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

REBUTTAL TESTIMONY

OF

GEORGE NOVELA

FOR

EL PASO ELECTRIC COMPANY

NOVEMBER 19, 2021

TABLE OF CONTENTS

SUBJECT	PAGE
I. INTRODUCTION AND QUALIFICATIONS	1
II. PURPOSE OF REBUTTAL TESTIMONY	1
III. 4CP A&E	3
IV. DEDICATED SOLAR FACILITY ADJUSTMENT	7
V. COVID-19 PANDEMIC.....	11
VI. CONCLUSION.....	17

EXHIBITS

GNR-1– Alternative EDE-13 Methodology

1 **I. Introduction and Qualifications**

2 Q. PLEASE STATE YOUR NAME, AND BUSINESS ADDRESS.

3 A. My name is George Novela. My business address is 100 North Stanton Street, El Paso,
4 Texas 79901-1341.

5
6 Q. BY WHOM ARE YOU EMPLOYED?

7 A. I am employed by El Paso Electric Company ("EPE" or "Company").
8

9 Q. ARE YOU THE SAME GEORGE NOVELA WHO SUBMITTED DIRECT
10 TESTIMONY?

11 A. Yes, I am.
12

13 **II. Purpose of Rebuttal Testimony**

14 Q. WHAT IS THE PURPOSE OF YOUR REBUTTAL TESTIMONY?

15 A. The purpose of my testimony is to respond to the direct testimonies filed by: City of El Paso
16 ("CEP") witness Clarence Johnson, and Daniel J. Lawton, Freeport-McMoRan, Inc.
17 ("FMI") witness Jeffry Pollock, Office of Public Utility Counsel ("OPUC")
18 witness Evan D. Evans, The University of Texas at El Paso ("UTEP") witness Kit Pevoto,
19 Texas Industrial Energy Consumers ("TIEC") witness Kevin C. Higgins, and Public Utility
20 Commission of Texas Staff ("Staff") witness Adrian Narvaez.

21 First, I will respond to UTEP witness Pevoto, TIEC witness Higgins, FMI witness
22 Pollock, and Staff witness Narvaez concerning jurisdictional/class allocation
23 methodologies. These witnesses argue, generally, that the 4 Coincident Peak-Average and
24 Excess ("4CP-A&E") methodology used should employ a 1 Coincident Peak ("CP") model
25 load factor in its calculation, that is the highest system coincident peak demand, rather than
26 the average of the 4CP months. However, the intervenors differ on whether this 1CP load
27 factor should be based on adjusted or unadjusted data.

28 Afterward, I will then respond to OPUC witness Evans, CEP witness Lawton, and
29 TIEC witness Higgins in response to concerns about EPE's treatment for allocating state
30 dedicated solar facilities. OPUC witness Evans argues that EPE is not accounting for the
31 15% planning reserve margin in its treatment of dedicated solar facilities at both the

1 jurisdictional and class level. TIEC witness Higgins suggests that that dedicated solar
2 facilities' capacity factor should be reduced to equal the annual capacity factor that is used
3 to calculate imputed capacity costs for EPE's solar purchased power agreements ("PPA"),
4 thus reducing the credit for the dedicated solar facilities. I believe TIEC witness Higgins's
5 position is not only incorrect, but also inconsistent with his stance on the load factor used
6 in the 4CP-A&E calculation. CEP witness Lawton also suggests that the dedicated solar
7 facility adjustment be denied because it, generally, is set up in a way where only
8 New Mexico can benefit from solar facilities.

9 Lastly, I will respond to OPUC witness Evans, CEP witness Johnson, and UTEP
10 witness Pevoto in response to concerns around properly accounting for the COVID-19
11 pandemic's ("pandemic") impact to customers' load requirements. These witnesses argue,
12 generally, that the methodology employed by EPE to account for the pandemic's impact on
13 customers' test year load requirements and resulting allocators is deficient. As I explained
14 in my direct testimony, EPE is presenting the allocators based on the load requirements
15 observed over the test year. However, as discussed by EPE witness Manuel Carrasco, a
16 capping adjustment was made to the rates classes that showed a significant deviation from
17 past usage patterns to account for COVID-19 pandemic abnormalities witnessed in 2020
18 that are not expected to continue to the same extent. As expected, opinions and suggestions
19 on a methodology to account for pandemic impacts vary greatly among intervenors, with
20 differing opinions on both a historical and forward-looking basis. I don't believe any
21 proposal offered by any intervenor is superior to that of the current capping adjustment
22 methodology proposed by EPE in this filing. I believe there is no perfect solution to fully
23 account for such an atypical event like the COVID-19 pandemic; however, I believe that
24 EPE's capping adjustment methodology used is reasonable and fair. In addition, I believe
25 it's inconsistent for intervenor witnesses to argue for the use of unadjusted load information
26 in the calculation of allocators and at the same time request an adjustment to allocators for
27 the pandemic.

28 No intervening witness contested EPE's standard weather normalization
29 adjustment. Please also note that the company made an update to its allocation factors for
30 the purpose of this rebuttal. EPE witness Carrasco discusses in his rebuttal testimony two
31 adjustments that impacted the allocation factors. I have incorporated those adjustments

1 into the jurisdictional and class allocation factors and provided the updated allocation
2 factors to EPE witness Hernandez for use in the rebuttal cost-of-service studies.

3 4 **III. 4CP A&E**

5 Q. SEVERAL INTERVENORS RECOMMEND CHANGES IN THE CALCULATION OF
6 THE 4CP-A&E ALLOCATION METHOD. HOW DO YOU RESPOND?

7 A. TIEC witness Higgins, FMI witness Pollock, and UTEP witness Pevoto recommend that
8 the load factor used for weighting average demand in the 4CP-A&E allocation factor be
9 calculated using the single highest unadjusted, actual, system peak. STAFF witness
10 Narvaez also recommends that the load factor used for weighting average demand in the
11 4CP-A&E allocation factor be calculated using the single highest annual system peak
12 demand, however, he does request that it be based on adjusted data. CEP witness Johnson
13 and OPUC witness Evans recommend that the load factor used for weighting average
14 demand in the 4CP-A&E allocation factor be calculated using the system 4CP load factor
15 as proposed by EPE.

16 EPE agrees with the recommendation of CEP witness Johnson and OPUC witness
17 Evans and disagrees with the recommendations made by TIEC witness Higgins, FMI
18 witness Pollock, and UTEP witness Pevoto.

19
20 Q. SHOULD THE 4CP-A&E PRODUCTION DEMAND CLASS ALLOCATION
21 FACTORS BE CALCULATED USING A SINGLE ANNUAL SYSTEM (1CP) LOAD
22 FACTOR CALCULATION?

23 A. No. Using a load factor in the calculation of the 4 Coincident Peak-Average & Excess
24 ("4CP-A&E") allocation factor based on one system peak instead of the average of the four
25 coincident peak ("CP") months is not consistent with the allocation method employed by
26 EPE. EPE uses the 4CP months to calculate the demand portion of the 4CP A&E allocator.
27 Likewise, the system load factor used to weight the proportion of average demand vs. peak
28 demand should be consistent with the associated demand calculation. In other words, since
29 the average 4CP months are used to estimate "excess demand," the same 4CP months
30 should be used to calculate the system load factor. In addition, the underlying premise of
31 using the 4CPs rather than a single CP is that 4CPs better capture system peak

1 characteristics than does a single CP. Using the 4CP average normalizes any anomaly that
2 may have occurred during a single peak hour. The use of the 4CP load factor is also
3 consistent with EPE's use of the 4CP A&E methodology. This method has historically
4 been used by EPE, it was recently presented and approved in EPE's most recent
5 New Mexico rate case filing and was used in Texas up until EPE's 2015 case, Docket
6 No. 44941, where EPE changed its methodology in rebuttal testimony.

7
8 Q. CAN YOU PLEASE DESCRIBE THE RECENT HISTORY FOR EPE'S TREATMENT
9 OF THE LOAD FACTOR USED IN ALLOCATION CALCULATIONS?

10 A. Yes. As detailed in my direct testimony, starting on page 8, line 14, I describe that
11 historically EPE used an annual load factor based on the 4CP instead of a 1CP in its
12 calculation of the 4CP-A&E allocation factors. This treatment is how EPE has historically
13 used the load factor in allocation formulas across both of its jurisdictions. During the 2015
14 proceeding, EPE learned of a recent ruling in Texas on the same matter. The Commission's
15 Order on Rehearing in Southwestern Public Service Company's ("SPS") base rate case,
16 Docket No. 43695, found that the use of a 1CP factor was more consistent with how SPS
17 planned and built its generation and transmission systems and should be used instead of a
18 4CP load factor.

19 EPE changed its methodology during the 2015 case, Docket No. 44941, to match
20 that of the Commission's ruling in the SPS Docket No. 43695. EPE continued that practice
21 in the most recent base rate proceeding in its 2017 Texas base rate case, Docket No. 46831,
22 however, that issue was not litigated in that case, and the case was settled without
23 specifying the use of 1CP for determining the load factor.

24
25 Q. DOES THE ALLOCATION METHODOLOGY USED IN THE NARUC COST
26 ALLOCATION MANUAL CONTRADICT THE METHODOLOGY USED BY EPE?

27 A. No. The National Association of Regulatory Utility Commissioners ("NARUC") Cost
28 Allocation Manual ("NARUC Manual") is referenced by TIEC witness Higgins and FMI
29 witness Pollock as a basis for the use of the one coincident peak load factor. Witness
30 Higgins simply references page 50 of the NARUC manual on page 20, line 5-8 of his direct
31 testimony and FMI witness Pollock similarly references pages 81 and 82 of the NARUC

1 Manual on page 16 of his direct testimony. After a careful reading of pages 49-51, and
2 81-82 of the NARUC Manual, I conclude that witnesses Higgins and Pollock are
3 misinterpreting the language in the manual. The NARUC Manual does use a 1CP load
4 factor as a component of its A&E allocation calculation; however, the 1CP load factor that
5 is used in the manual's A&E example is for a NCP-A&E (non-coincident peak) allocation
6 model and a 1CP-A&E. I agree that the examples used by NARUC are correct, but that
7 does not invalidate the calculation of EPE's 4CP-A&E allocation calculation. The NARUC
8 examples use a 1CP load factor in the NCP-A&E and 1CP-A&E allocation calculation. As
9 such, logically it follows that if a utility is using the 4CP-A&E method, it should use the
10 4CP system load factor. For the purposes of this filing, EPE has submitted an average 4CP
11 load factor in the 4CP-A&E allocation calculation, which is consistent with NARUC
12 guidelines. In addition, the NARUC Manual makes the following statement on page 67-
13 68:

14 *"This review of production cost allocation methods may not contain every*
15 *method, but it is hoped that the reader will agree that the broad outlines of*
16 *all methods are here. The possibilities for varying the methods are numerous*
17 *and should suit the analysts' assessment of allocation objectives. Keep in*
18 *mind that no method is prescribed by regulators to be followed exactly; an*
19 *agreed upon method can be revised to reflect new technology, new rate design*
20 *objectives, new information or a new analyst with new ideas. These methods*
21 *are laid out here to reveal their flexibility; they can be seen as maps and the*
22 *road you take is the one that best suits you."*
23

24 Q. IF SYSTEM PLANNING IS SUBSTANTIALLY DRIVEN BY PROVIDING
25 GENERATION TO MEET A SINGLE ANNUAL SYSTEM PEAK WHY SHOULD THE
26 SINGLE PEAK (1CP) LOAD FACTOR NOT BE USED IN 4CP-AE LOAD FACTOR
27 CALCULATION?

28 A. System Planning uses a forecasted CP, not a historical CP for planning. TIEC witness
29 Higgins, FMI witness Pollock, and Staff witness Narvaez all, generally, point to system
30 planning using a single forecasted total system peak for planning purposes as a basis for
31 using a 1CP load factor in its calculation of the 4CP-A&E. Unlike a historical CP, a
32 forecasted CP is not a known number but rather a point estimate with a probabilistic
33 dispersion around it reflecting the expected value of the peak. While the forecasted peak
34 appears to be a single number, it actually represents the "expected peak" which is a

1 probabilistic estimate of the max load EPE must meet. Using the single CP from the
2 historical test year does not truly reflect a peak for planning purposes. However, averaging
3 4 peaks provides a CP that more likely reflects the expected value of peak conditions since
4 it reflects a range of peak values, each of which has some expectation of occurring.
5

6 Q. WHY IS EPE PROPOSING THIS CHANGE?

7 A. It was determined by the Commission in the final order of SPS Docket No. 43695 that the
8 1CP factor was more consistent than the 4CP with how SPS planned and built its generation
9 and transmission systems and should be used instead of a 4CP load factor. EPE agreed
10 with this line of thought at one time. However, after further review, EPE determined that
11 using a historical 4CP load factor is appropriate and reasonable for use in the calculation
12 of the 4CP-A&E. System Planning uses a forecasted CP, not a historical CP for planning.
13 As I described above the differences between using forecasted vs historical peak data for
14 planning and allocation are substantial and muddling the two is not proper.

15 In addition, using a load factor in the calculation of the 4 CP-A&E allocation factor
16 based on one system peak instead of the average of the 4CP months peaks is not consistent
17 with the purpose of the allocation factor. EPE uses a demand value in its load factor
18 calculation based on the average of the 4CP months instead of a single coincident peak.
19 The system load factor employed to derive the proportions of average demand vs. peak
20 demand should be consistent with the associated allocation. That is, because 4CP is used
21 to calculate the "excess demand," the same four coincident peaks should be employed to
22 calculate system load factor. In addition, the underlying premise of using 4CPs rather than
23 a single CP is that 4CPs better capture system peak characteristics than does a single CP.
24 Using 4CP avoids any anomaly during a single peak hour.
25

26 Q. WHAT WOULD BE THE RAMIFICATIONS OF APPROVING THE SINGLE
27 ANNUAL SYSTEM LOAD FACTOR RECOMMENDED WITH REGARDS TO THE
28 CALCULATION OF THE 4CP-A&E?

29 A. The change would not be large in nature; however, it would cause an increase to the Texas
30 jurisdictional allocators and create a shift between class allocators. Using the load factor
31 based on one critical peak versus the average of the 4CP months would lead to the use of

1 a lower load factor in the 4CP-A&E calculations. As a result, customers that have a high
2 load factor will benefit due to a lower cost allocation and customers with a lower load
3 factor would be made worse off due to a higher cost allocation. The lower system load
4 factor is due to a single higher peak compared to the averaged peak between the 4CP
5 months. This lower load factor as a component of the 4CP-A&E will tend to benefit the
6 higher load factor customers, by reducing their class allocation, and hurt customers with a
7 lower load factor by raising their class allocation. Customers with a high load factor have
8 steady demand requirements throughout the year, and therefore have a smaller excess
9 demand. By using a lower load factor, the weight used on excess demand increases which
10 results in a lower allocation factor. A customer class with a low load factor, such as the
11 residential customer class, has highly variable demand requirements and a high excess
12 demand. The use of the lower 1CP allocator leads to an increase in its allocation factor.

13 At the jurisdictional level, the filed adjusted Texas jurisdictional 4CP-A&E
14 allocator would increase from 81.16% to 81.36% when using 1CP load factor instead of a
15 4CP load factor.

16
17 Q. SHOULD THE 4CP-A&E PRODUCTION DEMAND CLASS ALLOCATION
18 FACTORS BE CALCULATED USING UNADJUSTED LOAD INFORMATION, AS
19 RECOMMENDED BY TIEC WITNESS HIGGINS, FMI WITNESS POLLOCK, AND
20 UTEP WITNESS PEVOTO?

21 A. No. Using adjusted data is superior to using unadjusted data. Adjusted demand and energy
22 data account for and remove abnormalities. Using adjusted data in the 4CP-A&E class
23 allocation factor accurately reflects the energy and demand that EPE can expect during a
24 typical year, as well as taking into account any known and measurable changes that will
25 take place. Such an approach yields more accurate results that are in line with the actual
26 environment EPE expects to face during the rate year. EPE has historically used adjusted
27 data (for example, weather normalized) to derive allocation factors.

28 29 **IV. Dedicated Solar Facility Adjustment**

30 Q. SEVERAL INTERVENORS RAISE CONCERNS OVER EPE'S TREATMENT FOR
31 ALLOCATING STATE AND CUSTOMER DEDICATED SOLAR FACILITIES. HOW

1 DO YOU RESPOND?

2 A. OPUC witness Evans, TIEC witness Higgins, and CEP witness Lawton raise concerns
3 about EPE's treatment for allocating dedicated solar facilities. OPUC witness Evans argues
4 that EPE is not accounting for the 15% planning reserve margin in its treatment of
5 dedicated solar facilities at both the jurisdictional and class level. TIEC witness Higgins
6 suggests that the dedicated solar facilities capacity credit should be reduced in a similar
7 fashion to the energy production output percentages used in calculating imputed capacity
8 costs for EPE's solar purchased power agreements ("PPA"), and CEP witness Lawton
9 suggests that the dedicated solar facility adjustment be denied because it, generally, is set
10 up in a way where only New Mexico can benefit from solar facilities.

11 EPE disagrees with the recommendations of OPUC witness Evans, TIEC witness
12 Higgins, and CEP witness Lawton.

13
14 Q. DO YOU AGREE THAT EPE'S APPROACH IN DIRECTLY ASSIGNING SOLAR
15 OUTPUT TO NEW MEXICO AND TEXAS IN THE JURISDICTIONAL
16 ALLOCATION PROCESS IS INCONSISTENT WITH THE METHODOLOGY USED
17 TO CALCULATE THE IMPUTED CAPACITY CHARGE TO NEWMAN 10 AND
18 MACHO SPRINGS?

19 A. No. TIEC witness Higgins states on page 4 of his direct testimony that:

20 *"the capacity attributed to directly-assigned solar plants in EPE's*
21 *jurisdictional allocation should be adjusted to be consistent with EPE's solar*
22 *purchased power agreement ("PPA") capacity imputation.... In the*
23 *alternative, I recommend that the capacity value imputed to the Newman 10*
24 *and Macho Springs PPAs be increased to be consistent with the approach EPE*
25 *uses to attribute capacity to the directly-assigned solar resources, with a*
26 *corresponding reduction to EPE's eligible fuel cost."*
27

28 TIEC witness Higgins' suggestion is unreasonable because the imputed capacity
29 costs and jurisdictional capacity costs are derived and used for distinctly different reasons.
30 Jurisdictional cost allocation is driven by the test year energy and peak demand for each
31 jurisdiction while imputed capacity costs reflect the calculated cost of capacity to Texas
32 customers of solar output from solar facilities that contribute to EPE's planning reserve
33 targets.

1 The jurisdictional allocation factors are based on each jurisdiction's contribution to
2 the peak demand for the 4CP months and therefore it is consistent that the solar reduction
3 reflect the output at the peak hour for the 4CP months during the test year. For
4 jurisdictional allocation purposes, EPE uses a capacity factor of approximately 65% during
5 the 4CP months. The capacity factor is determined as a weighted average of the output for
6 the dedicated solar resources during the peak hour of the test year. This is theoretically
7 consistent with the MW capacity attributed to solar facilities included in EPE's system
8 planning.

9 In contrast, the calculation of the imputed value of the capacity of the solar facility
10 presents a different question. EPE witness David Hawkins' calculation of the imputed costs
11 for capacity of solar facilities starts with the tariff price of capacity that can be called upon
12 during any hour of the day. But, as expressed by EPE witness Hawkins in Docket
13 No. 46831, imputed capacity charges should recognize the Solar PPAs are intermittent in
14 nature and cannot contribute to serving loads in every hour of the year. Thus, the question
15 EPE witness Hawkins addresses is what dollar value should be attributed to solar facilities
16 given their intermittent nature. Therefore, imputed capacity charges are calculated using
17 the annual energy production output level of 32.6% and 32.3% for Macho Springs and
18 Newman Solar, respectively.

19
20 Q. DO YOU SEE ANY INCONSISTENCIES WITH REGARDS TO TIEC WITNESS
21 HIGGINS STANCE ON THIS DEDICATED SOLAR ISSUE AND THE 1 VS 4 CP
22 LOAD FACTOR ISSUE ADDRESSED EARLIER IN THIS TESTIMONY?

23 A. Yes. TIEC witness Higgins recommends that the load factor used for weighting average
24 demand in the 4CP-A&E allocation factor be calculated using the single highest
25 unadjusted, actual, system peak (see section 3 of this testimony). However, for dedicated
26 solar capacity output he wants to do the opposite and go from using the 4CP months to
27 calculate a capacity credit to using the imputed capacity charges which are calculated using
28 the annual energy production. TIEC witness Higgins points to system planning using a
29 single forecasted total system peak for planning purposes as a basis for using a 1CP load
30 factor in its calculation of the 4CP-A&E. However, for this dedicated solar issue he raises

1 he now suggests dedicated solar capacity output should be based on a calculation that takes
2 into account the entire year not just a peak hour or hours.

3
4 Q. SHOULD THE DEDICATED SOLAR REDUCTION BE ADJUSTED TO REFLECT
5 EPE'S 15% PLANNING RESERVE REQUIREMENT?

6 A. No. OPUC witness Evans claims that EPE made an error by not taking into account EPE's
7 planning reserve margin of 15% when adjusting its jurisdictional and Texas retail
8 production demand allocation factors to reflect capacity supplied by dedicated company-
9 owned solar facilities or solar PPA's.

10 The dedicated solar facilities are included in EPE's Load and Resources and are
11 contributing to EPE's planning reserves. Therefore, the reserve margin portion of the solar
12 facilities capacity should not be adjusted by the reserve margin in either jurisdictional or
13 class allocation.

14
15 Q. IS THE DIRECT ASSIGNMENT OF DEDICATED SOLAR FACILITIES
16 REASONABLE?

17 A. Yes. CEP witness Lawton states on page 51 of his direct testimony that, "...More important
18 the direct assignment of all these solar resources to only New Mexico customers is very
19 questionable. It is unusual that EPE would plan and develop system resources such that
20 only certain jurisdictions could largely benefit from solar facilities." What witness Lawton
21 may not understand is that these resources are directly assigned because they are
22 completely paid for by the jurisdiction or customer the facility(s) are assigned to. I don't
23 see anything unusual or questionable about assigning dedicated solar facilities with the
24 jurisdiction or customer that is fully paying for that capacity. No other entity or jurisdiction
25 should be entitled to the benefits of the dedicated solar facility they are not paying for. If
26 the PUCT wants to allocate these facilities as system resources, then the cost of purchased
27 power from these resources should also be allocated as system resources (allocated to
28 Texas customers) in eligible fuel costs. This would significantly increase Texas eligible
29 fuel costs as the cost of power purchased from the New Mexico directly assigned solar
30 resources is significantly higher than EPE's average fuel costs. You cannot allocate the
31 benefits of the directly assigned solar resources without allocating the associated costs.

1
2 **V. COVID-19 Pandemic**

3 Q. SEVERAL INTERVENORS ARGUE, GENERALLY, THAT THE METHODOLOGY
4 EMPLOYED BY EPE TO ACCOUNT FOR THE PANDEMICS IMPACT ON
5 CUSTOMERS TEST YEAR LOAD REQUIREMENTS AND RESULTING
6 ALLOCATORS ARE DEFICIENT. HOW DO YOU RESPOND?

7 A. OPUC witness Evans, CEP witness Johnson, and UTEP witness Pevoto raise various issues
8 and have varying alternatives for how EPE should handle normalizing customers load
9 requirements/allocation/rate design for the effect of the COVID-19 pandemic.

10 As described in my direct testimony, on page 10, EPE did not make a direct
11 adjustment to its allocator methodology to account for this shift in usage patterns due to
12 the COVID-19 pandemic. To account for this abnormal change in average customer usage
13 behavior over the test period EPE applied an initial limit or "cap" and floor for certain rates
14 that were materially affected by the pandemic. Please see the Rebuttal Testimony of EPE
15 witness Manuel Carrasco for a discussion and reply to issues around the cap and floor
16 methodology as well as any other discussion on rate design and moderation.

17 I will respond to the criticisms and recommendations of OPUC witness Evans, CEP
18 witness Johnson, and UTEP witness Pevoto where they pertain to customer load
19 requirements and alternative recommendations for allocation due to the COVID-19
20 pandemic.

21
22 Q. DO YOU EXPECT EPE'S CUSTOMER USAGE PATTERNS TO EVENTUALLY
23 START RETURNING TO NORMAL AND WHAT USAGE PATTERNS HAVE YOU
24 SEEN YEAR-TO-DATE IN 2021?

25 A. Yes. I stated in my direct testimony on page 10, line 25 that:

26 *"EPE expects customer usage patterns to start returning to normal as the*
27 *pandemic improves, meaning a reduction in usage by its residential*
28 *customers and an increase in its commercial and city/county customers*
29 *from the significant changes witnessed over 2020."*
30

31 I believed at the time I wrote my direct testimony referenced above that customer
32 usage will normalize, at least in part, to pre-covid usage patterns where we would see a

1 reduction in usage by its residential customers and an increase in its commercial and
2 city/county customers from the significant changes witnessed over 2020. These customer
3 groups being the very customer groups that EPE witness Carrasco targeted with EPE's
4 proposed cap and floor adjustment.

5 UTEP witness Pevoto states on page 23 of her direct testimony:

6 *"EPE believes that when the COVID-19 pandemic improves, there will be*
7 *a reduction in Residential customer usage and an increase in the*
8 *commercial/city/county customers. But EPE draws this conclusion entirely*
9 *based on speculation, and there is no evidence to support when or if this*
10 *would happen."*
11

12 When UTEP witness Pevoto submitted her direct testimony referenced above,
13 EPE's 2021 peak summer period had already ended and there was publicly available data
14 that showed monthly customer usage. This usage data helps clearly show that customer
15 usage patterns had seen a "correction" from the pandemics customer usage patterns and
16 begun to return to normal.

17
18 Q. WHAT EVIDENCE SHOWS CUSTOMER USAGE PATTERNS ARE STARTING TO
19 RETURN TO NORMAL?

20 A. There is publicly available sales data updated monthly on EPE's website¹ that shows
21 monthly retail sales by revenue class (residential, commercial and industrial, public
22 authorities, etc.) and a year-over-year comparison of those sales by month. These publicly
23 available sales data through the end of September 2021 clearly show a significant year-
24 over-year reduction in residential customer usage (even with a significant annual customer
25 growth of about 1.8%) and an increase in the commercial/city/county customers' usage.
26 This is significant because over three quarters of 2021 has passed and EPE is seeing a
27 "correction" to those customer groups most affected by the pandemic. This helps confirm
28 that EPE made the right decision in making an adjustment for the pandemic through the
29 use of the cap and floor adjustment described by EPE witness Carrasco. Please see the
30 table below for the year-over-year publicly available monthly energy sales described above
31 for 2020 compared to 2019.

¹ <https://ir.epelectric.com/sales-and-climate/mwh-sales/default.aspx>

Table GNR-1

El Paso Electric Company - MWh Sales Increase (Decrease) 2021 vs. 2020										
	January MWh	February MWh	March MWh	April MWh	May MWh	June MWh	July MWh	August MWh	September MWh	Sept YTD MWh
Retail Sales:										
Residential	31,383	-1,773	28,512	-4,932	-58,480	20,056	-67,760	-64,896	20,912	-96,978
Commercial & Industrial - Small	90	-17,251	9,155	13,970	21,461	17,345	-17,520	1,108	15,072	43,430
Commercial & Industrial - Large	-1,130	11,039	-19,571	22,039	27,304	-3,668	3,538	272	4,628	44,451
Public Authorities	-2,077	-13,936	845	11,797	20,925	8,571	-11,110	2,297	27,041	44,353
Total Retail	28,266	-21,921	18,941	42,874	11,210	42,304	-92,852	-61,219	67,653	35,256

In addition to the volumetric energy data shown above, a similar correction also occurred for EPE's native system peak. EPE's native system peak grew from 1,985 MW to 2,173 MW in 2020 compared to 2019. This 188 MW year-over-year growth was almost double of the previous historical record for year-over-year growth of 98 MW that occurred in 2016. The spike in growth witnessed in 2020 was primarily driven by above average warm weather and higher residential load from remote workers due to the pandemic. Since residential customers tend to be the most weather sensitive customers and have lower load factors, the increase in remote workers lead to the spike in peak demand. EPE expected a correction downward for native system peak demand in 2021 as customer usage patterns are starting to return to the normal pre-pandemic pattern. That expectation did materialize as well. The 2021 native system peak demand was 2,051 MW, which was a year-over-year decrease of 122 MW.

Q. DO ANY WITNESSES PROPOSE AN ALTERNATIVE WAY TO ADJUST EPE'S TEST YEAR ALLOCATORS TO ACCOUNT FOR THE COVID-19 PANDEMIC?

A. Yes. CEP witness Johnson outlines two general alternatives. The first is to maintain current class relationships by adopting an equal percentage change in rates. The second alternative he proposes is to adjust allocation factors of affected classes in order to reflect historical patterns prior to the pandemic (three-year average allocation factors for the period 2017 – 2019). With regard to his second alternative Johnson states the following on page 27, line 14-17 of his direct testimony:

1 *"Although this approach may not provide the precision normally expected*
2 *for CCOS studies, I contend that the COVID impact is an extraordinary and*
3 *exceptional circumstance which justifies the use of adjustments based on*
4 *pre-pandemic allocation data."*
5

6 Q. DO YOU AGREE THAT EITHER OF WITNESS JOHNSON'S ALTERNATIVE
7 PROPOSALS ARE SUPERIOR TO THAT OF THE EPE CAP AND FLOOR
8 ADJUSTMENT?

9 A. No. As expected, opinions and suggestions can vary greatly for a methodology to account
10 for the pandemic's impact both on a historical and forward-looking basis. I don't believe
11 either proposal offered is superior to that of the current cap and floor adjustment
12 methodology proposed by EPE in this filing. Witness Johnson's use of pre-COVID-19
13 allocators incorporate allocation adjustments that exclude COVID impacts. Although EPE
14 did not made a direct adjustment to its allocator methodology to account for the shift in
15 usage patterns due to the COVID-19 pandemic, the cap and floor adjustment does account
16 for those customers who had material changes to their consumption. EPE's adjustment is
17 superior to that of forcing a historical set of allocators in this filing because as shown above
18 usage trends are going back to normal, however, it is yet to be seen if they will fully revert
19 to pre-covid levels. Not all businesses and offices that closed due to the pandemic will
20 open again or under the same operating parameters. In addition, employees working from
21 home as opposed to the office can have varying reintegration timelines and employers can
22 choose to adopt more flexible approaches to remote work going forward.

23 I believe it is more prudent to not apply either extreme, that is forcing allocators to
24 be based on either pre-pandemic load requirements or the load requirements during the
25 pandemic without an adjustment. The cap and floor adjustment provides a "bridge" to
26 mitigate potential rate shocks as customer usage characteristics evolve in a post-COVID-19
27 world.

28
29 Q. SEVERAL WITNESSES ARGUED THAT THE 4CP-A&E PRODUCTION DEMAND
30 CLASS ALLOCATION FACTORS SHOULD BE CALCULATED USING
31 UNADJUSTED LOAD INFORMATION. DO YOU SEE ANY CONTRADICTION
32 WITH ARGUING FOR THE USE OF UNADJUSTED LOAD INFORMATION FOR

1 DERIVING ALLOCATORS AND ALSO REQUESTING ALLOCATORS TO BE
2 ADJUSTED FOR THE COVID-19 PANDEMIC?

3 A. Yes. Using allocators that are altered, either by changing the load information or applying
4 averaged historical allocator rates, to account for the COVID-19 pandemic would result in
5 the use of allocators that are not based on historical unadjusted load information.
6

7 Q. OPUC WITNESS EVANS PERFORMS AN ANALYSIS TO IDENTIFY THOSE RATES
8 THAT WERE MOST AFFECTED BY THE PANDEMIC IN ATTACHMENT EDE-13.
9 DO YOU AGREE WITH HIS ANALYSIS?

10 A. No, I believe the methodology employed by OPUC witness Evans to compare historical
11 customer usage growth in his Exhibit EDE-13 is insufficient for identifying meaningful
12 trends in customer usage. In this section I will describe the issues I have with OPUC
13 witness Evans's methodology for comparing and presenting growth rates as well as provide
14 an alternative approach that I believe yields better results for comparing customer usage
15 over time.

16 Witness Evans's analysis claims that the pandemic affected more rates than those
17 that were part of EPE's cap and floor adjustment. I would agree the COVID-19 pandemic
18 was wide reaching affecting every business in some manner and affecting how they
19 consume electricity. However, I believe EPE properly identified and adjusted, via the cap
20 and floor adjustment, those rates that were most impacted. The capping mechanism
21 provided a reasonable methodology for rate treatment that incorporates the pandemic's
22 impact on usage while at the same time limiting the most significant deviations that are not
23 expected to continue. I believe OPUC witness Evans's usage per customer ("UPC")
24 analysis in EDE-13 helps highlight the significant increase by residential customer usage
25 and the decrease by the commercial/city/county customers witnessed during the test year,
26 2020, when compared to 2019, however as mentioned above I would not use his
27 comparison of 2020 data with that of the historical average (2015-2019).

28 OPUC witness Evans's comparison of 2020, test year UPC, to historical UPC in
29 2019 employs a typical formula for calculating an annual growth percentage. This data is
30 located in column I of his spreadsheet in EDE-13.

1 However, witness Evans's comparison of annual 2020 UPC group to a 5-year UPC
2 group average, in column H in the same file, should not be used to infer any trends about
3 historical growth pre-pandemic to that of the 2020 test year. The reasoning being that
4 witness Evans takes the energy for each of the 5 years (2015-2019) he studies and averages
5 them to form one value and takes the percentage growth from that one value and compares
6 it to 2020 usage amounts. Since witness Evans averages 5 years of UPC data (2015-2019)
7 you will by nature have a low final averaged value when compared to recent residential
8 usage data due to EPE's increasing residential UPC trend. EPE has an increasing residential
9 UPC trend primarily driven by warming weather trends and refrigerated air saturation rates
10 increasing (AC cooling uses more energy than that of evaporative air). Other customer
11 groups can have the opposite UPC trend, more specifically, non-weather sensitive
12 commercial customers that invest in energy efficiency initiatives can have a flat or
13 decreasing UPC trend. Calculating a simple average of UPC over 5 years that includes
14 older historical usage doesn't lend itself to be a helpful data point for identifying the
15 pandemics impact to customer usage. As mentioned earlier I will supply an alternative
16 approach that I believe better captures and compares historical UPC growth to that of 2020
17 UPC.

18 On page 34, lines 18-20 of his direct testimony, witness Evans states that "The
19 comparison clearly shows that only the Residential Service and Military Reservation
20 Service classes experience reduced kWh per customer during 2020 compared to the five-
21 year average and compared to 2019." First, I believe witness Evans use of the word
22 reduced in his statement above was incorrect and he meant to use the word increased.

23 I suggest that if one wanted to use the data in EDE-13 to infer any trends about
24 historical growth pre-pandemic to that of the 2020 test year they take the simple year-over-
25 year growth rate, as shown in column I of OPUC witness Evans same file and apply that
26 to each of the 5-years analyzed to calculate a historical trend of year-over-year growth
27 rates. Then you can take an average of those growth rates to derive an average annual
28 growth prior to the pandemic and can compare that to the growth rates already calculated
29 in column I, that compares growth from 2019 to 2020. This will highlight the difference
30 in the 2020 annual growth rate compared to the year-over-year growth rates for the period
31 of 2016-2019, driven in large part by the COVID-19 pandemic. I have supplied an exhibit

1 to this testimony that performs this alternative adjustment for both a simple arithmetic
2 growth rate as well as a compound annual growth rate ("CAGR"). This exhibit is titled
3 GNR-1.

4 We can observe in my alternative approach in GNR-1 that in none of the years
5 under analysis did the residential service experience a year-over-year UPC growth of more
6 than 4.22%. However, in 2020, the residential service grew by 9.97%. When applying my
7 alternative calculation in comparing year-over-year growth, it is clear there was a
8 significant increase in residential customer usage and a decrease in usage in the
9 commercial/city/county customer classes during the 2020 test year.

10
11 Q. CAN YOU SUMMARIZE PARTIES RECOMMENDATIONS TO REFLECT THE
12 IMPACTS OF THE PANDEMIC ON CUSTOMER CLASSES.

13 A. Yes. All parties recognize that the pandemic has impacted electric usage patterns of EPE's
14 customer classes. However, no party has presented a valid methodology to calculate the
15 test year impacts on billing determinates or future billing determinates of the various
16 customer classes. In effect, all their recommendations are variations of EPE's rate
17 moderation proposal. Therefore, the Commission should adopt EPE's approach in
18 developing the final allocation of rates between customer classes.

19 20 VI. Conclusion

21 Q. PLEASE SUMMARIZE YOUR REBUTTAL TESTIMONY AND THE ISSUES YOU
22 ADDRESSED.

23 A. First, I explained that the 4CP-A&E allocator should be estimated using the average of 4CP
24 months load factor instead of a single coincident peak (1CP) to be consistent with the
25 purpose of the allocation factor.

26 Second, I describe and defend EPE's dedicated solar facility adjustments. These
27 adjustments were made properly to account for the dedicated capacity that is fully paid for
28 by either a specific jurisdiction or specific customer.

29 Third, I describe and defend EPE presenting the allocators in this case based on the
30 load requirements observed over the test year without a COVID-19 pandemic adjustment.
31 A cap and floor adjustment was made to the rates to account for the COVID-19 pandemic

1 abnormalities witnessed in 2020. In addition, a variety of alternative allocators were
2 proposed by intervenors to account for the pandemic, however I believe the cap and floor
3 methodology used by EPE to account for any pandemic effects on customers was superior
4 as well as reasonable and fair.

5
6 Q. DOES THIS CONCLUDE YOUR TESTIMONY?

7 A. Yes, it does.

EL PASO ELECTRIC COMPANY
EPE ALTERNATIVE METHOD OF EDE-13
ANNUAL kWh PER CUSTOMER BY CUSTOMER GROUP
ACTUAL 2020 TO ACTUAL 2015-2019

Exhibit GNR-1
Page 1 of 1

Original									EPE Alternative Method						
Customer Group	2015	2016	2017	2018	2019	2020	Change from 2015-2019 Average	Change from 2019	YoY Percentage Change 2016	YoY Percentage Change 2017	YoY Percentage Change 2018	YoY Percentage Change 2019	Change from 2015-2019 Average	Change from 2015-2019 CAGR	Change from 2019
Residential Service	7,614	7,658	7,582	7,902	7,831	8,611	11.59%	9.97%	0.57%	-0.99%	4.22%	-0.90%	0.73%	0.70%	9.97%
Small General Service	10,633	10,928	11,057	11,058	10,099	10,155	-5.58%	0.56%	2.78%	1.18%	0.00%	-8.67%	-1.18%	-1.28%	0.56%
Lighting Services Rates	58,447	58,409	58,760	57,737	54,598	54,201	-5.89%	-0.73%	-0.07%	0.60%	-1.74%	-5.44%	-1.66%	-1.69%	-0.73%
Municipal Pumping	397,377	378,029	381,899	409,588	448,181	430,454	6.81%	-3.96%	-4.87%	1.02%	7.25%	9.42%	3.21%	3.05%	-3.96%
Water Heating Rider	1,247,236	1,202,579	1,004,709	898,570	945,023	812,411	-23.33%	-14.03%	-3.58%	-16.45%	-10.56%	5.17%	-6.36%	-6.70%	-14.03%
General Service	226,167	229,594	226,394	228,919	214,199	203,738	-9.47%	-4.88%	1.52%	-1.39%	1.12%	-6.43%	-1.30%	-1.35%	-4.88%
Agricultural Rates	49,102	48,499	46,634	47,093	47,818	39,157	-18.13%	-18.11%	-1.23%	-3.85%	0.98%	1.54%	-0.64%	-0.66%	-18.11%
Large Commercial & Industrial Rates	12,214,186	12,154,576	12,375,457	12,982,946	11,955,083	11,445,251	-7.22%	-4.26%	-0.49%	1.82%	4.91%	-7.92%	-0.42%	-0.53%	-4.26%
Military Service	324,247,612	322,571,569	320,853,363	315,788,567	322,575,805	336,676,278	4.82%	4.37%	-0.52%	-0.53%	-1.58%	2.15%	-0.12%	-0.13%	4.37%
City & County	283,166	296,936	293,331	300,031	290,211	235,713	-19.48%	-18.78%	4.86%	-1.21%	2.28%	-3.27%	0.66%	0.62%	-18.78%
Total Texas Retail	19,987	19,831	19,512	19,727	19,231	19,197	-2.35%	-0.18%	-0.78%	-1.61%	1.10%	-2.52%	-0.95%	-0.96%	-0.18%

The following files are not convertible:

Exhibit GNR-1R.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.