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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**

**CITY OF EL PASO'S RESPONSES TO
EL PASO ELECTRIC COMPANY'S SECOND REQUESTS FOR INFORMATION TO
CITY OF EL PASO EPE 2-1—EPE 2-2**

EPE's Second Requests for Information were served on November 10, 2021. Pursuant to the scheduling Order, the 5th working day after November 10, 2021 is November 18, 2021.

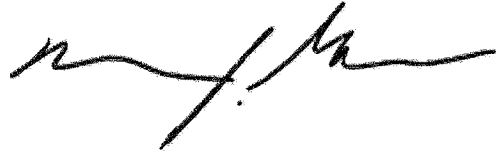
Dated: November 18, 2021.

Respectfully submitted,

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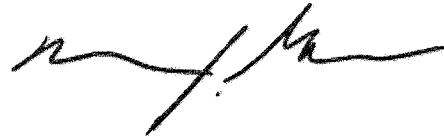
Attorneys for the City of El Paso



By: _____
Norman J. Gordon

Certificate of Service

I certify that a true and correct copy of this document was served by e-mail and/or US mail on all parties of record in this proceeding on November 18, 2021.



Norman J. Gordon

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EPE 2-1 Refer to page 41 of the direct testimony of CEP witness Clarence L. Johnson. Please explain and support the basis for the customer class rate increase cap of 140% of the system average percentage and the proposal for no class to receive a base revenue reduction.

RESPONSE:

Presumably, this request only applies to Mr. Johnson's recommendation if an overall Texas revenue increase is approved. Mr. Johnson's cap and floor upon adoption of an overall Texas revenue *decrease* (i.e., CEP's recommendation) provides for class revenue decreases, as shown on Schedule CJ-6. Mr. Johnson examined CCOS study results which included several allocation adjustments in order to evaluate the Company's cap/floor proposed revenue increase.

The Company proposed a 150% cap on the residential class revenue increase in order to moderate COVID-19 impacts. As shown on Schedule CJ-3, the adjusted CCOS study (which includes allocation factor adjustments to address COVID-19 impact), the Residential class cost-based revenue increase is 145% of the Texas retail percent increase. This implies that the 150% cap proposed by the Company is inadequate to mitigate COVID-19 impact. Therefore, in Mr. Johnson's judgement, a 140% cap is more reasonable. After the cap/floor is initially applied, the resulting revenue shortfall is allocated to the capped classes, resulting in a capped percentage somewhat higher than 140%. As shown on Schedule CJ-5, at the Company's proposed revenue requirement, the capped percentage is 143%, which is close to the 145% ratio for the residential class shown Schedule CJ-3. In addition, Mr. Johnson applied the cap to all customer classes, rather than just the Residential class, because (a) this approach is more equitable and (b) it recognizes that other classes may be indirectly affected by COVID-19 usage changes. In Mr. Johnson's opinion, the electricity consumption changes during the 2020 test year were extraordinary and exceptional, justifying the capping of class revenue increases.

As shown on Schedule CJ-5, Mr. Johnson also recommends no revenue decreases for any customer classes if total Texas revenues are required to increase. This is a reasonable recommendation in light of the extraordinary class usage anomalies in 2020. In particular, several classes which

receive revenue reductions under the Company's proposal also incurred aberrant reductions in demand and energy allocation factors compared to historical experience. Furthermore, the recommendation of a "no decrease" floor enables the revenue distribution to apply the cap to all customer classes.

Please see Sec. IV and Sec. III(c) of Mr. Johnson's testimony.

Prepared and Sponsored by

Clarence Johnson

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EPE 2-2 CEP witness Daniel J. Lawton recommends that: “For these reasons I have recommended that the proposed adjustment to recognize specifically assigned solar facilities in the jurisdictional allocator be denied.” (page 52, lines 9-11 of Mr. Lawton’s direct testimony). Please confirm that Mr. Lawton’s recommendation and the City of El Paso’s position is that the solar resources in question should be treated as system resources and the cost for them should be fully allocated as a system resource. If not, please explain.

RESPONSE:

Yes Mr. Lawton’s recommendation is that the solar resources in question should be treated as system resources and the cost for them should be fully allocated as a system resource. The recommendation is not conditioned on the result of those costs, but instead the solar resources like any system resource should be allocated on a system basis. This means capital or capacity costs should be allocated on a system basis and solar related fuel cost of \$0.00 should also be allocated on a system basis. Also, future system additions should be allocated on a system basis.

Prepared and Sponsored by

Daniel Lawton

