Filing Receipt

Received - 2021-11-18 12:07:10 PM
Control Number - 52195
ItemNumber - 386

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

CITY OF EL PASO'S RESPONSES TO
TIEC'S FIRST REQUEST FOR INFORMATION TO
CITY OF EL PASO TIEC 1-1—TIEC 1-2

TIEC's First 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.
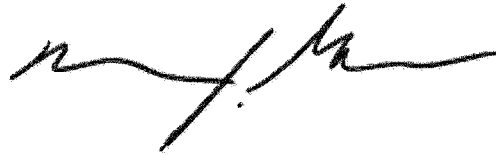
Dated: November 18, 2021.

Respectfully submitted,

Norman J. Gordon (ngordon@ngordonlaw.com)
State Bar No. 08203700
P.O. Box 8
El Paso, Texas, 79940
221 N. Kansas, Suite 700
El Paso, Texas, 79901
(915) 203 4883

Karla M. Nieman, City Attorney
State Bar No. 24048542
Frances M. Maldonado Engelbaum
State Bar No. 24094272
City of El Paso
300 N. Campbell, 2nd Floor
El Paso, Texas 79901
(915) 212-0033
(915) 212-0034 (fax)
Niemankm@elpasotexas.gov
Engelbaumfm@elpasotexas.gov

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

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

CITY OF EL PASO'S RESPONSES TO
TIEC'S FIRST REQUEST FOR INFORMATION TO
CITY OF EL PASO TIEC 1-1—TIEC 1-6

TIEC 1-1   Referring to Mr. Johnson's Direct Testimony at 20-22, please explain why Mr. Johnson is not willing to accept the use of a 1CP system load factor given Commission precedent on the issue.

RESPONSE:

The determination of the appropriate formulation of the production demand allocation method is a fact specific issue. Mr. Johnson's position is that the facts in this case support the use of the 4CP load factor in the development of the Average & Excess/4CP method (AED-4CP). Previous PUC decisions support different load factor inputs for the AED-4CP method, including 1 CP load factor, 4CP load factor, adjusted load factors, unadjusted load factors, retail and system load factors. The 1 CP load factor was adopted in SPS Docket No. 43695, but the reasoning was specific to the facts of that case. The order in that case relied upon the testimony of SPS' cost allocation witness and the Southwestern Power Pool (SPP) reserve margin criteria to support the use of a 1 CP load factor. In this case, the EPE Director of Economic Research states that the 4 CP load factor is consistent with the proper analysis of production demand. As well, EPE is not a member of SPP, and the reserve margin analyses of the Western Electric Coordinating Council are consistent with probabilistic hours of demand. Mr. Johnson generally agrees with reasoning set out by EPE witness Novela at 9 – 10 of his direct testimony.

Prepared and Sponsored By: Clarence Johnson

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

CITY OF EL PASO'S RESPONSES TO
TIEC'S FIRST REQUEST FOR INFORMATION TO
CITY OF EL PASO TIEC 1-1—TIEC 1-6

TIEC 1-2   Referring to Mr. Johnson's Direct Testimony at page 22, please identify all
"circumstances specific to EPE" that support the use of a 4CP system load factor
and explain why these circumstances support a 4CP system load factor.

RESPONSE:

El Paso Electric Company is subject to the Western Electricity Coordinating Council (WECC) for
determining the adequate reserve requirements for its system. For purposes of assessing the
adequacy of load and resource margins, the WECC analyzes system reliability and the potential
for generation reserve margin deficiencies based on more than one hour in a year. The WECC
makes a probabilistic assessment of reserve requirements on hourly, monthly and annual bases,
and evaluates different peak demand scenarios using varying weather parameters. In its most
recent assessment, the WECC urges its members to move away from traditional fixed reserve
margins for a single peak hour, because this approach will result in significant degradation of
resource adequacy. The specific peak hour in a future annual planning period for the EPE system
is not known *a priori*. The peak hour is instead based on a probabilistic assessment. Reliance
upon a single peak hour as a representation of load factor is not consistent with the dynamic hourly
assessment used by WECC.

In addition, reliability in the WECC region is influenced by rapid expansion of solar resources.
This increases the variability of both demand and supply, which reduces the effectiveness of single
peak hour assessments of reliability and system load factor.

4 CP is utilized in the AED-4CP method because the system peak is most likely to occur in one of
the four summer months. Forecasting a specific month of peak hour demand is probabilistic in
nature. Using the 4 CP kW to calculate load factor is consistent with this fact.

Prepared and Sponsored By: Clarence Johnson

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

CITY OF EL PASO'S RESPONSES TO
TIEC'S FIRST REQUEST FOR INFORMATION TO
CITY OF EL PASO TIEC 1-1—TIEC 1-6

TIEC 1-3   Referring to Mr. Johnson's Direct Testimony at 22-24:

      a.   Please explain Mr. Johnson's understanding of the ratemaking impact of imputing capacity to a purchased power agreement.

      b.   Please identify all prior Texas Public Utility Commission cases in which the Commission approved allocating imputed capacity costs on an energy or 12CP basis.

RESPONSE:

(a.) Imputed capacity is a ratemaking procedure which may be applied to purchase power contracts that include no explicit demand or capacity charges. The impact of the adjustment is to make a portion of the purchase power contract non-reconcilable. A fixed amount of the contract cost is recovered through base rates, and the remainder is recovered through reconcilable fuel rates.

(b.) Mr. Johnson has not performed research to answer this question. However, as discussed in his testimony, EPE's previous rate filing has allocated imputed solar capacity to retail customers on the E-1 allocator. The EPE rate case was settled.

Prepared and Sponsored By: Clarence Johnson

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

CITY OF EL PASO'S RESPONSES TO
TIEC'S FIRST REQUEST FOR INFORMATION TO
CITY OF EL PASO TIEC 1-1—TIEC 1-6

TIEC 1-4   Referring to Mr. Johnson's Direct Testimony at page 28, please explain how Mr. Johnson identified the six classes he included in his COVID adjustment and provide the basis for selecting these classes.

RESPONSE:

The NBER research paper provided in Mr. Johnson's workpapers shows that work from home and similar restrictions in 2020 increased residential usage and decreased commercial and industrial usage during the second and third quarter of that year. EPE's internal analyses confirm this pattern. Mr. Johnson identified one residential class and five commercial and industrial classes (SG, GS, LPS, Petro. Refining, and City/County) which are major in size and incurred significant changes in energy and demand allocation factors compared to the previous three years. The aggregate decrease in the five commercial and industrial classes is roughly equal to the increase in residential class usage, which is consistent with the findings of the NBER research paper. Although some smaller non-residential classes may exhibit changes in usage during 2020, it is more difficult to identify direct causal links to COVID-19 for military. agricultural, lighting, and pumping classes. Furthermore, identifying the *major* classes is more useful for purposes of evaluating the Company's proposed revenue allocation, because the larger classes are more likely to drive the validity of allocations. The six classes comprise more than 90% of total demand and energy.

Prepared and Sponsored By: Clarence Johnson

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

CITY OF EL PASO'S RESPONSES TO
TIEC'S FIRST REQUEST FOR INFORMATION TO
CITY OF EL PASO TIEC 1-1—TIEC 1-6

TIEC 1-5   Referring to Mr. Johnson's testimony at Bates page 86-87, please explain whether Mr. Johnson's adjustment to the present revenues of the Residential class and the five non-residential classes subject to the allocation factor adjustment would be carried through to the rate design process. If so, please provide a detailed explanation of how the adjustment would be implemented in designing rates for each affected class. If not, please explain why not.

RESPONSE: No. The adjusted CCOS study is not a vehicle for performing proof of revenues. The purpose of the allocation factor adjustments is to provide a benchmark for evaluating the Company's cap/floor limits on the class revenue increase distribution. As stated on page 29 of Mr. Johnson's direct testimony:

> . *The CCOS result is used to evaluate and adjust the Company's cap and floor proposal. The CCOS study is always an estimation process, and in this case the COVID pandemic has created additional uncertainty and imprecision in the CCOS result. Given that context, the CCOS study is best utilized to evaluate rate moderation constraints. The adjustments to the CCOS study for aberrant usage pattern provide a more reasonable benchmark for evaluating class revenue change limits.*

Prepared and Sponsored By: Clarence Johnson

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

CITY OF EL PASO'S RESPONSES TO
TIEC'S FIRST REQUEST FOR INFORMATION TO
CITY OF EL PASO TIEC 1-1—TIEC 1-6

TIEC 1-6   Please identify all cases of which Mr. Johnson is aware in which a regulatory commission has adjusted test year allocation factors to account for COVID-19.

RESPONSE:

Mr. Johnson has not performed the research necessary to identify such cases. In order to identify cases comparable to EPE in this proceeding, the relevant test year would have to be the calendar year 2020. Mr. Johnson testified in a Philadelphia Electric Company (PECO) rate case before the Pennsylvania PUC earlier this year. PECO's test year was based on a split 2019/2020 annual period. Mr. Johnson identified potential COVID-19 impact on the class demand factors and suggested that the Commission consider the issue in deciding class revenue distribution. The case was settled after the hearing with a numerical compromise of parties' revenue distribution positions.

Prepared and Sponsored By: Clarence Johnson