these ideas, the Commission's consistent treatment of this issue in ETI's

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[9] Direct Testimony of Clarence L. Johnson at 38:14–40:18.

[10] *Application of Entergy Gulf States, Inc. for Approval of its Transition to Competition Plan and the Tariffs Implementing the Plan, and for the Authority to Reconcile Fuel Costs, to Set Revised Fuel Factors, and to Recover a Surcharge for Under-Recovered Fuel Costs,* Docket No. 16705, Second Order on Rehearing, Finding of Fact No. 223 (Oct. 14, 1998); *Application of Entergy Texas, Inc. for Authority to Change Rates, Reconcile Fuel Costs, and Obtain Deferred Accounting Treatment*, Docket No. 39896, Revised Schedules for Entergy Texas Reflecting Changes Based on Number-running (Aug. 28, 2012).

past cases, its previous rejection of similar theoretical arguments, and Mr. Johnson's failure to provide hard data support reaffirmation of the Commission precedent.

Q12. MR. JOHNSON ALSO RECOMMENDS THAT ETI ALLOCATE PRODUCTION, TRANSMISSION, AND DISTRIBUTION LOAD DISPATCH EXPENSES (FERC ACCOUNTS 556, 561, 581) ON AVERAGE DEMAND THROUGHOUT THE YEAR.[11] AS AN ALTERNATIVE, MR. JOHNSON RECOMMENDS PRODUCTION EXPENSE BE ALLOCATED AS 50% DEMAND AND 50% ENERGY.[12] DO YOU AGREE WITH HIS RECOMMENDATIONS?

A. No, I do not. First, the Commission has established precedent for ETI that these expenses are to be allocated using the Average & Excess-4 Coincident Peak ("A&E-4CP") method for Accounts 556 and 561, and the Maximum Diversified Demand ("MDD") method for Account 581. In its recent base rate applications, ETI has complied with the Commission's prior rulings in ETI cases.[13] I would note that the Company's proposed allocation of these costs shows remarkable consistency across ETI's base rate applications, as demonstrated in Table 5 below. Meanwhile, consistent with his other recommendations, Mr. Johnson's proposed methodology adds more energy to the allocators in order to shift costs away from the customer classes OPUC represents in this proceeding.

[11] Direct Testimony of Clarence L. Johnson at 41:16–44:6.

[12] *Id.*

[13] *Application of Entergy Texas, Inc. for Authority to Change Rates, Reconcile Fuel Costs, and Obtain Deferred Accounting Treatment,* Docket No. 39896, Order on Rehearing, Findings of Fact Nos. 183–185 (Nov. 11, 2012).

TABLE 5

Expense Category	Dockets	Alloc. Factor	RES	SGS	GS	LGS	LIPS	Lighting
Load Dispatch Expense-FERC 556	ETI PROPOSED	PG-DD-TO	47.95%	2.40%	19 49%	6.65%	23.19%	0.33%
Load Dispatch Expense-FERC 556	DN 41791	PG-DD-TO	47 47%	2.04%	21.59%	7.45%	21.14%	0.31%
Load Dispatch Expense-FERC 556	DN 39896	PG-DD-TO	49.75%	2.20%	18.90%	7 42%	21.43%	0.30%
Load Dispatch Expense-FERC 561	ETI PROPOSED	TH-DD-TO	47.95%	2.40%	19 49%	6.65%	23.19%	0.33%
Load Dispatch Expense-FERC 561	DN 41791	TH-DD-TO	47.47%	2.04%	21.59%	7.45%	21.14%	0.31%
Load Dispatch Expense-FERC 561	DN 39896	TH-DD-TO	49.74%	2.20%	18.90%	7.42%	21.43%	0 30%
Load Dispatch Expense-FERC 561	ETI PROPOSED	TL-DD-TO	52.21%	2.61%	21.22%	7.24%	16.36%	0.36%
Load Dispatch Expense-FERC 561	DN 41791	TL-DD-TO	50.94%	2.19%	23 16%	7.99%	15.38%	0.33%
Load Dispatch Expense-FERC 561	DN 39896	TL-DD-TO	53 42%	2.36%	20.30%	7.97%	15.63%	0.33%
Load Dispatch Expense-FERC 581	ETI PROPOSED	DS-DD-TO	58 96%	3.25%	26 06%	8.13%	2.72%	0.89%
Load Dispatch Expense-FERC 581	DN 41791	DS-DD-TO	60 48%	2.52%	27 04%	8.50%	0.68%	0.77%
Load Dispatch Expense-FERC 581	DN 39896	DS-DD-TO	62.37%	3.20%	24.43%	8.55%	0.70%	0.76%

ETI incurs load dispatching expenses to manage its production and transmission functions, and those facilities are allocated on production and transmission (high and low voltage) A&E-4CP, consistent with Commission decisions in previous ETI cases.[14] A&E-4CP consists of average demand or energy divided by 8,760 hours (the number of hours in a year) weighted by the system load factor; and excess demand (or peak demand) weighted by one minus the system load factor. This allocation method thus accounts for both energy (average demand) and peak demand as ETI goes about reliably serving its customer load. ETI also incurs load dispatching expenses to manage its distribution function, the facilities of which are allocated on MDD. In ETI's previous cases, the Commission has determined these expenses should be allocated on the same basis as the underlying assets. Mr. Johnson's recommendations would sever the Commission's established linkages. ETI's proposed allocators for these expenses are consistent with the principle of cost causation and prior Commission decisions for ETI, and the Commission should continue to uphold its past decisions in this proceeding.

[14] *Application of Entergy Gulf States, Inc. for Approval of its Transition to Competition Plan and the Tariffs Implementing the Plan, and for the Authority to Reconcile Fuel Costs, to Set Revised Fuel Factors, and to Recover a Surcharge for Under-Recovered Fuel Costs,* Docket No. 16705, Second Order on Rehearing, Findings of Fact Nos. 221–223 (Oct. 14, 1998).

Q13. MR. JOHNSON RECOMMENDS THAT MISCELLANEOUS REVENUES BE ALLOCATED ON A CUSTOMER BASIS INSTEAD OF RATE CLASS REVENUES.[15] DO YOU AGREE?

A. No, I do not. As the Table 6 demonstrates, the Residential Service class' percentage of overall connection fees and returned checks has been consistent over many years.

TABLE 6

Dockets	Connection Fees	Returned Checks
DN 48371	95.5%	93.7%
DN 41791	96.0%	95.1%
DN 39896	95.7%	93.9%

Likewise, the proposed allocation factors for these revenues in ETI's recent filings are similar as well as shown in Table 7.

TABLE 7

Dockets	Alloc. Factor	RES	SGS	GS	LGS	LIPS	Lighting
ETI PROPOSED	RSRRTOA-RO	52.70%	3.15%	20.40%	6.17%	16.09%	1.48%
DN 41791	RSRRTOA-RO	53.75%	2.85%	21.27%	6.90%	13.92%	1.30%
DN 39896	RSRRTOA-RO	51.83%	3.59%	21.55%	6.75%	15.09%	1.19%

Finally, in ETI's most recently litigated base rate case, Docket No. 39896, the Commission-approved CCOSS allocated miscellaneous revenues using the RSRRTOA allocation factor.[16] I believe it is appropriate for the Commission to continue that same treatment in this case.

Q14. WHAT IS YOUR RESPONSE TO MR. JOHNSON'S RECOMMENDATION THAT FORFEITED DISCOUNTS BE ALLOCATED ON THE SAME BASIS AS UNCOLLECTIBLE REVENUES OR CHANGED TO THE SAME ALLOCATION AS UNCOLLECTIBLE EXPENSE?[17]

A. Forfeited discounts are allocated on retail revenues, which is the same allocator as miscellaneous services revenues and the same methodology ETI has applied in its

[15] Direct Testimony of Clarence L. Johnson at 33:12–35:10.

[16] *Application of Entergy Texas, Inc for Authority to Change Rates, Reconcile Fuel Costs, and Obtain Deferred Accounting Treatment*, Docket No. 39896, Revised Schedules for Entergy Texas Reflecting Changes Based on Number-running (Aug. 28, 2012).

[17] Direct Testimony of Clarence L. Johnson at 34 n.3.

recent base rate applications. Similar to what I stated above, in ETI's most recently litigated base rate case, Docket No. 39896, the Commission-approved CCOSS allocated forfeited discounts revenues using the RSRRTOA-RO allocation factor.[18] Therefore, the Commission should continue with that same treatment in this case.

Q15. TIEC WITNESS MR. POLLOCK RECOMMENDS THAT MISCELLANEOUS GROSS RECEIPTS TAXES BE ALLOCATED RELATIVE TO INSIDE-CITY REVENUES.[19] HOW DO YOU RESPOND?

A. I believe that it would be appropriate to continue with the same treatment that the Commission has utilized for ETI. Mr. Pollock's recommendation is based on Commission decisions in rate case for utilities other than ETI.[20] However, ETI's proposal in this case is based on the Commission's decisions in Docket No. 16075 and ETI's most recent fully-litigated rate case where the Commission found the allocation of miscellaneous gross receipts taxes should be based on the ratio of total customer class revenues to total revenues.[21] Moreover, as demonstrated in the table below, the proposed allocation factors for these costs are relatively consistent across ETI's recent base rate applications. Therefore, the Commission should continue with its historical treatment for ETI in this case.

[18] *Id.*, row 650.

[19] Direct Testimony and Exhibits of Jeffry Pollock (Cost Allocation/Rate Design) at 11:3–12.

[20] *Application of Southwestern Electric Power Company for Authority to Change Rates and Reconcile Fuel Costs,* Docket No. 40443, Order on Rehearing, Finding of Fact No. 278 (Mar. 6, 2014); *Application of Southwestern Electric Power Company for Authority to Change Rates*, Docket No. 46449 (Mar. 9, 2018) and *Application of Southwestern Public Service Co. for Change in Rates,* Docket No. 43695 (Feb. 23, 2016).

[21] *Application of Entergy Gulf States, Inc. for Approval of its Transition to Competition Plan and the Tariffs Implementing the Plan, and for the Authority to Reconcile Fuel Costs, to Set Revised Fuel Factors, and to Recover a Surcharge for Under-Recovered Fuel Costs,* Docket No. 16705, Second Order on Rehearing, Finding of Fact No. 225 (Oct. 14, 1998) and *Application of Entergy Texas, Inc. for Authority to Change Rates, Reconcile Fuel Costs, and Obtain Deferred Accounting Treatment,* Docket No. 39896, Order on Rehearing, Finding of Fact No. 182 (Nov. 11, 2012). Also see, *Application of Entergy Texas, Inc. for Authority to Change Rates, Reconcile Fuel Costs, and Obtain Deferred Accounting Treatment*, Docket No. 39896, Revised Schedules for Entergy Texas Reflecting Changes Based on Number-running (Aug. 28, 2012).

TABLE 8

Dockets	Alloc. Factor	RES	SGS	GS	LGS	LIPS	Lighting
ETI PROPOSED	RSRRTOA-RO	52.70%	3.15%	20.40%	6.17%	16.09%	1.48%
DN 41791	RSRRTOA-RO	53.75%	2.85%	21.27%	6.90%	13.92%	1.30%
DN 39896	RSRRTOA-RO	51.83%	3.59%	21.55%	6.75%	15.09%	1.19%

Q16. MR. POLLOCK TAKES ISSUE WITH ETI'S ALLOCATION OF THE UNPROTECTED ACCUMULATED DEFERRED FEDERAL INCOME TAX ("ADFIT") AMOUNTS.[22] COULD YOU PLEASE EXPLAIN WHY ETI ALLOCATED THOSE AMOUNTS RELATED TO STORM COSTS BASED ON THE TRANSMISSION AND DISTRIBUTION ("T&D") PLANT ALLOCATION FACTORS DERIVED IN ETI'S CCOSS?

A. Yes. The capital investment that is necessary as a result of storm repairs is generally related to transmission and distribution investment that is used to serve distribution customers. Because those customers paid for the deferred tax balances, ETI proposes to credit those customers with the flow back of the deferred taxes.

Q17. DO YOU RECOMMEND ANY CHANGES TO ETI'S ORIGINAL ALLOCATION OF THE EXCESS ADFIT IN THE PROPOSED TCJA RIDER?

A. Yes, but only as to a small part of the referenced credits and expenses. After further review, it was determined that a relatively small amount of dollars included in the storm-related ADFIT category of ETI's proposed TCJA Rider had not been originally functionalized to either transmission or distribution functions; therefore, those amounts should be reclassified into the non-storm category to be allocated on the same basis as the original non-storm amounts in ETI's Application, which is consistent with Mr. Pollock's recommendation. These revised amounts are reflected in my workpaper titled "ETI Tax Rider WP."

That workpaper provides additional detail demonstrating that the amounts are appropriately categorized as T&D. The Company's PowerTax accounting system provides functional ADFIT detail sufficient to support a determination of

[22] Direct Testimony and Exhibits of Jeffry Pollock (Cost Allocation/Rate Design) at 30:17–31:11.

the proper assignment of the ADFIT balance between T&D and other functions. Additional review of this detail confirms that a total of $85,854,625 of the ADFIT balance questioned by Mr. Pollock is properly attributed to the T&D functions, with the remainder of $4,119,418 properly attributed to other non-T&D functions. My rebuttal workpaper referenced above includes detail from the PowerTax system to support this functionalization. The functional balances in particular are detailed in the tab titled "282533 balance by Function."

Q18. SHOULD THE COMMISSION RECONSIDER ITS ESTABLISHED COST-ALLOCATION TREATMENT FOR ETI BASED ON THE RECOMMENDATIONS OF MESSRS. JOHNSON AND POLLOCK?

A. Other than for large customer account management expenses, and certain amounts in ETI's TCJA Rider, I believe the Commission should continue with its historical treatment for ETI. To change course would uproot fundamental cost allocation methods which the Company has consistently applied based on prior Commission decisions in ETI cases. Moreover, adoption of intervenor recommendations would not rest on any new ideas or information specific to ETI. As the Manual aptly demonstrates, cost allocation is sufficiently nuanced that 75 pages of mathematical formulas and descriptions are provided to address cost-allocation preferences that have shaped the regulatory landscape seemingly since the dawn of ratemaking. Moreover, given the Manual's various illustrations and explanations, almost any advocate's recommendations could be justified as a means to benefit their favored rate class or classes of choice. The Commission, nonetheless, has previously decided its preferred cost-allocation methodologies for ETI and after reviewing their testimonies, other than the exceptions I note, I see no compelling economic reason offered by Messrs. Johnson and Pollock, for it to change direction now.

III. Response to Cities Witness Murphy

Q19. CITIES WITNESS BRIAN T. MURPHY OUTLINES HIS RECOMMENDATION FOR THE TRUE-UP OF ETI'S TCRF REVENUES.[23] DO YOU AGREE WITH THOSE RECOMMENDATIONS?

A. Based on the Commission decisions that Mr. Murphy cites,[24] I do not dispute his calculation of an under-recovery. I do, however, take issue with Mr. Murphy's second calculation pertaining to the change in tax rate from 35% to 21%.

Q20. PLEASE SUMMARIZE MR. MURPHY'S RECOMMENDED TCRF TRUE-UP CALCULATION.

A. Mr. Murphy derives his TCRF true-up over-recovery calculation in two steps. First, he compares ETI's collected revenues, since the TCRFs were approved, to its Commission-approved revenue requirement in Docket Nos. 45084 and 46357. By doing this, he derives an under-recovery of $856,742 from September 1, 2016 through June 30, 2018. Second, Mr. Murphy compares the change in the federal income tax rate from 35% to 21% as of January 1, 2018, the effective date of the change pursuant to the Tax Cuts and Jobs Act of 2017 (and not as of the date of the Commission's order on the issue in Project No. 47945), through June 30, 2018 to derive an over-recovery of $1,820,695. Combining these two amounts, Mr. Murphy calculates an overall TCRF over-recovery of $963,953 to be refunded to customers.

Q21. DOES 16 TEX. ADMIN CODE ("TAC") § 25.239 PROVIDE FOR SUCH CALCULATIONS?

A. No, it does not. Subsection (f) of the TCRF Rule states:

> In a docket in which the TCRF is reviewed or amended, the commission may order the refund of any previous over-recovery, but the commission shall not order the surcharge of any under-

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[23] *See* Direct Testimony of Brian T. Murphy at 14:2–19:20.

[24] *Application of Southwestern Electric Power Company for Approval to Amend Transmission Cost Recovery Factor*, Docket No. 45691, Order, Conclusion of Law No. 8, (Sept. 23, 2016).

> recovery. An over-recovery shall be considered to have occurred if the revenues from the TCRF were greater than the costs that the TCRF was intended to recover.

The Rule defines an over-recovery as a comparison between revenues and costs the TCRF was intended to recover. The issue of what amounts constitute "costs" was a hotly contested issue in the Commission's approval of SWEPCO's TCRF reconciliation in Docket No. 45691. SWEPCO interpreted the language of the Rule to mean that in a reconciliation to determine whether it had over-recovered its TCRF revenues, actual revenues collected were to be compared with the actual costs incurred during the time the TCRF was in effect. Intervening parties to the case, as well as Commission Staff, led by Mr. Murphy, argued that the Commission, when it approved the Rule, meant an over-recovery of revenues was determined by comparing actual revenues collected with the *approved revenue requirement* on which the TCRF rates were set because those were the costs the TCRF was intended to recover. The Commission agreed with Staff and the intervening parties and required SWEPCO to address the over-recovery in the next base rate proceeding.[25]

Q22. HOW SHOULD THE COMMISSION CALCULATE THE TRUE-UP OF ETI'S TCRF?

A. The Commission should follow its TCRF precedent when it decided the definition of costs (that the TCRF was intended to recover) in the determination of an over-recovery, means the revenue requirement it approved when setting the TCRF rates. On this basis, as Mr. Murphy has determined—and ETI does not dispute—the Commission should find ETI has under-recovered its approved revenue requirement, with no further action required.

[25] *Application of Southwestern Electric Power Company for Approval to Amend Transmission Cost Recovery Factor,* Docket No. 45691, Order, Ordering Paragraph No. 3, (Sept. 23, 2016).

Q23. MR. MURPHY RECOMMENDS A RECONCILIATION OF ETI'S REVENUES AND COSTS ASSOCIATED WITH ITS DCRF.[26] HOW DO YOU RESPOND?

A. The Commission has implemented the provisions of PURA[27] § 36.210 through adoption of a rule, 16 TAC § 25.243. Contrary to Mr. Murphy's true-up recommendation, there is no basis in either PURA or the Commission's DCRF Rule that allows for such an approach. In fact, the reconciliation provisions included in 16 TAC § 25.243 are inconsistent with and unsupportive of Mr. Murphy's claims.

In its DCRF Rule, the Commission expressly addresses any subsequent reviews once it has approved a DCRF, in subsection (f):

> The commission shall reconcile investments recovered through a DCRF in the electric utility's next comprehensive base-rate proceeding to the extent such reconciliation did not already occur in a DCRF proceeding pursuant to subsection (e)(5) of this section. The reconciliation shall be limited to the issues of the extent to which the investments complied with PURA, including §36.053 and §36.058, and this section and were prudent, reasonable, and necessary. To the extent that the commission determines that the investments did not comply with PURA and this section or were not prudent, reasonable, and necessary, the electric utility shall refund all revenues related to the investments that it improperly recovered through rates, and shall also pay its customers carrying charges on these revenues.

Consequently, the DCRF Rule does not allow for any other form of reconciliation, especially one like Mr. Murphy's recommendation to make a retroactive adjustment.

Q24. IS THERE A FUNDAMENTAL RATEMAKING FLAW IN MR. MURPHY'S RECOMMENDATION?

A. Yes. The formula for the DCRF Rule, much like ratemaking formulas typically relied on by regulatory bodies when setting rates across the U.S., matches revenues

[26] *See* Direct Testimony of Brian T. Murphy at 20:2–9

[27] Public Utility Regulatory Act, Tex. Util. Code Ann. §§ 11.001–66.016 (West 2007 & Supp. 2017) (PURA).

(by its use of a revenue proxy calculation related to changes in billing determinants) with incremental costs associated with a utility's incremental distribution function investments subsequent to the test year from the most recently approved base rate case. This mirrors PURA § 36.210 (a)(2).[28] Because of this statutory requirement, importantly, the DCRF Rule does not allow for, subsequent to the Commission's approval of a DCRF, a reconciliation of revenues and costs. This fits with the Commission's overall regulatory oversight of rates. That is, as long as DCRF distribution investments are not deemed imprudent, the associated DCRF revenues and expenses are incorporated into the Commission's annual review of utilities' financial results for the Commission to determine whether an over-recovery of revenues has occurred. Hence, it is not necessary for the Commission to look back at actual revenues and actual costs during the period the DCRF was effective to determine the occurrence of an over-recovery. So it follows that the type of unique DCRF reconciliation recommended by Mr. Murphy is neither authorized by PURA nor the Commission's DCRF Rule.

Q25. IS MR. MURPHY'S RECOMMENDATION A FORM OF RETROACTIVE RATEMAKING?

A. Yes, it can be viewed that way. A fundamental principle of ratemaking is that once rates are set, they cannot be modified until a subsequent rate proceeding. To retroactively flow back revenues from rates after they have been approved is not normally allowed by the Commission. In effect, Mr. Murphy's recommendation does just that by flowing back revenues ETI has legitimately collected through its approved DCRF during a time period it *under-earned* its allowed return on equity. Mr. Murphy's recommendation contravenes PURA and the Commission's DCRF

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[28] PURA § 36.210 (a)(2) ("A periodic rate adjustment must … take into account changes in the number of an electric utility's customers and the effects, on a weather-normalized basis, that energy consumption and energy demand have on the amount of revenue recovered through the electric utility's base rates. . . .").

Rule, is not consistent with the Commission's traditional regulatory oversight of utilities, and constitutes retroactive ratemaking; therefore, it should be rejected.

IV. Response to Staff Witness Gervais

Q26. STAFF WITNESS GERVAIS RECOMMENDS THAT ETI ESSENTIALLY ELIMINATE OPTION 4 OF ETI'S SCHEDULE SQF AND TRANSFER CUSTOMERS TO OPTION 2C, WHICH BECAME EFFECTIVE NOVEMBER 17, 2017.[29] PLEASE DESCRIBE HIS RATIONALE.

A. Mr. Gervais supports his recommendation with three points. First, he cites a recent decision by the Commission in Docket No. 46449, where SWEPCO proposed to modify its distributed generation tariff ("DRG") and allow existing customers to remain on their existing tariffs while only applying the revised tariff proposal to new customers. The Commission overturned a portion of the Proposal for Decision on that issue, stating that that it was neither necessary nor lawful to allow existing customers taking service under the current DRG tariff to remain under the current tariff. Mr. Gervais also references 16 TAC § 25.242(g)(2), which states: "Rates for purchases of energy and capacity from any qualifying facility shall not exceed avoided cost and that payments which do not exceed avoided cost shall be found to be just and reasonable operating expenses of the electric utility." He couples this with 16 TAC § 25.217(f)(1), which states: "In areas in which customer choice has not been introduced, the electric utility serving the DRGO's load shall buy all DRG out-flows at a value consistent with the requirements of §25.242 of this title." Finally, Mr. Gervais testifies that ETI's current practice under Option 4 involves purchasing significant portions of customer-produced excess energy at the full retail rate, significantly above the avoided cost of energy, resulting in costs that are eventually passed on to other ratepayers.

[29] Direct Testimony of Grant Gervais at 21:2–23:6.

Q27. DO YOU AGREE WITH MR. GERVAIS?

A. No, although I do acknowledge that Mr. Gervais accurately describes the Commission's decision in SWEPCO's recent rate case proceeding. ETI's proposal to the Commission in 2017 to modify Schedule SQF to bring the tariff in line with Commission policy was accompanied by closing Option 4 to new business, with new distributed generation customers taking service after January 2018 choosing from one of the remaining SQF alternatives. That proposal, which the Commission approved in November 2017, occurred prior to the Commission's decision in the SWEPCO proceeding. While I am not able to say with certainty, I believe that the withdrawal of two protesting parties during ETI's proceeding occurred, at least in part, because ETI confirmed through discovery that its existing distributed generation customers would be allowed to remain on Option 4.

As the Commission considers this matter, it is also important to maintain perspective on the scope of the issue. As of the end of 2017, less than 0.1% of ETI's customers had installed distributed generation and were taking service under Schedule SQF Option 4. Commission Witness Gervais uses the term "significant" to describe the quantity of energy involved, the relative difference between retail rates and avoided cost, and presumably, by extension, the potential cost implications for other customers. In reality, the amount of annual excess energy that was credited under Option 4 in 2017 was approximately 1,340 megawatt-hours ("MWh"). That is less than the annual energy usage of 100 typical ETI residential customers. In addition, ETI delivered roughly 18.1 million MWh to its retail customers during the Test Year, meaning the amount of excess energy from Schedule SQF customers under Option 4 represented a *de minimis* 0.007%. From an economic perspective, the differential between average retail rates and avoided cost means conservatively that less than $100,000 is involved. ETI's total retail revenues in 2017 were roughly $1.33 billion, which incidentally results in the same *de minimis* 0.007%. I am not downplaying this matter as insignificant and unimportant relative to considering fairness and equity for all of ETI's customers. Instead, I am attempting to point out that the relative impacts between distributed generation customers from a change in rate structure and all other customers are likely to be quite different.

From a public policy perspective, the Commission should also consider that other retail regulators, with very few exceptions, have allowed existing distributed generation customers to remain under their current billing frameworks when changes in policy have occurred that would otherwise impact those customers. For example, the Arkansas Public Service Commission ("APSC") issued a decision in March 2017 in the first phase of a rulemaking to comply with a 2015 legislative act. In its decision, the APSC evaluated arguments made by many parties and ultimately decided to allow existing distributed generation customers to retain their current rate structure for 20 years: "The Commission adopts a grandfathering term of twenty years. Twenty years considers the impact on existing NMCs [Net-Metering Customers] by taking into account the useful lives of NMFs [Net-Metering Facilities], reasonable payback periods, and warranty periods. The term also appropriately balances the impact to other customers. The Commission finds no justification for grandfathering for an unlimited term."[30] There are numerous other examples from around the U.S. of retail regulators coming to similar conclusions in setting distributed generation policy.

Finally, should the Commission ultimately determine that Option 4 should be terminated, ETI would strongly support the recommendation made by Commission Witness Gervais that existing distributed generation customers taking service under Option 4 be allowed to continue taking service as-is for another five to ten years. As far as a recommending a specific period of time, ETI defers to the Commission to decide an appropriate period of time that balances the equity and other interests of distributed generation customers with ETI's other customers.

[30] *In the Matter of Net Metering and the Implementation of Act 827 of 2015*, Arkansas Public Service Commission Docket No. 16-027-R, Order No. 10 (Mar. 8, 2017).

V. Conclusion

Q28. DOES THIS CONCLUDE YOUR COST ALLOCATION/RATE DESIGN REBUTTAL TESTIMONY?

A. Yes, it does.

AFFIDAVIT OF RICHARD E. LAIN

THE STATE OF TEXAS)
)
COUNTY OF TRAVIS)

This day, Rick Lain the affiant, appeared in person before me, a notary public, who knows the affiant to be the person whose signature appears below. The affiant stated under oath:

My name is Richard E. Lain. I am of legal age and a resident of the State of Texas. The foregoing testimony and exhibits offered by me are true and correct, and the opinions stated therein are, to the best of my knowledge and belief, accurate, true and correct.

Richard E. Lain

SUBSCRIBED AND SWORN TO BEFORE ME, notary public, on this the 13th day of August 2018.

Mary Sue Martinez
Notary Public, State of Texas

My Commission expires:
1/2/2022

MARY SUE MARTINEZ
NOTARY PUBLIC
ID# 10650262
State of Texas
Comm. Exp. 01-02-2022

NOTARY PUBLIC STATE OF TEXAS

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

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

EL PASO ELECTRIC COMPANY'S RESPONSE TO
CITY OF EL PASO'S FOURTH REQUEST FOR INFORMATION
QUESTION NOS. CEP 4-1 THROUGH CEP 4-12

CEP 4-6:

The following questions are in reference to the direct testimony of George Novela.

a. In reference to the direct testimony of Mr. Novela at page 7, lines 1-5, provide the total system coincident demand calculated for the test year.

b. In reference to the direct testimony of Mr. Novela at page 7, lines 1-5, provide the total New Mexico jurisdiction and wholesale customer's Rio Grande Electric Cooperative ("RGEC"), jurisdictional coincident demand that was subtracted from total system coincident demand to calculate the Texas jurisdictional coincident demand.

c. Provide the final calculated Texas jurisdictional coincident demand.

d. Provide all other jurisdictional allocators by jurisdiction used in the jurisdictional separation and assignment of costs.

e. For items (a) through (d) above provide all workpapers supporting each calculation.

RESPONSE:

a. Please see CEP 4-6 Attachment 1 for the total system coincident demand calculated for the test year.

b. Please see CEP 4-6 Attachment 1 for the calculations used to derive Texas jurisdictional coincident demand.

c. Please see CEP 4-6 Attachment 1 for the Texas jurisdictional coincident demand.

d. Please see CEP 4-6 Attachment 2 Voluminous for all the jurisdictional allocators.

e. Please see El Paso Electric Company's ("EPE") response to CEP 4-6 (a), (b), (c), and (d).

Preparer:	Juan Cardenas	Title:	Economist – Staff
Sponsor:	George Novela	Title:	Director – Economic and Rate Research

SOAH DOCKET NO. 473-21-2606
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APPLICATION OF EL PASO	§	BEFORE THE STATE OFFICE
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EL PASO ELECTRIC COMPANY'S RESPONSE TO
CITY OF EL PASO'S FOURTH REQUEST FOR INFORMATION
QUESTION NOS. CEP 4-1 THROUGH CEP 4-12

CEP 4-7:

In reference to the direct testimony of Mr. Novela at page 7, lines 15-18, provide the following information related to adjustments to the jurisdictional allocators.

a. A list of each solar resource that was built to serve the New Mexico jurisdiction's customers and was directly assigned to the New Mexico jurisdiction and removed from the New Mexico retail customers energy and demand usage used in the jurisdictional allocator.

b. All calculations to arrive at the energy and demand usage adjustment for each solar resource that was built to serve the New Mexico jurisdiction's customers and was directly assigned to the New Mexico jurisdiction and removed from the New Mexico retail customers energy and demand usage used in the jurisdictional allocator.

c. All workpapers supporting the calculations in (a) and (b) above.

d. A list of each solar resource that was built to serve the Texas jurisdiction's customers and was directly assigned to the Texas jurisdiction and removed from the Texas retail customers energy and demand usage used in the jurisdictional allocator.

e. All calculations to arrive at the energy and demand usage adjustment for each solar resource that was built to serve the Texas jurisdiction's customers and was directly assigned to the Texas jurisdiction and removed from the Texas retail customers energy and demand usage used in the jurisdictional allocator.

f. All workpapers supporting the calculations in (d) and (e) above.

RESPONSE:

a. The list of each solar resource that was built to serve New Mexico (NM)'s customers and directly assigned to the NM jurisdiction are:

- Hatch
- NRG
- Sun Edison 1
- Sun Edison 2
- Rio Grande

The Holloman solar site was built for Holloman Air Force Base and is directly assigned to this customer.

b. Please see CEP 4-6 Attachment 2 and CEP 4-7 Attachment 1 for the calculations used in the solar adjustment made to the jurisdictional allocators.

c. Please see El Paso Electric Company's ("EPE") response to CEP 4-7 (a) and (b).

d. The list of each solar resource that was built to serve Texas jurisdiction is:

- Wrangler
- Stanton Tower
- EPCC
- Van Horn
- Newman carport

e. Please see CEP 4-6 Attachment 2 and CEP 4-7 Attachment 1 for the calculations used in the solar adjustment made to the jurisdictional allocators.

f. Please see EPE's response to CEP 4-7 (d) and (e).

Preparer: Juan Cardenas Title: Economist – Staff

Sponsor: George Novela Title: Director – Economic and Rate Research

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

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

EL PASO ELECTRIC COMPANY'S RESPONSE TO
COMMISSION STAFF'S FIRST REQUEST FOR INFORMATION
QUESTION NOS. STAFF 1-1 THROUGH STAFF 1-48

STAFF 1-22:

Payroll

Has the Company included any non-qualified pension payments in its request? If so, please provide by FERC account and identify as Company direct or affiliate allocated. Please provide the amounts expensed as well as the amounts capitalized.

RESPONSE:

The request includes amounts for El Paso Electric Company's ("Company") nonqualified pension costs in FERC account 926 as well as amounts charged to FERC account 107 that were closed to plant in service during the test year. Amounts recorded by the Company for its Excess Benefit Plan ("Excess") and Supplemental Retirement Plan ("SERP") are shown below. All requested amounts are Company direct costs. There were no affiliate pension costs allocated during the test year.

FERC Account	Excess	SERP	Total
926 - Employee Pensions and Benefits	$937,304	$1,033,409	$1,970,713
107 - Construction Work in Progress	82,225	7,602	89,827

Preparer: Karen Baca — Title: Senior Accountant – Technical Accounting
En Li — Manager – Financial Accounting

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

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

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

TIEC 3-2:

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

a. Supplemental Retirement Plan

b. Excess Benefit Plan

RESPONSE:

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

Total Company	TX Allocator	TX Amount
$ 46,418	0.794221	$ 38,866

Preparer: Tammy Henderson Title: Manager – Tax

Sponsor: Sean M. Ihorn Title: Director – Tax

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

EL PASO ELECTRIC COMPANY'S RESPONSE TO
TEXAS INDUSTRIAL ENERGY CONSUMERS'
FOURTH REQUEST FOR INFORMATION
QUESTION NOS. TIEC 4-1 THROUGH TIEC 4-4

TIEC 4-4:

According to the Direct Testimony of Larry J. Hancock, page 33, EPE annualized depreciation expense for plant that was added throughout the Test Year.

a. Please provide, in the same Excel format as Schedule D-4, the portion of each applicable adjustment listed in the Schedule D-4 "Adjustments" column that is attributable to the annualization of depreciation expense for plant added throughout the Test Year. Please provide this information for each plant/account category in Schedule D-4.

b. Has EPE made any adjustments to accumulated depreciation associated with plant that was added during the Test Year? If EPE has made any adjustments to accumulated depreciation for plant that was added during the Test Year, please indicate the amount of such adjustments and the associated plant additions, and cite to the location in the Company's filing where these adjustments are presented.

RESPONSE:

a. Please see attached for a schedule that shows the portion of each applicable adjustment listed in the Schedule D-4 "Adjustments" column that is attributable to the annualization of depreciation expense for plant added throughout the Test Year by plant/account category on Schedule D-4.

b. EPE has not made any adjustments to accumulated depreciation associated with plant that was added during the Test Year.

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

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

SOAH DOCKET NO. 473-21-2606
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APPLICATION OF EL PASO	§	BEFORE THE STATE OFFICE
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EL PASO ELECTRIC COMPANY'S RESPONSE TO
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FIFTH REQUEST FOR INFORMATION
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EL PASO ELECTRIC COMPANY'S RESPONSE TO TEXAS INDUSTRIAL ENERGY CONSUMERS' FIFTH REQUEST FOR INFORMATION QUESTION NOS. TIEC 5-1 THROUGH TIEC 5-2

TIEC 5-1:

Please refer to WP A-3 Adj 07 COVID-19 Costs. Please indicate whether each COVID-19 cost item, by category and FERC account, is directly assigned to the Texas retail jurisdiction or is allocated between Texas and New Mexico. If the latter, please provide the amount allocated to Texas for each COVID-19 cost item and in total.

RESPONSE:

The adjustment amounts in WP A-3 Adj 07 are allocated to Texas based on the FERC account, none are directly assigned. See table below:

Account	Total Co.	Allocator	Texas
506000	($82,700)	D1PROD	($67,120)
524000	($1,546,840)	D1PROD	($1,255,431)
549000	($36,076)	D2PROD	($29,267)
556000	($2,935)	DPROD12	($2,393)
566000	($9,598)	D2TRAN	($7,639)
586000	($1,885)	DIST370	($1,492)
588000	($77,018)	EXP_58279	($48,900)
903000	($131,276)	CUSTOMER	($100,657)
904000	($803,227)	UNCOLL_EXP	($624,638)
921000	($632,746)	LABOR	($499,519)
923000	($118,966)	LABOR	($93,917)
926000	($544,456)	LABOR	($429,818)
	($3,987,723)		($3,160,791)

Preparer: Adrian Hernandez Title: Senior Rate Analyst – Rates

Sponsor: Adrian Hernandez Title: Senior Rate Analyst – Rates

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EL PASO ELECTRIC COMPANY'S RESPONSE TO
TEXAS INDUSTRIAL ENERGY CONSUMERS'
FIFTH REQUEST FOR INFORMATION
QUESTION NOS. TIEC 5-1 THROUGH TIEC 5-2

TIEC 5-2:

Please provide, by FERC account, on a Total Company and Texas jurisdictional basis, the Test Year gross plant in service, accumulated depreciation, state and federal ADIT, depreciation expense, property tax expense, O&M expense, and any other cost category associated with EPE's 69 kV lines. Please include transmission substations that principally step-down to 69 kV and related expenses in your presentation of 69 kV-related costs. If EPE does not possess the data to differentiate its 69 kV line costs for any requested cost category, please provide the Company's best estimate.

RESPONSE:

Please see TIEC 5-2 Attachment 1 for the Company's estimates of plant in service, accumulated depreciation, state and federal Accumulated Deferred Income Tax, depreciation expense, and Operation and Maintenance (O&M). Please see TIEC 5-2 Attachment 2 for the Company's estimate of property tax expense.

Note that Transmission Substation plant is primarily contained within FERC account 353000, but related plant is also contained within FERC account 352000, and a small amount in FERC accounts 355000 and 356000. Distribution amounts for Total Company include both Texas and New Mexico amounts, and the amounts for the Texas Jurisdiction are directly assigned to Texas only. Finally, O&M accounts listed include the full Total Company and Texas Jurisdictional balances, which were determined by first identifying costs under 345 kV, and then allocating costs to 69 kV based on line miles of transmission.

Preparer:	Adrian Hernandez	Title:	Senior Rate Analyst – Rates
	Barbara Torres		Principal Plant Accountant
	Tammy Henderson		Manager – Tax
Sponsor:	Adrian Hernandez	Title:	Senior Rate Analyst – Rates
	Larry J. Hancock		Manager – Plant Accounting
	Sean M. Ihorn		Director – Tax

		ASSOCIATED 69KV EQUIPMENT							
		Test Year Gross Plant In Service		Accumulated Depreciation		State ADIT		Federal ADIT	
FERC Description	FERC	TOTAL COMPANY	TEXAS BASIS	TOTAL COMPANY	TEXAS BASIS	TOTAL COMPANY	TEXAS BASIS	TOTAL COMPANY	TEXAS BASIS
Land and Land Rights	350	$ 403,085	$ 320,815	$ (85,363)	$ -	$ -	$ -	$ -	$ -
Structures and Improvements	352	299,244	238,168	(104,537)	-	-	-	(4,823,476)	(3,769,132)
Station Equipment	353	1,658,423	1,319,939	(775,367)	-	-	-	-	-
Towers and Fixtures	354	3,200,078	2,546,942	(1,625,003)	-	-	-	-	-
Poles and Fixtures	355	28,995,927	23,077,858	(10,920,725)	-	-	-	-	-
O.H. Conductors & Devices	356	3,557,201	2,831,176	(2,026,057)	-	-	-	-	-
Roads and Trails	359	17,316	13,782	(20,110)	-	-	-	-	-
Total Transmission Plant		$ 38,131,274	$ 30,348,681	$ (15,557,161)	$ -	$ -	$ -	$ (4,823,476)	$ (3,769,132)
Land and Land Rights	360	$ 5,170	$ 4,927	$ (334)	$ (256)	$ -	$ -	$ -	$ -
Structures and Improvements	361	622,583	563,209	(72,524)	(64,931)	-	-	-	-
Station Equipment	362	5,770,609	4,466,147	(1,418,675)	(969,500)	-	-	(838,797)	(655,448)
Poles, Towers & Fixtures	364	178,605	178,605	(58,878)	(55,600)	-	-	-	-
O.H. Conductors & Devices	365	109,888	109,888	(30,914)	(30,503)	-	-	-	-
Underground Conduits	366	-	-	-	-	-	-	-	-
U.G. Conductors & Devices	367	-	-	-	-	-	-	-	-
Line Transformers	368	27,177	25,281	(6,468)	(5,839)	-	-	-	-
Services	369	-	-	-	-	-	-	-	-
Meters	370	-	-	-	-	-	-	-	-
Install. on Customer Prem.	371	-	-	-	-	-	-	-	-
Street Lights	373	-	-	-	-	-	-	-	-
Total Distribution Plant		$ 6,714,032	$ 5,348,057	$ (1,587,793)	$ (1,126,628)	$ -	$ -	$ (838,797)	$ (655,448)

		Depreciation Expense (a)		O&M Expense		Other Costs	
FERC Description	FERC	TOTAL COMPANY	TEXAS BASIS	TOTAL COMPANY	TEXAS BASIS	TOTAL COMPANY	TEXAS BASIS
Land and Land Rights	350	$ 8,641	$ 6,877	$ -	$ -	$ -	$ -
Structures and Improvements	352	3,945	3,140	-	-	-	-
Station Equipment	353	16,341	13,006	-	-	-	-
Towers and Fixtures	354	41,338	32,901	-	-	-	-
Poles and Fixtures	355	492,505	391,985	-	-	-	-
O.H. Conductors & Devices	356	47,511	37,814	-	-	-	-
Roads and Trails	359	178	142	-	-	-	-
Operation Supervision & engineering	560	-	-	15,330	12,201	-	-
Station Expenses	562	-	-	3,125	2,487	-	-
Overhead line expense	563	-	-	25,739	20,485	-	-
Misc. transmission expenses	566	-	-	1,412	1,124	-	-
Rents	567	-	-	5,243	4,173	-	-
Maintenance of station equipment	570	-	-	257	205	-	-
Maintenance of overhead lines	571	-	-	280,074	222,911	-	-
Maintenance of misc. transmission plant	573	-	-	1,697	1,351	-	-
Total Transmission Plant		$ 610,459	$ 485,864	$ 332,877	$ 264,937	$ -	$ -
Land and Land Rights	360	$ 17	$ 14	$ -	$ -	$ -	$ -
Structures and Improvements	361	8,519	7,575	-	-	-	-
Station Equipment	362	75,758	58,055	-	-	-	-
Poles, Towers & Fixtures	364	3,299	2,791	-	-	-	-
O.H. Conductors & Devices	365	1,992	1,888	-	-	-	-
Underground Conduits	366	-	-	-	-	-	-
U.G. Conductors & Devices	367	-	-	-	-	-	-
Line Transformers	368	483	448	-	-	-	-
Services	369	-	-	-	-	-	-
Meters	370	-	-	-	-	-	-
Install. on Customer Prem.	371	-	-	-	-	-	-
Street Lights	373	-	-	-	-	-	-
Total Distribution Plant		$ 90,068	$ 70,771	$ -	$ -	$ -	$ -

(a) Please note that depreciation is not calculated by individual asset/line in the PowerPlan system. Depreciation was estimated by allocating total depreciation expense based on the ratio of 69KV plant reflected in this response to total T&D gross plant in service by FERC account.

ESTIMATED CALCULATION OF PROPERTY TAXES RELATED TO 69 kV TRANSMISSION AND DISTRIBUTION (ACCOUNT 40810(

Plant in Service	Total Company	Allocator (C)	Texas Jurisdictional
Gross Plant in Service - 69 kV (A)	$ 44,845,306		
Accumulated Reserve - 69 kV (A)	(17,144,954)		
Net Plant in Service - 69 kV (A)	27,700,352		
Effective Tax Rate (B)	0.95717%		
Estimated 69 kV Property Taxes	$ 265,139	78.14%	$ 207,184

(A) Amounts from EPE's response to TIEC 5-2, Attachment 1.

(B) Allocation Factor calculated on WP/A-3, Adjustment No. 15 page 2, Line 1, Column (d).

(C) Allocation Factor used is the Gross Plant Allocator.

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

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

EL PASO ELECTRIC COMPANY'S RESPONSE TO
TEXAS INDUSTRIAL ENERGY CONSUMERS'
SECOND REQUEST FOR INFORMATION
QUESTION NOS. TIEC 2-1 THROUGH TIEC 2-4

TIEC 2-1:

Please refer to Schedule G-2, pages 2-3, regarding EPE's non-qualified retirement income plans.

a. Please provide separately the number of current officers, current employees, former officers (or their surviving beneficiaries), and former employees (or their surviving beneficiaries) receiving benefits under the Supplemental Executive Retirement Plan (SERP).

b. Please provide separately the number of current officers, current employees, former officers (or their surviving beneficiaries), and former employees (or their surviving beneficiaries) receiving benefits under the Excess Benefit Plan.

c. Please provide separately the number of current officers, current employees, former officers (or their surviving beneficiaries), and former employees (or their surviving beneficiaries) receiving benefits under the SERP and/or Excess Benefit Plan collectively (i.e. counting each individual officer/employee only once).

RESPONSE:

Data as of 12/31/20:

a. Supplemental Executive Retirement Plan (SERP)	
Current Officers	0
Current Employees	0
Former Officers (or their surviving beneficiaries)	17
Former Employees (or their surviving beneficiaries)	9

b. Excess Benefit Plan	
Current Officers[1]	13
Current Employees	0
Former Officers (or their surviving beneficiaries)[2,3]	19
Former Employees (or their surviving beneficiaries)	0

[1] Does not include one (1) officer who became eligible to participate 2/1/21
[2] Includes two former officers who have not yet commenced benefits due to age restrictions
[3] Does not include four (4) former officers who took lump sum distributions during 2020

c. SERP & Excess Benefit Plan, Collectively	
Current Officers	13
Current Employees	0
Former Officers (or their surviving beneficiaries)	36
Former Employees (or their surviving beneficiaries)	9

Preparer:	Robert M. Almanzán Karin Melson	Title:	Senior Director – Human Resources Manager – Human Resources Benefits
Sponsor:	Cynthia S. Prieto	Title:	Vice President – Controller

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

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

EL PASO ELECTRIC COMPANY'S RESPONSE TO
CITY OF EL PASO'S TENTH REQUEST FOR INFORMATION
QUESTION NOS. CEP 10-1 THROUGH CEP 10-20

CEP 10-16:

Palo Verde: Please provide an analysis of each incentive plan for Palo Verde employees showing the amounts included in test year expenses based on a) company earnings, b) utility investment cost containment, c) expense containment, d) customer service, and e) safety.

RESPONSE:

a) Company Earnings – $915,058 (EPE Share $144,579)
b) Utility Investment Cost Containment (Capital Budget) - $2,254,959 (EPE Share $356,283)
c) Expense Containment (O&M Budget) - $7,195,405 (EPE Share $1,136,874)
d) Customer Service (Operational Excellence) - $20,806,383 (EPE Share $3,287,408)
e) Safety (Safety/Performance Improvement) - $7,660,653 (EPE Share $1,210,383)

Preparer: Victor Martinez — Title: Manager – Resource Planning, Resource Management Regulatory & Quality Assurance

Sponsor: Todd A. Horton — Title: Senior Vice President –Site Operations (Palo Verde Generating Station)

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

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

EL PASO ELECTRIC COMPANY'S RESPONSE TO
CITY OF EL PASO'S TENTH REQUEST FOR INFORMATION
QUESTION NOS. CEP 10-1 THROUGH CEP 10-20

CEP 10-17:

Palo Verde: Please provide an analysis of each incentive plan for Palo Verde employees showing the amounts included in pro forma expenses based on a) company earnings, b) utility investment cost containment, c) expense containment, d) customer service, and e) safety.

RESPONSE:

The El Paso Electric Company ("EPE") did not make any adjustments to test year incentives. Please see EPE's response to CEP 10-16.

Preparer: Victor Martinez   Title: Manager – Resource Planning, Resource Management Regulatory & Quality Assurance

Sponsor: Todd A. Horton   Title: Senior Vice President –Site Operations (Palo Verde Generating Station)

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

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

EL PASO ELECTRIC COMPANY'S RESPONSE TO
CITY OF EL PASO'S TENTH REQUEST FOR INFORMATION
QUESTION NOS. CEP 10-1 THROUGH CEP 10-20

CEP 10-18:

Palo Verde: For each short-term incentive compensation plan for which any expense is included in El Paso Electric's pro forma cost of service, please provide the information for Palo Verde's short-term plans:

a. Please provide a description of each plan.
b. Provide a description of each of the goals or performance measures for each plan.
c. Provide the amount paid in the test year for each goal or performance measure, by plan.
d. Provide the amount included in Pro forma operating expense for each goal or performance measure for each plan.
e. Provide the amount included in operating expenses for each plan for each year 2016 through 2020.
f. Provide the amount capitalized for each plan for each year 2016 through 2020.
g. For each plan, show the amounts and dates of each incentive payment for each year 2016 through 2020.
h. For each month 2016 through 2020, provide the amount included in operating expenses for each incentive or bonus plan.
i. Provide the amount of any adjustments related to each incentive of bonus plan.
j. Provide the jurisdictional allocation factors for each incentive or bonus plan.
k. Please provide the amount of payroll taxes associated with each plan in the test year.

RESPONSE:

a. Please refer to CEP 10-18 Attachments 1-5 for 2016-2020 (first page of each attachment includes the annual scorecard for that year).
b. Please refer to CEP 10-18 Attachments 1-5 for 2016-2020 (backup for each section of the plan, top left corner includes a 'goal/definition' that includes the description and measure for each area).
c. Please refer to CEP 10-8, Attachment 6.

d. EPE included the test year actual amount in operating expenses and no adjustments were made.
e. Please refer to CEP 10-18, Attachment 7, page 1 of 4.
f. Please refer to CEP 10-18, Attachment 7, page 1 of 4.
g. Please refer to CEP 10-18, Attachment 7, page 2 of 4.
h. Please refer to CEP 10-18, Attachment 7, Page 3 of 4.
i. Not Applicable
j. PV is allocated with D1PROD (81.161%).
k. Please refer to CEP 10-18, Attachment 7, page 4 of 4.

Preparer: Victor Martinez — Title: Manager – Resource Planning, Resource Management Regulatory & Quality Assurance

Sponsor: Todd A. Horton — Title: Senior Vice President –Site Operations (Palo Verde Generating Station)

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
FREEPORT-MCMORAN, INC'S SECOND REQUEST FOR INFORMATION
QUESTION NOS. FMI 2-1 THROUGH FMI 2-19

FMI 2-1:

Please provide EPE's projected and actual hourly load profiles for its solar projects in 2019 and 2020, in Excel format with all formulas and links intact.

RESPONSE:

Please see FMI 2-1, Attachments 1 through 16, for actual output values for each utility scale solar facility in 2019 and 2020. The data provided is in 30-minute intervals.

Please see FMI 2-1, Attachment 17, for the expected daily output profiles provided for each month. The projected amounts are the same for 2019 and 2020 on a monthly basis.

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

NATIVE FILES UPLOADED TO INTERCHANGE

The following files are not convertible:

46449 Swepco Commission Number Run CCOSS Model GEN DEMAND Tab.xlsx
CEP 04-06_Attachment_02 VOLUMINOUS.xlsx
CEP 04-07_Attachment_01.xlsx
CEP 10-18_Attachment 07.xlsx
FMI 02-01_Attachment 13 2020-Macho TIEC WP .xlsx
FMI 02-01_Attachment 13 2020-Macho.xlsx
FMI 02-01_Attachment 15 2020-Newman TIEC WP .xlsx
FMI 02-01_Attachment 15 2020-Newman.xlsx
Higgins Direct Exhibits WP.xlsx
Higgins Direct Exhibits.xlsx
TIEC 04-04_Attachment 1.xlsx
TIEC 05-02_Attachment 1.xlsx
TIEC 05-02_Attachment 2.xlsx
TIEC Accumulated Dep. Allocation WP.xlsx

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

Contact centralrecords@puc.texas.gov if you have any questions.