



## Filing Receipt

**Received - 2022-01-05 03:05:11 PM**  
**Control Number - 52195**  
**ItemNumber - 512**

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

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

**CITY OF EL PASO'S NOTICE OF FILING OF ERRATA TO  
DIRECT TESTIMONY OF DANIEL J. LAWTON**

The City of El Paso provides this notice of the filing of Errata to the Direct Testimony of Daniel J. Lawton. This Errata corrects two computational errors which were noted in the rebuttal testimony of Jennifer Nelson. There are also corrections to his schedules. There is no change in his recommendation. The corrected page 3 of his testimony is attached with the corrected numbers highlighted. The corrected schedule DLJ-9 is also attached and with all schedules filed in native format. The exhibits that will be provided will have the corrected page 3 and DJL-9 substituted.

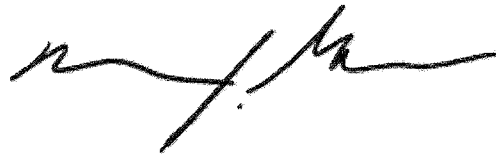
Dated: January 5, 2022

Respectfully submitted,

Norman J. Gordon ([ngordon@ngordonlaw.com](mailto: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, 2<sup>nd</sup> Floor  
El Paso, Texas 79901  
(915) 212-0033  
(915) 212-0034 (fax)  
[Niemankm@elpasotexas.gov](mailto:Niemankm@elpasotexas.gov)  
[Engelbaumfm@elpasotexas.gov](mailto:Engelbaumfm@elpasotexas.gov)

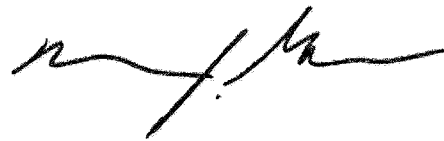
Attorneys for the City of El Paso



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 January 5, 2022.



\_\_\_\_\_  
Norman J. Gordon

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

**APPLICATION OF EL PASO  
ELECTRIC COMPANY TO CHANGE  
RATES**

§  
§  
§  
§  
§  
§  
§

**BEFORE THE PUBLIC  
UTILITY COMMISSION OF  
TEXAS**

**DIRECT TESTIMONY OF  
DANIEL J. LAWTON  
ON BEHALF OF  
CITY OF EL PASO, TEXAS**

**OCTOBER 22, 2021**

**ERRATA PAGES**

**January 5, 2022**

1 **Q. PLEASE SUMMARIZE YOUR FINDINGS AND CONCLUSIONS RELATED**  
2 **TO EQUITY RETURN IN THIS CASE.**

3 **A.** My analysis of the Company's requested cost of equity capital in this proceeding, are  
4 shown in the following table:

5 **Table 1<sup>1</sup>**  
6 **Cost of Equity Estimates El Paso Electric Company**

<u>MODEL</u>	<u>RANGE</u>	<u>MIDPOINT</u>
DCF Model	9.49% - 9.54%	9.51%
Two-stage DCF	9.42% - 9.51%	9.47%
CAPM	8.77% - 8.86%	8.82%
ECAPM	8.99% - 9.06%	9.03%
Bond Yield RP	<u>9.08% - 9.15%</u>	<u>9.12%</u>
Average All Models	9.15% - 9.22%	9.19%
Financial Risk Adjustment	-38 Basis Points	

7 <sup>1</sup> Each cost of equity capital estimate calculated above is discussed in the testimony and is  
8 presented in Schedules (DJI-7), (DJI-8), (DJI-9), and (DJI-10).

9 Based on the model results and evaluation of EPE's lower financial risks related to  
10 higher equity level in EPE's capital structure, a downward risk adjustment of about 38  
11 to 53.5 basis points is necessary. Employing the lower end of 38 basis points of the fin  
12 ancial risk adjustment results in a low-end equity return of 8.77% (9.15 - .38 =  
13 8.77%). Applying a 38 basis point financial risk adjustment to the upper end of results  
14 yields 8.84 (9.22 - .38 = 8.84%). In my opinion, given the range of results of

---

<sup>1</sup> Each cost of equity capital estimate is discussed in the testimony and is presented in Schedules DJL-7), (DJL8), (DJL-9), and (DJL-10)

**EL PASO ELECTRIC COMPANY**  
**PUBLIC UTILITY COMMISSION OF TEXAS**  
**PUCT DOCKET NO. 52195 SOAH DOCKET NO. 473-21-2606**  
**TEST YEAR ENDED DECEMBER 31, 2020**  
**CAPM AND ECAPM CALCULATIONS**

CAPITAL ASSET PRICING MODEL							EMPIRICAL CAPITAL ASSET PRICING MODEL						
		A	B	C	D	E			F	G	H	I	
COMPANY	SYMBOL	BETA	MARKET RISK PREMIUM	RISK FREE RATE	CAPM	ADJUSTED CAPM	COMPANY	SYMBOL	BETA	MARKET RISK PREMIUM	RISK FREE RATE	ECAPM	
1 ALLETE, INC.	ALE	0.90	7.70%	1.93%	8.86%	8.86%	ALLETE, INC.	ALE	0.90	7.70%	1.93%	9.06%	
2 ALLIANT ENERGY CORP	LNT	0.85	7.70%	1.93%	8.48%	8.48%	ALLIANT ENERGY CORP	LNT	0.85	7.70%	1.93%	8.77%	
3 AMEREN CORP	AEE	0.85	7.70%	1.93%	8.48%	8.48%	AMEREN CORP	AEE	0.85	7.70%	1.93%	8.77%	
4 AMERICAN ELECTRIC POWER	AEP	0.75	7.70%	1.93%	7.71%	7.71%	AMERICAN ELECTRIC POWER	AEP	0.75	7.70%	1.93%	8.19%	
5 AVISTA CORPORATION	AVA	0.95	7.70%	1.93%	9.25%	9.25%	AVISTA CORPORATION	AVA	0.95	7.70%	1.93%	9.34%	
6 CMS ENERGY CORPORATION	CMS	0.80	7.70%	1.93%	8.09%	8.09%	CMS ENERGY CORPORATION	CMS	0.80	7.70%	1.93%	8.48%	
7 DTE ENERGY CO.	DTE	0.95	7.70%	1.93%	9.25%	9.25%	DTE ENERGY CO.	DTE	0.95	7.70%	1.93%	9.34%	
8 DUKE ENERGY CORP.	DUK	0.90	7.70%	1.93%	8.86%	8.86%	DUKE ENERGY CORP.	DUK	0.90	7.70%	1.93%	9.06%	
9 ENTERGY CORPORATION	ETR	0.95	7.70%	1.93%	9.25%	9.25%	ENTERGY CORPORATION	ETR	0.95	7.70%	1.93%	9.34%	
10 EVERGY INC	EVRG	0.95	7.70%	1.93%	9.25%	9.25%	EVERGY INC	EVRG	0.95	7.70%	1.93%	9.34%	
11 HAWAIIAN ELECTRIC	HE	0.80	7.70%	1.93%	8.09%	8.09%	HAWAIIAN ELECTRIC	HE	0.80	7.70%	1.93%	8.48%	
12 IDACORP, INC.	IDA	0.85	7.70%	1.93%	8.48%	8.48%	IDACORP, INC.	IDA	0.85	7.70%	1.93%	8.77%	
13 NEXTERA, INC	NEE	0.95	7.70%	1.93%	9.25%	9.25%	NEXTERA, INC	NEE	0.95	7.70%	1.93%	9.34%	
14 NORTHWESTERN CORPORATION	N'WE	0.95	7.70%	1.93%	9.25%	9.25%	NORTHWESTERN CORPORATION	N'WE	0.95	7.70%	1.93%	9.34%	
15 OGE ENERGY CORP	OGE	1.05	7.70%	1.93%	10.02%	10.02%	OGE ENERGY CORP	OGE	1.05	7.70%	1.93%	9.92%	
16 OTTER TAIL CORPORATION	OTTR	0.90	7.70%	1.93%	8.86%	8.86%	OTTER TAIL CORPORATION	OTTR	0.90	7.70%	1.93%	9.06%	
17 PINNACLE WEST CAPITAL	PNW	0.90	7.70%	1.93%	8.86%	8.86%	PINNACLE WEST CAPITAL	PNW	0.90	7.70%	1.93%	9.06%	
18 PORTLAND GENERAL ELECTRIC CO.	POR	0.90	7.70%	1.93%	8.84%	8.84%	PORTLAND GENERAL ELECTRIC CO.	POR	0.90	7.70%	1.93%	9.04%	
19 SOUTHERN COMPANY	SO	0.95	7.70%	1.93%	8.86%	8.86%	SOUTHERN COMPANY	SO	0.95	7.70%	1.93%	9.06%	
20 WEC ENERGY GROUP, INC.	WEC	0.80	7.70%	1.93%	8.09%	8.09%	WEC ENERGY GROUP, INC.	WEC	0.80	7.70%	1.93%	8.48%	
21 XCEL ENERGY INC.	XEL	0.80	7.70%	1.93%	8.09%	8.09%	XCEL ENERGY INC.	XEL	0.80	7.70%	1.93%	8.48%	
22 MEAN		0.89			8.77%	8.77%	MEAN		0.89			8.99%	
23 MEDIAN		0.90			8.86%	8.86%	MEDIAN		0.90			9.06%	

SOURCE:

VALUE LINE INVESTMENT SURVEY July 23, 2021, August 13, 2021, September 10, 2021

Value Line Electric Utility East, Central & West

ALL CAPM & ECAPM ROE RESULTS BELOW 7.5% AND ABOVE 12.5% EXCLUDED

The following files are not convertible:

DN 52195 CEP Ex. 2 Lawton Schedules  
(Corrected).xlsx

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

Contact [centralrecords@puc.texas.gov](mailto:centralrecords@puc.texas.gov) if you have any questions.