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

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

**CITY OF EL PASO'S NOTICE OF FILING OF ERRATA TO
DIRECT TESTIMONY OF MARK E. GARRETT**

The City of El Paso provides this notice of the filing of Errata to the Direct Testimony of Mark E. Garrett. The testimony filed on October 22, 2021 omitted the gross up for taxes that is required for the Excess Deferred Income Tax Rider. The correct values are now shown on pages 3 and 30 of Mr. Garrett's testimony (which are attached) as well as Exhibits MG 2 Summary and MG 2.7 in the Excel file attached. Changed values are highlighted.

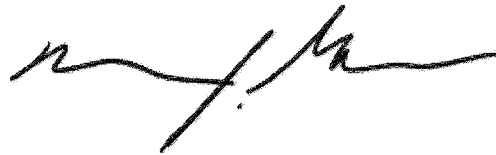
Dated: January 4, 2022

Respectfully submitted,

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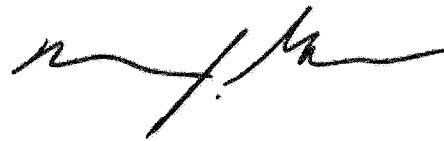
Attorneys for the City of El Paso



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 January 4, 2022.



Norman J. Gordon

**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**

DIRECT TESTIMONY AND EXHIBITS

OF

MARK E. GARRETT

ON BEHALF OF

CITY OF EL PASO

**Mark E. Garrett
Garrett Group Consulting, Inc.
4028 Oakdale Farm Circle
Edmond, Oklahoma 73013**

October 22, 2021

ERRATA January 3, 2022

A: The purpose of my testimony is to address various revenue requirement issues identified in the El Paso Electric Company (“EPE” or “the Company”) rate case application and to provide the Commission with recommendations for the resolution of these issues. Specifically, I address employee compensation issues including short-term incentive compensation expense, the pass through of Palo Verde short-term and long-term incentive compensation, supplemental executive retirement expense, and payroll expense. I recommend the reclassification of certain EDIT balances from protected to unprotected EDIT, which will allow the Commission to return these TCJA savings to ratepayers on an expedited basis. Finally, I recommend adjustments to remove charitable contributions from operating expense and to remove forfeited discounts from the Company’s COVID-19 regulatory asset.

II. SUMMARY OF RECOMMENDATIONS

Table 1: City of El Paso Summary of Recommendations

Adjustments to Operating Expenses:

Annual Incentive Plan	\$ (2,013,205)
Supplemental Executive Retirement Plan	(1,970,713)
Payroll Annualization	(2,285,272)
Payroll Tax Adjustment	(328,833)
Palo Verde Benefits	(2,636,894)
Charitable Contributions	(1,260,720)
Embedded Protected EDIT Amortization	(1,245)
Total Adjustments to Operating Expenses	<u>\$ (10,496,882)</u>

Adjustments to Riders:

Unprotected EDIT Rider Amortization	\$ (8,369,886)
COVID-19 Rider - Forfeited Discounts	(314,903)
Total Rider Adjustments	<u>\$ (8,684,790)</u>

Total Rate Recovery Adjustments	<u><u>\$ (19,181,672)</u></u>
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A: Reclassifying these accounts to *unprotected* EDIT will increase the amount to be refunded to ratepayers through the tax-specific rate tariff by approximately **\$8.4 million** annually for four years, as set forth at *Exhibit MG-2.7* and shown in *Figure MG-1* below.

Figure MG-1 Reclassification of Unprotected EDIT Accounts	
Account Description	Amount
Capitalized Costs and Interest	\$ 7,734,327
Repair Allowance	(29,159,750)
Section 174 R&D	(5,023,418)
Total EDIT Balance Reclassifications	<u><u>\$ (26,448,841)</u></u>
	÷ 4
Annual Amortization (over 4 years)	\$ (6,612,210)
Income Tax Gross-Up Factor (1/.79)	1.26582
Total Amortization Adjustment	<u><u>\$ (8,369,886)</u></u>

V. CHARITABLE CONTRIBUTIONS

Q: DID EPE INCLUDE AMOUNTS FOR CHARITABLE CONTRIBUTIONS IN THE REVENUE REQUIREMENT?

A: Yes. EPE included \$1,260,720 of charitable contributions in cost of service.³⁸

Q: HAS EPE ANNOUNCED A POLICY CHANGE REGARDING THE RECOVERY OF CHARITABLE CONTRIBUTIONS FROM RATEPAYERS?

A: Yes. On June 24, 2021, EPE announced that it would not be seeking to recover charitable contributions in its rates in this proceeding.³⁹ According to the announcement, Company

³⁸ See Schedule G-4, line 10 and CEP 4-9.

³⁹ See <https://www.elpasotimes.com/story/news/2021/06/24/el-paso-electric-to-remove-community-donations-from-electric-rates/5330285001>.

**EL PASO ELECTRIC COMPANY
CITY OF EL PASO
ADJUSTMENT IMPACT
TEST YEAR END DECEMBER 31, 2020; DOCKET NO. 52195**

Line No.	Description	Reference	Rate Base	Pre-Tax Return	Total Company Increase
1	<u>Adjustments for Base Rate Recovery</u>				
2	Rate Base Adjustments:				
3	Plant in Service - Capitalized Incentives	MG-2.1	\$ (2,018,577)	9.494941%	\$ (191,663)
4	Total Rate Base Adjustments				\$ (191,663)
5	Adjustments to Operating Expenses:				
6	Annual Incentive Plan	MG-2.1			\$ (2,013,205)
7	Supplemental Executive Retirement Plan	MG-2.2			(1,970,713)
8	Payroll Annualization	MG-2.4			(2,285,272)
9	Payroll Tax Adjustment	MG-2.5			(328,833)
10	Palo Verde Benefits	MG-2.3			(2,636,894)
11	Charitable Contributions	MG-2.6			(1,260,720)
12	Embedded Protected EDIT Amortization	MG-2.7			(1,576)
13	Total Adjustments to Operating Expenses				\$ (10,497,213)
14	Total Adjustments for Base Rate Recovery				\$ (10,688,876)
15	<u>Adjustments to Riders</u>				
16	Unprotected EDIT Rider Amortization	MG-2.7			\$ (8,369,886)
17	COVID-19 Rider - Forfeited Discounts	MG-2.8			(314,903)
18	Total Rider Adjustments				\$ (8,684,790)
19	Total Rate Recovery Adjustments				\$ (19,182,003)

**EL PASO ELECTRIC COMPANY
CITY OF EL PASO
EDIT AMORTIZATION ADJUSTMENT
TEST YEAR END DECEMBER 31, 2020; DOCKET NO. 52195**

Line No.	Description	Protected EDIT	Unprotected EDIT	Total EDIT
<u>EDIT Balances</u>				
1	Adjusted EDIT Balance at 12/31/2017 ¹	\$ (212,132,367)	\$ 18,309,671	\$ (193,822,696)
2	EPE Adjustment for Protected Amortization, 2018 - 2021 ²	\$ 20,748,433	\$ (20,748,433)	\$ -
3	EPE Adjusted EDIT Balance for Prospective Amortization	\$ (191,383,934)	\$ (2,438,762)	\$ (193,822,696)
<u>Reclassification Adjustments:</u>				
4	Capitalized Costs and Interest ³	\$ (7,734,327)	\$ 7,734,327	\$ -
5	Repair Allowance ⁴	29,159,750	(29,159,750)	-
6	Section 174 R&D ⁵	5,023,418	(5,023,418)	-
7	Total EDIT Balance Adjustments	\$ 26,448,841	\$ (26,448,841)	\$ -
8	Adjusted EDIT Balances	\$ (164,935,093)	\$ (28,887,603)	\$ (193,822,696)

To reclassify EDIT that is not the result of accelerated tax depreciation rates from protected EDIT to unprotected EDIT.

<u>EDIT Amortization</u>		Protected in Rates	Unprotected in Rider	Total
9	Requested Amortization (reduce rates) ^{6,7}	\$ (4,729,900)	\$ (609,691)	\$ (5,339,591)
10	Tax Gross-Up Factor (1/.79)	1.26582	1.26582	1.26582
11	Total Amortization	\$ (5,987,215)	\$ (771,761)	\$ (6,758,976)
<u>Adjustments:</u>				
12	Capitalized Costs and Interest ^{8,9}	\$ (760,323)	\$ 1,933,582	\$ 1,173,259
13	Repair Allowance ^{10,11}	641,346	(7,289,938)	(6,648,592)
14	Section 174 R&D ^{12,13}	117,732	(1,255,855)	(1,138,123)
15	Total Amortization Adjustments	\$ (1,245)	\$ (6,612,210)	\$ (6,613,455)
16	Tax Gross-Up Factor (1/.79)	1.26582	1.26582	1.26582
17	Total Amortization Adjustments	\$ (1,576)	\$ (8,369,886)	\$ (8,371,462)
18	Total Company Adjusted Amortization	\$ (5,988,791)	\$ (9,141,647)	\$ (15,130,438)

To adjust the amortization of the protected and unprotected EDIT that results from the reclassification of EDIT that is not the result of accelerated tax depreciation rates.

Note 1 From WP G-07.09(a).03.xlsx, tab WP1 Excess TCJA, cells P63 and Q63.

Note 2 From WP G-07.09(a).03.xlsx, tab WP1a Excess TCJA for Rider, cell M63.

Note 3 From WP G-07.09(a).03.xlsx, tab WP1 Excess TCJA, cell P20, less WP G-07.09(a).03.xlsx, tab WP1a Excess TCJA for Rider, cell M20.

Note 4 From WP G-07.09(a).03.xlsx, tab WP1 Excess TCJA, cells P50, less WP G-07.09(a).03.xlsx, tab WP1a Excess TCJA for Rider, cell M50.

Note 5 From WP G-07.09(a).03.xlsx, tab WP1 Excess TCJA, cells P51, less WP G-07.09(a).03.xlsx, tab WP1a Excess TCJA for Rider, cell M51.

Note 6 From WP G-07.09(a).03.xlsx, tab WP1 Excess TCJA, cells R63.

Note 7 From WP G-07.09(a).03.xlsx, tab WP1a Excess TCJA for Rider, cell P63. This includes the EPE reclassification of protected EDIT amortized from 2018 through 2021 totaling \$(20,748,433).

Note 8 From WP G-07.09(a).03.xlsx, tab WP1 Excess TCJA, cells R20.

Note 9 Line 4, Unprotected EDIT divided by 4.

Note 10 From WP G-07.09(a).03.xlsx, tab WP1 Excess TCJA, cells R50.

Note 11 Line 5, Unprotected EDIT divided by 4.

Note 12 From WP G-07.09(a).03.xlsx, tab WP1 Excess TCJA, cells R51.

Note 13 Line 6, Unprotected EDIT divided by 4.

The following files are not convertible:

DN 52195 MG-2 Supplemental filed 1-4-
22.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.