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

APPLICATION OF EL PASO ELECTRICT COMPANY TO CHANGE RATES	§ § §	**PUBLIC UTILITY COMMISSION OF TEXAS**

RATE 41 GROUP'S EXHIBIT LIST AND WITNESS LIST

COME NOW Intervenors Anthony Independent School District, Canutillo Independent School District, Clint Independent School District, El Paso County, El Paso County Community College District, El Paso County Housing Authority, El Paso Independent School District, Fabens Independent School District, Housing Authority of the City of El Paso, Region 19 Education Service Center, San Elizario Independent School District, Socorro Independent School District, Tornillo Independent School District, and Ysleta Independent School District (collectively the "Rate 41 Group"), and files its List of Exhibits, attached hereto as Attachment A, and its List of Witnesses attached hereto as Attachment B.

Order No. 7 requires that all parties must file a list of all exhibits and witnesses by January 6, 2022, including three physical copies delivered to State Office of Administrative Hearings Docketing Room 504, 5th Floor, William P. Clements Building, 300 West 15th Street, Austin, Texas 78701. Parties will exchange exhibits through a file sharing site.

Pursuant to Order No. 9, Rate 41 Group will upload its cross-examination exhibits to the file sharing site no later than 7:00 p.m. the day before it intends to offer the exhibit on cross-examination and will file and upload an updated exhibit list to include cross-examination exhibits at the same time it uploads such exhibits.

Respectfully submitted,

By: Maria Faconti

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CANUTILLO INDEPENDENT SCHOOL DISTRICT
CLINT INDEPENDENT SCHOOL DISTRICT
EL PASO COUNTY
EL PASO COUNTY COMMUNITY COLLEGE DISTRICT
EL PASO COUNTY HOUSING AUTHORITY
EL PASO INDEPENDENT SCHOOL DISTRICT
FABENS INDEPENDENT SCHOOL DISTRICT
HOUSING AUTHORITY OF THE CITY OF EL PASO
REGION 19 EDUCATION SERVICE CENTER
SAN ELIZARIO INDEPENDENT SCHOOL DISTRICT
SOCORRO INDEPENDENT SCHOOL DISTRICT
TORNILLO INDEPENDENT SCHOOL DISTRICT
YSLETA INDEPENDENT SCHOOL DISTRICT

CERTIFICATE OF SERVICE

I certify that a true and correct copy of this pleading has been forwarded by e-mail to all parties of record on the 6th of January 2022 in accordance with the Order Suspending Rules issued in Docket No. 50664.

Maria Faconti

Maria Faconti

ATTACHMENT A

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

APPLICATION OF EL PASO ELECTRICT COMPANY TO CHANGE RATES	**§ § §**	**PUBLIC UTILITY COMMISSION OF TEXAS**

RATE 41 GROUP'S EXHIBIT LIST

Intervenors, Rate 41 Group, will offer the following exhibits into evidence at the hearing on the merits:

Rate 41 Exhibit No.	DESCRIPTION	Admitted	Excluded
Rate 41-1	Direct Testimony and Exhibits of James W. Daniel on behalf of Rate 41 Group		
Rate 41-1a	Correction to the Testimony of James W. Daniel on behalf of the Rate 41 Group		
Rate 41-1b	Workpapers of James W. Daniel		
Rate 41-2	Cross-Rebuttal Testimony and Exhibits of James W. Daniel		
Rate 41-2a	Workpapers to Cross-Rebuttal Testimony of James W. Daniel		

ATTACHMENT B

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

APPLICATION OF EL PASO ELECTRICT COMPANY TO CHANGE RATES	**§ § §**	**PUBLIC UTILITY COMMISSION OF TEXAS**

RATE 41 GROUP'S WITNESS LIST

Intervenors, Rate 41 Group, will offer the following witnesses for testimony at the hearing on the merits:

1. James W. Daniel

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

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

DIRECT TESTIMONY AND EXHIBITS

OF

JAMES W. DANIEL

ON BEHALF OF

THE

RATE 41 GROUP

October 22, 2021

EXHIBIT

Rate 41-1

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

DIRECT TESTIMONY AND EXHIBITS OF

JAMES W. DANIEL

TABLE OF CONTENTS

EXHIBITS

I. INTRODUCTION

Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A. My name is James W. Daniel. My business address is 919 Congress Avenue, Suite 1110, Austin, Texas 78701.

Q. PLEASE OUTLINE YOUR FORMAL EDUCATION.

A. I received a Bachelor of Science degree from the Georgia Institute of Technology in 1973, majoring in economics.

Q. WHAT IS YOUR PRESENT POSITION?

A. I am an Executive Director for GDS Associates, Inc. ("GDS") of GDS's office in Austin, Texas.

Q. PLEASE STATE YOUR PROFESSIONAL EXPERIENCE.

A. From July 1974 through September 1979 and from August 1983 through February 1986, I was employed by Southern Engineering Company. While employed by the Southern Engineering Company, I participated in the preparation of economic analyses regarding alternative power supply sources and generation and transmission feasibility studies for rural electric cooperatives. I also participated in wholesale and retail rate and contract negotiations with investor-owned and publicly-owned utilities, prepared cost of service studies on investor-owned and publicly-owned utilities and prepared and submitted testimony and exhibits in utility rate and other regulatory proceedings on behalf of publicly-owned utilities, industrial customers, associations, and government agencies.

From October 1979 through July 1983, I was employed as a public utility consultant by R. W. Beck and Associates. During that time, I participated in rate studies for publicly-owned electric, gas, water and wastewater utilities. My primary responsibility was the development of revenue requirements, cost of service, and rate design studies as well as the preparation and submittal of testimony and exhibits in utility rate proceedings on behalf of publicly-owned utilities, industrial customers, and other customer groups.

In 1986, I became a Principal of GDS and Manager of GDS's office in Austin, Texas. In April 2000, I was elected as a member of the Board of Directors and as a Vice President of GDS. In 2019, I became an Executive Director. While at GDS, I have provided testimony in numerous regulatory proceedings involving electric, natural gas, and water utilities, I have participated in generic rulemaking proceedings, I have prepared retail rate studies on behalf of publicly-owned utilities, I have prepared utility valuation analyses, I have prepared economic feasibility studies, and I have procured and contracted for wholesale and retail energy supplies.

Q. HAVE YOU TESTIFIED BEFORE ANY REGULATORY COMMISSIONS?

A. I have testified many times before regulatory commissions. I have submitted testimony before the following state regulatory authorities: the Public Utility Commission of Texas ("PUC" or the "Commission"), the Texas Commission on Environmental Quality, the Texas Railroad Commission, the Regulatory Commission of Alaska, the Arkansas Public Service Commission, the Arizona Corporation Commission, the Delaware Public Service Commission, the Florida Public Service Commission, the Georgia Public Service

Commission, the Illinois Commerce Commission, the State Corporation Commission of Kansas, the Louisiana Public Service Commission, the New Mexico Public Service Commission, the Oklahoma Corporation Commission, the Oregon Public Utility Commission, the Pennsylvania Public Utility Commission, the South Dakota Public Utilities Commission, the Utah Public Service Commission, the Virginia State Corporation Commission, and the West Virginia Public Service Commission. I have also testified before the Federal Energy Regulatory Commission ("FERC"), and two Condemnation Courts appointed by the Supreme Court of Nebraska. Additionally, I have submitted an expert opinion report before the United States Tax Court on utility issues. A list of regulatory proceedings in which I have presented expert testimony is provided as JWD-1.

Q. WOULD YOU PLEASE DESCRIBE GDS?

A. GDS is an engineering and consulting firm with offices in Marietta, Georgia; Austin, Texas; Auburn, Alabama; Manchester, New Hampshire; Madison, Wisconsin; Orlando Florida; Augusta, Maine; Kirkland, Washington; and Camarillo, California. GDS has over 175 employees with diverse backgrounds in engineering, accounting, management, economics, finance, and statistics. GDS provides rate and regulatory consulting services in the electric, natural gas, water, storm, and telephone utility industries. GDS also provides a variety of other services in the electric utility industry including power supply planning, generation support services, energy procurement and contracting, energy efficiency program development, financial analysis, load forecasting, and statistical

services. Our clients are primarily privately-owned utilities, publicly-owned utilities, municipalities, customers of investor-owned utilities, groups or associations of customers, and government agencies.

Q. ON WHOSE BEHALF ARE YOU TESTIFYING?

A. I am testifying on behalf of the Rate 41 Group. The Rate 41 Group includes the following entities: Ysleta Independent School District, El Paso Independent School District, Socorro Independent School District, Clint Independent School District, San Elizario Independent School District, Fabens Independent School District, Anthony Independent School District, Canutillo Independent School District, Tomillo Independent School District, Region 19 Education Service Center, Housing Authority of the City of El Paso, and El Paso County Community College District. Each of these entities receives service under El Paso Electric Company's ("EPE" or "Company") existing Schedule No. 41 City and County Service Rate ("Rate 41").

II. PURPOSE OF TESTIMONY

Q. WHAT WAS YOUR ASSIGNMENT IN THIS PROCEEDING?

A. My assignment in this proceeding was to review and analyze: (1) the portions of the rate case application of EPE related to cost allocation and rate design and (2) the direct testimony of certain EPE witnesses. In addition, I was to review issues 46, 49, 51, 52, 53, 55, 56, 59 and 60 of the Preliminary Order.

Q. WHAT ARE PRELIMINARY ORDER ISSUES 46, 49, 51, 52, 53, 55, 56, 59 AND 60?

A. As stated in the Preliminary Order, these issues are:

(46) What are the just and reasonable rates calculated in accordance with PURA and Commission rules? Do the rates comport with the requirements in PURA § 36.003?

(49) What are the appropriate allocations of El Paso Electric's revenue requirement to jurisdictions, functions, and rate classes?

a. What is the appropriate allocation of El Paso Electric's expenses, invested capital, and revenue to Texas retail customers?

b. Does El Paso Electric have any customer-specific contracts for the provision of transmission of distribution service? If so, identify each customer, and state whether the contract has been presented to the Commission for approval, and if so, in what docket. In addition, has El Paso Electric appropriately allocated revenues and related costs associated with such contracts? Do all allocation factors properly reflect the types of costs allocated?

c. What are the appropriate allocations of El Paso Electric's transmission investment, expenses, and revenues, including transmission expenses and revenues under FERC-approved tariffs, among jurisdictions?

d. Does El Paso Electric have any FERC-approved tariffs? If so, identify each tariff and the FERC docket in which the tariff was approved. What are the appropriate allocations of El Paso Electric's transmission investment, expenses, and

revenues under those tariffs? Has El Paso Electric made allocations for imports to and exports from the Electric Reliability Council of Texas ("ERCOT")?

(51) Does El Paso Electric provide wholesale transmission service at distribution voltage to any customers? If so, has El Paso Electric properly allocated costs to and designed rates for those customers as required under PURA § 35.004(c)?

(52) Are all rate classes at unity? If not, what is the magnitude of the deviation, and what if anything should be done to address the lack of unity?

(53) Has El Paso Electric proposed any rate riders? If so, should any of the proposed riders be adopted? If so, what are the appropriate costs to be recovered through the riders, and what are the appropriate terms and conditions of the riders?

(55) What tariff revisions, if any, are appropriate as a result of this proceeding?

(56) Are El Paso Electric's proposed changes to its rules and rate tariff reasonable?

(59) What changes does El Paso Electric propose for setting customer and demand charges closer to full cost of service?

(60) How does El Paso Electric propose to shorten its summer period for standard rate tariffs? Are the changes reasonable?

Q. WOULD YOU PLEASE SUMMARIZE THE RESULTS OF YOUR REVIEW AND ANALYSIS?

A. Yes. Based upon my review and analysis, I have reached the following conclusions and recommendations:

(1) EPE's proposed base rate revenue increase distribution to the rate classes fails to recognize the Rate 41 rate discount that is supported by history, public policy, and legislative intent.

(2) EPE's proposed base rate revenue increase distribution methodology incorrectly assigns two separate subsidy amounts to be paid by the three customer classes, including the Rate 41 customer class, that should receive rate decreases per their allocated cost of service.

(3) EPE's proposed new power factor penalty provision for Rate 41 is not supported and should not be approved. If approved in this case, it should not be implemented until 12 months after the Commission's Order.

(4) EPE's proposed rate design changes to Rate 41 have not been supported and EPE has not provided customer bill impacts resulting from the rate design changes. The current rate design should be maintained.

III. EPE'S PROPOSED CUSTOMER CLASS REVENUE DISTRIBUTION

Q. PLEASE EXPLAIN WHAT IS MEANT BY A CUSTOMER CLASS REVENUE DISTRIBUTION?

A. A customer class revenue distribution is the determination of how a utility's total revenue increase is to be distributed to the customer classes. If customer class revenue levels are to be set equal to the cost of serving each customer class, then the revenue increase (or decrease) for each customer class is based on the approved cost of service

study ("COSS"). In some instances, factors other than cost of service are considered, and the revenue distribution will vary from the COSS results.

Q. IS EPE PROPOSING TO SET CUSTOMER CLASS REVENUE LEVELS EQUAL TO THEIR ALLOCATED COST OF SERVICE?

A. No. EPE's COSS results show that certain customer classes would receive significant percent rate increases if their revenue levels were set equal to their cost of service. As a result, EPE is proposing gradualism to limit "base rate revenue increases for certain rate classes."[1]

Q. PLEASE EXPLAIN WHAT IS MEANT BY GRADUALISM?

A. Gradualism is a rate setting tool or methodology used by the Commission, and other regulatory agencies, to gradually move customer class revenue levels towards the class's cost of service in situations where the COSS shows a significant rate increase would be required to set the class's revenue level equal to their cost of service. Using gradualism, the increase to the class is set below the cost of service to minimize the impact. The revenue shortfall resulting from gradualism is spread across multiple customer classes. This represents a subsidy as between rate classes.

As claimed on page 16, lines 3 through 9, of the direct testimony of EPE witness Manuel Carrasco, the Company's proposed customer class revenue distribution "attends to the generally accepted principle of gradualism." I would note that in EPE's prior rate case,

[1] Page 14, line 16, of the direct testimony of EPE witness Manuel Carrasco.

Docket No. 46831, the Company did not apply gradualism and, instead, proposed to set all customer classes revenue levels equal to their cost of service.

Q. PLEASE EXPLAIN EPE'S PROPOSED CUSTOMER CLASS REVENUE DISTRIBUTION AND GRADUALISM PROPOSAL.

A. EPE's proposed revenue distribution to the customer classes and gradualism proposal is discussed by EPE witness Manuel Carrasco at page 14, line 1, through page 17, line 12 of his direct testimony. His Exhibit MC-4 also shows the derivation of his proposed customer class revenue distribution. As discussed in this testimony, EPE is proposing to limit, or cap, the percent base revenue increase to any customer class to 1.5 times the average percent revenue increase for all customer classes of 7.38%, or 11.07% (7.38% x 1.5). In addition to limiting the rate increase for classes receiving significant increases under the COSS, EPE is also proposing to reduce the revenue decrease to customer classes that would receive revenue decreases under the COSS by applying a "floor" on the decrease a customer class can receive. The floor applied by EPE is "50% of the indicated decrease" under EPE's COSS.

The result of applying EPE's proposed cap is a revenue shortfall of $21,084,755 since the capped classes will not recover their cost of service. Similarly, the results of applying EPE's proposed floor is a revenue over-recovery of $8,374,958 since the floored classes will over-recover their cost of service. The net of this revenue shortfall and revenue over-recovery is a net revenue shortfall of $12,709,797. EPE redistributes this net

revenue shortfall "to all rate classes proportional to their combined total revenue."[2] As explained by Mr. Carrasco, the class's "combined total revenues" used to allocate the net revenue shortfall is each class's cost of service less the initial cap amount or plus the initial floor amount.

The results of EPE's proposed gradualism and class revenue distribution is shown on Table MC-8 and on Exhibit MC-4 of the direct testimony of EPE witness Manuel Carrasco and results in subsidies as between classes, a position that is different than EPE's position in its last rate proceeding.

Q. DO YOU AGREE WITH EPE'S PROPOSED REVENUE DISTRIBUTION METHODOLOGY?

A. No. I have the following problems with EPE's proposed revenue distribution methodology:

(1) EPE incorrectly applies the floor to the Rate 41 customer class,

(2) EPE's proposed methodology for redistributing the net revenue shortfall under its gradualism proposal is flawed and should be revised, and

(3) EPE fails to show or demonstrate that its proposed class revenue distribution moves all classes closer to their cost of service and that their relative rate of return ("RROR") improves.

[2] Page 5, lines 9 through 11, of the direct testimony of EPE witness Manuel Cassrasco.

Q. PLEASE EXPLAN WHY EPE INCORRECTLY APPLIES ITS PROPOSED FLOOR TO THE RATE 41 CUSTOMER CLASS.

A. Historically, the Rate 41 customer class, which is comprised of schools, and city and county government accounts, has received a rate discount. As shown on EPE's Schedule P-1.4, line 73, the Company's COSS shows that Rate 41 customer class should receive a base rate revenue decrease of 11.09% to move to its cost of service. In other words, the current rates for the Rate 41 customer class over-recovered the cost of service by 11.09% for the test year. EPE initially applies its proposed floor of 50% to this amount, which ignores the origins of the rate class. To correctly determine the Rate 41 floor amount, the 50% floor should be applied to the allocated cost of service amount less the rate discount amount. As will be discussed in the following testimony, the rate discount for the Rate 41 customer class should be 20% below the allocated cost of service. Therefore, for the Rate 41 customer class, EPE's proposed floor of 50% of the percent decrease should be applied to the percent reduction necessary to achieve a class revenue level that is 20% below the cost of service, which is a 17.70% reduction. The floor reduction for Rate 41 under EPE's methodology should be 8.85% (17.70% x 0.5).

Q. PLEASE EXPLAIN THE BASIS FOR THE 20% BASE RATE DISCOUNT FOR THE RATE 41 CUSTOMER CLASS.

A. Since its inception over 70 years ago, Rate 41 was never intended to be based on the full cost of service. Instead, the public policy record indicates that Rate 41 was intended to

provide school districts and local governments a rate discount in exchange for franchise agreements.

In 1995 the Texas Legislature passed SB 1524 which required EPE to include El Paso Community College ("EPCC") in the Rate 41 customer class. Since the Legislature determined EPCC should be included in Rate 41 and receive the rate discount, it is doubtful that the Legislative would have taken this action if it believed the rate discount was not warranted and should be eliminated or that the rate class should be dissolved. Instead, this action indicates Legislature approval and expansion of the discount to cover other entities in the EPE service territory that should benefit. I have attached a copy of SB 1524 as my Exhibit JWD-2. There is significant public policy that supports discounting rates for the Rate 41 class.

Q. WHAT IS YOUR RECOMMENDATION AS TO THE LEVEL OF THE RATE DISCOUNT RATE 41?

A. I proposed a discount for Rate 41 class similar to the discounts provided in PURA for institutions of higher education and for military bases. Those governmental entities receive a 20% discount in base rates. For revenue distribution purposes, the 20% discount to EPE's proposed base rate revenues for Rate 41 should be included.

Q. PLEASE EXPLAIN THE PROBLEMS WITH EPE'S PROPOSED METHODOLOGY FOR REDISTRIBUTING THE NET REVENUE SHORTFALL FROM ITS GRADUALISM PROPOSAL.

A. I previously described EPE's proposed methodology for redistributing the net revenue shortfall. The problem with EPE's methodology is that it results in a double allocation of the revenue shortfall from the capped customer classes to the customer classes that are impacted by the 50% floor, for which EPE's COSS results showed were contributing in excess of their cost of service during the test year. The floor customer classes only receive 50% of the revenue decrease supported by EPE's COSS. The other 50% of their revenue decrease is a subsidy paid to other customer classes, i.e., it reduces the net revenue shortfall. EPE's proposed methodology for redistributing the net revenue shortfall results in allocating an additional amount of the subsidy to the floor customer classes that already pay a significant amount of the subsidy through the 50% floor. In effect, EPE's methodology results in a double allocation of the subsidy, or revenue shortfall, that the capped customer classes will receive under EPE's proposed gradualism methodology.

Q. WHAT IS YOUR RECOMMENDATION REGARDING THE DOUBLE ALLOCATION OF THE SUBSIDY TO BE PAID BY THE FLOOR CUSTOMER CLASSES?

A. The floor customer classes should not be allocated any amount of the net revenue shortfall since those customer classes are already paying a significant portion of the subsidy, or revenue shortfall, for the capped customer classes.

Q. HAVE YOU DEVELOPED A PROPOSED REVENUE DISTRIBUTION BASED ON CORRECTING THE FIRST TWO PROBLEMS WITH EPE'S PROPOSED REVENUE DISTRIBUTION?

A. Yes. Table 1 below, which is in the same format as EPE witness Manuel Carrasco's Table MC-8, shows the result of correcting the two flaws I discussed above with EPE's proposed revenue distribution.

Table 1

Rate	Rate Class	Base Rate Revenue @ Present Rates	Full Cost of Service *	Full Cost % Revenue Increase	Capped / Floor Cost of Service		Cap / Floor Revenue Increase %	Capped / Floored Revenue Increase $
01	Residential Service	$273,638,830	$324,724,406	18.67%	$315,133,900		15.16%	$41,495,070
02	Small General Service	$33,319,685	$29,985,897	-10.01%	$31,652,791	[2]	-5.00%	($1,666,894)
07	Outdoor Recreational Lighting	$462,980	$613,998	32.62%	$636,660		37.51%	$173,680
08	Government Street Lighting	$4,046,620	$3,063,775	-24.29%	$3,176,852		-21.49%	($869,768)
09	Traffic Signals	$95,204	$98,208	3.16%	$101,833		6.96%	$6,629
11TOU	Municipal Pumping TOU	$10,102,350	$10,158,249	0.55%	$10,533,166		4.26%	$430,816
15	Electrolytic Refining Service	$1,830,063	$2,228,715	21.78%	$2,310,971		26.28%	$480,908
WH	Water Heating Service	$474,582	$804,466	69.51%	$546,548		15.16%	$71,966
22	Irrigation Service	$423,413	$556,623	31.46%	$577,166		36.31%	$153,753
24	General Service	$125,005,740	$113,791,588	-8.97%	$119,398,664	[2]	-4.49%	($5,607,076)
25	Large Power Service	$35,955,664	$37,134,334	3.28%	$38,504,877		7.09%	$2,549,213
26	Petroleum Refinery Service	$10,964,770	$12,891,636	17.57%	$13,367,436		21.91%	$2,402,666
28	Area Lighting Service	$2,932,614	$2,636,450	-10.10%	$2,733,755		-6.78%	($198,859)
30	Electric Furnace Rate	$1,191,760	$1,500,889	25.94%	$1,556,283		30.59%	$364,523
31	Military Reservation Service	$13,009,892	$14,718,900	13.14%	$15,262,140		17.31%	$2,252,248
34	Cotton Gin Service	$132,972	$177,564	33.53%	$184,118		38.46%	$51,146
41	City and County Service	$19,126,500	$16,924,524	-11.51%	$16,333,060	[1, 2]	-14.61%	($2,793,440)
TOTAL		**$532,713,639**	**$572,010,221**	**7.38%**	**$572,010,221**		**7.38%**	**$39,296,582**

[1] Rate 41:
- Full Cost % Revenue Increase (with 20% discount to Rate 41 Cost of Service) = ($16,924,524 Full Cost of Service *.8)/Base Rate Revenue @ Present Rates $19,126,500 - 1 = -29.21%.
- Capped Floor Decrease @ Capping Level 1 (50% Floor) = -29.21% * 0.5 = -14.61% for Rate 41.
- (Rev. Req. at Capped Floor Decrease = Base Rate Revenue @ Present Rates $19,126,500 * (1+-14.61%) = $16,333,060) + (Allocation of Deficiency $0) = $16,333,060 Floor Cost of Service

[2] Capping Level 1 (50% Floor) = No allocation of deficiency.

My Exhibit JWD-3 provides the support and details for Table 1. At the Company's proposed revenue requirement, the revenue distribution provided on Table 1 above

should be approved. If the Commission's approves a lower revenue requirement, then the same customer class revenue distribution methodology should be applied to the lower revenue increase. I have not made any assessment as to the Company's proposed revenue requirement.

IV. EPE'S PROPOSED POWER FACTOR PENALTY

Q. IS EPE PROPOSING ANY NEW CHARGES TO RATE SCHEDULE NO. 41?

A. Yes. The Company's proposed Schedule No. 41 includes a new provision that penalizes Rate 41 customers with maximum demands over 250 kW if their monthly power factor is below 90%. The new proposed provision is titled "Power Factor Adjustment."

Q. GENERALLY SPEAKING, WHAT IS A POWER FACTOR ADJUSTMENT?

A. A Power Factor Adjustment is the ratio of real power (kW) to apparent power (kVA) on an electrical circuit at a certain time. If the power factor of a retail customer's load is less than a certain threshold, a utility may require the customer to improve its power factor by installing equipment, such as capacitors, on the customer's side of the meter. Until the customer takes action to improve its power factor above the required power factor, the utility may also implement a power factor penalty that increases the customer's billing kW until the power factor equals the required power factor.

Q. PLEASE DESCRIBE EPE'S PROPOSED RATE 41 POWER FACTOR PENALTY PROVISION.

A. I did not find any EPE testimony that fully described the proposed power factor penalty, nor did I find any testimony demonstrating EPE's need for such penalty, or which

supports the Company's proposal to include this power factor penalty provision in its proposed Schedule No. 41. The only mention I found in testimony is on page 64, lines 8 and 9, of the testimony of EPE witness Manuel Carrasco, which states it is being added because other rate schedules have it. The fact other rate schedules may have a power factor penalty should not be viewed as justification for its inclusion in the Rate 41 rate schedule.

In the Company's annotated proposed tariff provided in Schedule Q-8.8, the Rate 41 rate schedule identifies the following as a proposed new section in the rate schedule:

POWER FACTOR ADJUSTMENT

For Maximum Demands of 250 kw and above, if the measured power factor at the time of Maximum Demand is below 90% lagging, a power factor adjustment shall be calculated as follows:

ADJ = ((kW x .95 / PF) – kW) X DC, where

ADJ = Increase to applicable Demand Charge

kW = Monthly Measured Demand

PF = Monthly Measured Power Factor, and

DC = Demand Charge

Based on this EPE proposed tariff language, if a Rate 41 customer's power factor falls below 0.90, then the customer's metered demand is increased by a multiplier to determine the amount of kW necessary to achieve a 0.95 power factor. The multiplier is determined by dividing 0.95 by the customer's monthly power factor. For example, if a customer's monthly power factor is 0.85, the multiplier in that month would be 1.11765

(0.95 ÷ 0.85). Assuming the customer's July metered or monthly unadjusted noncoincident peak ("NCP") billing demand is 500 kW, the customer would be billed an adjusted demand of approximately 559 kW (500 kW times 1.11765), or 59 kW more than the customer's actual demand. At the Company's proposed summer demand charge for Rate 41, under the example described the customer would pay a penalty in that month of $1,457 (59 kW times $24.70 per kW). This is a significant new charge without the proper support or justification. EPE has not demonstrated a power factor adjustment is needed for Rate 41 nor have they demonstrated it will solve any identified issue.

Q. DO YOU HAVE ANY PROBLEMS WITH EPE'S PROPOSED NEW POWER FACTOR PROVISION INCLUDED IN PROPOSED RATE SCHEDULE NO. 41?

A. Yes, I do have a problem with EPE's inclusion of its proposed power factor penalty, as the Company has provided no evidence or justified as to why the new charge is necessary. As shown in the example above, the monthly penalty amount can be significant. This is a concern since many entities that take service on Rate 41 have fixed budgets. Even if substantial evidence were produced providing that such a charge is justified and equitable, customers should be given significant notice by EPE prior to implementation of the proposed power factor penalty. The notice period should be of sufficient length (at least one year) to allow customers time to install capacitors to correct any low power factors, as well as an education campaign to educate customers as to how to understand and react to this new charge.

Q. IS THERE ANOTHER REASON THAT THE PROPOSED NEW RATE 41 POWER FACTOR PENALTY PROVISION SHOULD NOT BE IMPLEMENTED FOR A LEAST ONE YEAR?

A. Yes. Not only has EPE failed to explain or support its Rate 41 power factor penalty proposal, EPE has failed to quantify the additional annual revenues it expects to collect from Rate 41 customers for this new charge. These additional revenues should be included in the rate design calculation, which would have resulted in lower demand rates. This problem further supports the need for a delayed implementation period, or even postponing its implementation until EPE's next rate case to allow for further analysis, including revenue impacts. Without identifying the additional revenues EPE could gain by implementing the Rate 41 power factor penalty proposal the Commission will not be able to ensure EPE is not over collecting from ratepayers.

Q. ARE YOU AWARE OF ANY OTHER UTILITIES THAT PROVIDED A CUSTOMER NOTICE PERIOD PRIOR TO IMPLEMENTING A NEW POWER FACTOR PENALTY?

A. Yes. In Sharyland Utilities' 2015 rate case in Docket No. 41474, Sharyland included a new power factor penalty provision in its proposed rate schedules. The Commission's Order in that docket stated that "Sharyland shall not enforce the Power Factor Adjustment Charge (PFAC) without providing 12 months prior notice to its customers." In that proceeding the Commission accurately identified the fact that customers need prior notice to adjust to new and unexpected penalties.

V. EPE'S PROPOSED RATE 41 RATE DESIGN CHANGES

Q. IS EPE PROPOSING TO CHANGE THE RATE STRUCTURE FOR THE RATE 41?

A. Yes. EPE witness Manuel Carrasco lists the proposed Rate 41 rate structure changes on page 63, lines 14 through 24, of his direct testimony. This testimony states:

> For the Standard Service Rate, EPE is proposing to
>
> (1) set the monthly Customer Charge to collect all the customer-related costs;
>
> (2) shorten the summer season from six months (May through October) to four months (June through September);
>
> (3) increase the price differential between summer and non-summer Demand and Energy charges; and
>
> (4) eliminate the declining block Energy Charge structure and replace it with a flat Energy Charge.
>
> For the Alternative Time-of-Day ("TOD") Rate, EPE is proposing to set the monthly Customer Charge, the Demand Charge, and the Non-Summer Energy equal to those under the Standard Service Rate.
>
> EPE provides little or no support for these rate design changes. For example, as shown on EPE workpaper WP/Q-7(a) for Rate 41, EPE is proposing to recover 30% of the production demand-related costs in the energy charge. EPE also proposes to recover 65% of the remaining production demand-related costs during the summer months and 35% during the non-summer months. None of these rate design assumptions or factors are

mentioned in testimony or supported with any cost analysis, they are merely changes without support or justification. A copy of WP/Q-7(a) for Rate 41is provided as my Exhibit JWD-4.

As shown on page 9 of EPE witness Manuel Carrasco's Exhibit MC-6, some energy rates increase by up to 486% while some demand charges decrease by as much as (44%). These substantial changes can have drastic impacts on customers, depending on their load factors and seasonal usage patterns.

Q. HAS EPE PROVIDED ANY BILL IMPACT ANALYSIS TO SHOW HOW ITS PROPOSED CHANGES TO THE RATE 41 RATE STRUCTURE IMPACTS THE RATE 41 CUSTOMERS?

A. No. Despite these significant rate design changes, EPE has failed to provide any analysis as to the impact on individual or typical Rate 41 customers. Failure to provide this customer impact information when proposing significant rate structure changes is reckless, especially for service to customers on fixed budgets like schools and government accounts. The Commission should not approve significant rate structure changes without knowing the impacts on customers. While some of EPE's rate design objectives may be fine, it could be that intra-class gradualism is needed to moderate large customer impacts similar to EPE's gradualism proposal for the inter-class revenue distribution to moderate large customer class impacts. For example, in EPE's last rate case it proposed a different rate structure change for Rate 41 than it is proposing in this case. The prior rate structure proposal also included a change to entirely eliminate the

declining block energy charge in one case. That proposed rate design resulted in Rate 41 customer bill impacts that ranged from an increase of 27% to a decrease of (54%). The approved stipulation in the last rate case did not use EPE's proposed Rate 41 rate structure.

VI. SUMMARY AND CONCLUSIONS

Q. PLEASE SUMMARIZE YOUR CONCLUSIONS AND RECOMMENDATIONS.

A. Based upon my review and analysis, I have reached the following conclusions and recommendations:

(1) EPE's proposed base rate revenue increase distribution to the rate classes fails to recognize the Rate 41 rate discount that is supported by history, public policy, and legislative intent.

(2) EPE's proposed base rate revenue increase distribution methodology incorrectly assigns two separate subsidy amounts to be paid by the three customer classes, including the Rate 41 customer class that should receive rate decreases per their allocated cost of service.

(3) EPE's proposed new power factor penalty provision for Rate 41 is not supported and should not be approved. If approved in this case, it should not be implemented until 12 months after the Commission's Order.

(4) EPE's proposed rate design changes to Rate 41 have not been supported and EPE has not provided customer bill impacts resulting from the rate design changes. The current rate design should be maintained.

Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?

A. Yes

EXHIBIT JWD-1

LIST OF TESTIMONY, AFFIDAVITS, AND EXPERT REPORTS

LIST OF TESTIMONY, AFFIDAVITS, AND EXPERT REPORTS PRESENTED IN REGULATORY AND COURT PROCEEDINGS BY JAMES W. DANIEL

DATE	REGULATORY AGENCY/COURT	DOCKET	UTILITY INVOLVED
1/1/1976	Federal Power Commission	ER76-530	Arizona Public Service Company
2/76	South Dakota Public Utility Commission	F-3055	Northwestern Public Service Company
5/79	Federal Energy Regulatory Commission	78-379; 380; 381; 382; 383	Indiana & Michigan Electric Company
11/80	New Mexico Public Service Commission	1627	Kit Carson Electric Cooperative (Direct Testimony)
6/81	Arizona Corporation Commission	9962-E-1032	Citizens Utilities Company
9/81	Federal Energy Regulatory Commission	ER81-179	Arizona Public Service Commission (Direct Testimony)
3/84	Texas Public Utility Commission	5640	Texas Utilities Electric Company
4/2/1984	Public Utility Commission of Texas	5560	Gulf States Utility Company (Direct Testimony)
7/3/84	Texas Public Utility Commission	5640	Texas Utilities Electric Company (Direct Testimony)
11/15/1984	Texas Public Utility Commission	5709	Texas Utilities Electric Company (Direct Testimony)
1/85	Federal Energy Regulatory Commission	ER84-568-000	Gulf States Utilities Company (Direct Testimony)
11/20/1985	Federal Energy Regulatory Commission	ER85-538-001	Gulf States Utilities Company (Direct Testimony)
1/7/86	Louisiana Public Service Commission	U-16510	Central Louisiana Electric Company (Direct Testimony)
3/10/86	Texas Public Utility Commission	6677	Texas Utilities Electric Company
3/14/86	Federal Energy Regulatory Commission	ER85-538-001	Gulf States Utilities Company Rebuttal and Surrebuttal Testimony)
6/20/88	Texas Public Utility Commission	8032	Lower Colorado River Authority (Direct Testimony)
7/15/88	Texas Public Utility Commission	8032	Lower Colorado River Authority (Supplemental Direct Testimony)

LIST OF TESTIMONY, AFFIDAVITS, AND EXPERT REPORTS PRESENTED IN REGULATORY AND COURT PROCEEDINGS BY JAMES W. DANIEL

DATE	REGULATORY AGENCY/COURT	DOCKET	UTILITY INVOLVED
3/7/90	Texas Public Utility Commission	9165	El Paso Electric Company (Direct Testimony)
4/12/90	Texas Public Utility Commission	9300	Texas Utilities Electric Company (Direct Testimony - Revenue Requirements Phase)
5/1/90	Texas Public Utility Commission	9300	Texas Utilities Electric Company (Direct Testimony - Phase II - Rate Design)
7/6/90	Texas Public Utility Commission	9300	Texas Utilities Electric Company (Supplemental Testimony - Revenue Requirements)
7/10/90	Texas Public Utility Commission	9427	Lower Colorado River Authority (Direct Testimony - Rate Design)
7/30/90	Texas Public Utility Commission	9427	Lower Colorado River Authority (Rebuttal Testimony - Rate Design)
8/23/90	Texas Public Utility Commission	9561	Central Power & Light Company (Direct Testimony - Rate Design)
1/11/91	Texas Public Utility Commission	9427	Lower Colorado River Authority (Rebuttal Testimony)
9/24/91	Texas Public Utility Commission	10404	Guadalupe Valley Electric Cooperative (Direct Testimony)
12/91	Rate Area 2&3 Nebraska Municipalities	N/A	Peoples Natural Gas Company
7/31/92	Texas Public Utility Commission	11266	Guadalupe-Blanco River Authority (Direct Testimony)
8/7/92	State Corporation Commission of Kansas	180,416-U	Peoples Natural Gas Company (Direct Testimony)
9/8/92	Texas Public Utility Commission	11266	Guadalupe-Blanco River Authority (Direct Testimony)
9/92	Texas Public Utility Commission	10894	Gulf States Utilities Company (Direct Testimony)
5/93	Texas Public Utility Commission	11735	Texas Utilities Electric Company (Rebuttal Testimony)
6/93	Texas Public Utility Commission	11892	Generic Proceeding Regarding Purchased Power (Direct Testimony)

LIST OF TESTIMONY, AFFIDAVITS, AND EXPERT REPORTS PRESENTED IN REGULATORY AND COURT PROCEEDINGS BY JAMES W. DANIEL

DATE	REGULATORY AGENCY/COURT	DOCKET	UTILITY INVOLVED
09/08/93	State Corporation Commission of Kansas	186,363-U	KN Energy (Direct Testimony)
09/94	State Corporation Commission of Kansas	190,362-U	Kansas Natural Pipeline and Kansas Natural Partnership (Direct Testimony)
10/17/94	Texas Public Utility Commission	12820	Central Power and Light Company (Direct Testimony)
11/15/1994	City of Houston	NA	Houston Lighting and Power Company (Direct Testimony)
11/15/1994	Texas Public Utility Commission	12065	Houston Lighting and Power Company (Direct Testimony - Revenue Requirements Phase)
12/12/1994	Texas Public Utility Commission	12820	Central Power & Light Company (Supplemental Testimony)
1/10/1995	Texas Public Utility Commission	12065	Houston Lighting & Power Company (Direct Testimony - Rate Design Phase)
5/23/95	Federal Energy Regulatory Commission	TX94-4-000	Texas Utilities Electric Company and Southwestern Electric Service (Affidavit)
8/7/95	Texas Public Utility Commission	13369	West Texas Utilities Company Rebuttal Testimony - Rate Design Phase)
10/31/95	Texas Public Utility Commission	14435	Southwestern Electric Power Company (Direct Testimony)
11/95	Rate Area 3 Nebraska Municipalities	N/A	Peoples Natural Gas Company (Municipal Report)
02/07/96	Federal Energy Regulatory Commission	TX96-2-000	City of College Station, Texas (Affidavit)
5/15/96	Texas Public Utility Commission	14965	Central Power & Light Company (Direct Testimony)
5/29/1996	Texas Public Utility Commission	14965	Central Power & Light Company (Rebuttal Testimony)
07/19/96	Texas Public Utility Commission	15766	City of Bryan, Texas (Direct Testimony)
8/29/1996	Texas Public Utility Commission	15296	City of Bryan, Texas (Direct Testimony)

LIST OF TESTIMONY, AFFIDAVITS, AND EXPERT REPORTS PRESENTED IN REGULATORY AND COURT PROCEEDINGS BY JAMES W. DANIEL

DATE	REGULATORY AGENCY/COURT	DOCKET	UTILITY INVOLVED
08/07/96	State of Illinois Commerce Commission	96-0245 & 96-0248	Commonwealth Edison Company (Direct Testimony)
09/06/96	Texas Public Utility Commission	15643	Central Power & Light Company and West Texas Utilities Company (Direct Testimony)
9/17/1996	Texas Public Utility Commission	15296	City of Bryan, Texas (Rebuttal Testimony)
09/18/96	Texas Public Utility Commission	15638	Texas Utilities Electric Company (Direct Testimony)
10/22/96	Texas Natural Resource Conservation Commission	96-0652-UCR	Longbranch Associates, L.P. (Direct Testimony)
08/05/97	Arkansas Public Service Commission	97-019-U	Arkansas Western Gas Company (Direct Testimony)
08/06/97	Texas Public Utility Commission	16705	Entergy Texas (Direct Testimony)
08/25/97	Texas Public Utility Commission	16705	Entergy Texas (Rebuttal Testimony - Rate Design Phase)
09/23/97	Arkansas Public Service Commission	97-019-U	Arkansas Western Gas Company Surrebuttal Testimony
09/30/97	Texas Public Utility Commission	16705	Entergy Texas (Direct Testimony - Competitive Issues Phase)
12/97	United States Tax Court	7685-96 and 4979-97	Lykes Energy, Inc. (Report)
12/97	Condemnation Court Appointed by the Supreme Court of Nebraska	13880	Peoples Natural Gas
12/1/1997	Condemnation Court Appointed by the Supreme Court of Nebraska	NA	Peoples Natural Gas Company (Report to City of Wahoo, Nebraska)
8/1/1998	Condemnation Court Appointed by the Supreme Court of Nebraska	101	Peoples Natural Gas (Report to City of Scribner, Nebraska)

LIST OF TESTIMONY, AFFIDAVITS, AND EXPERT REPORTS PRESENTED IN REGULATORY AND COURT PROCEEDINGS BY JAMES W. DANIEL

DATE	REGULATORY AGENCY/COURT	DOCKET	UTILITY INVOLVED
10/98	Federal Energy Regulatory Commission	EL-99-6-000	Entergy Gulf States, Inc. (Affidavit)
10/19/1998	Federal Energy Regulatory Commission	TX98-	Gulf States Utilities Company (Affidavit)
12/31/1998	Texas Public Utility Commission	20292	Sharyland Utilities, L.P. (Direct Testimony)
3/11/1999	Texas Public Utility Commission	20292	Sharyland Utilities, L.P. (Supplemental Testimony)
4/30/1999	Texas Public Utility Commission	20292	Sharyland Utilities, L.P. (Rebuttal Testimony)
7/16/1999	Texas Public Utility Commission	19265	Central and South West Corporation and American Electric Power Company, Inc. (Direct Testimony)
11/1/1999	Texas Public Utility Commission	21591	Sharyland Utilities, L.P. (Direct Testimony)
11/24/1999	Texas Public Utility Commission	21528	Central Power and Light Company (Direct Testimony)
1/27/2000	Texas Railroad Commission	8976	Texas Utilities Company Lone Star Pipeline (Direct Testimony)
3/31/2000	Texas Public Utility Commission	22348	Sharyland Utilities, L.P. (Direct Testimony)
08/2000	Texas Public Utility Commission	20624	Reliant Energy HL&P (Direct Testimony)
10/16/2000	Texas Public Utility Commission	22344	Generic Issues Associated with Unbundled Cost of Service Rate (Direct Testimony)
10/23/2000	Texas Public Utility Commission	21956	Reliant Energy, Inc. (Direct Testimony)
11/14/2000	Texas Public Utility Commission	22350	TXU Electric Company (Direct Testimony)

LIST OF TESTIMONY, AFFIDAVITS, AND EXPERT REPORTS PRESENTED IN REGULATORY AND COURT PROCEEDINGS BY JAMES W. DANIEL

DATE	REGULATORY AGENCY/COURT	DOCKET	UTILITY INVOLVED
11/17/2000	Texas Public Utility Commission	22352	Central Power and Light Company (Direct Testimony)
12/12/2000	Texas Public Utility Commission	22355	Reliant Energy HL&P (Direct - Final Phase) (Direct Testimony)
12/21/2000	Texas Public Utility Commission	22355	Reliant Energy HL&P (Direct Testimony - Rate Case Expense Phase)
12/29/2000	Texas Public Utility Commission	22355	Reliant Energy HL&P (Supplemental & Rebuttal Testimonies)
7/5/2001	Texas Public Utility Commission	23950	Reliant Energy (Direct Testimony)
9/6/2001	Texas Public Utility Commission	24239	Mutual Energy CPL, LP (Direct Testimony)
4/22/2002	State Corporation Commission of Kansas	02-WSRE-301-RTS	Western Resources, Inc. and Kansas Gas and Electric Company (Direct Testimony)
6/19/2002	Federal Energy Regulatory Commission	TX96-2-000	City of College Station, Texas (Direct Testimony)
8/5/2002	Oklahoma Corporation Commission	200100455	Oklahoma Gas and Electric Company (Responsive Testimony)
12/31/2002	Texas Public Utility Commission	26195	CenterPoint Energy Houston Electric, LLC (Direct Testimony)
4/24/2003	Texas Public Utility Commission	25089	Market Protocols for the Portions of Texas Within the Southeastern Reliability Council (Rebuttal Testimony)
6/9/2003	Texas Public Utility Commission	25089	Market Protocols for the Portions of Texas Within the Southeastern Reliability Council (Supplemental Direct Testimony)
7/11/2003	State Corporation Commission of Kansas	03-KGSG-602-RTS	Kansas Gas Service, a Division of ONEOK, Inc. (Direct Testimony)
8/11/2003	Texas Public Utility Commission	25089	Market Protocols for the Portions of Texas Within the Southeastern Reliability Council (Second Supplemental Direct Testimony)

LIST OF TESTIMONY, AFFIDAVITS, AND EXPERT REPORTS PRESENTED IN REGULATORY AND COURT PROCEEDINGS BY JAMES W. DANIEL

DATE	REGULATORY AGENCY/COURT	DOCKET	UTILITY INVOLVED
8/18/2003	State Corporation Commission of Kansas	03-KGSG-602-RTS	Kansas Gas Service, a Division of ONEOK, Inc. (Supplemental Testimony)
10/29/2003	Federal Energy Regulatory Commission	ER04-35-000	Entergy Services, Inc. (Affidavit)
11/5/2003	Texas Public Utility Commission	26195	CenterPoint Energy Houston Electric, LLC (Supplemental Direct Testimony)
2/9/2004	Texas Public Utility Commission	28840	AEP Texas Central Company (Direct Testimony)
6/1/2004	Texas Public Utility Commission	29526	CenterPoint Energy Houston Electric, LLC, Reliant Energy Retail Services, LLC, and Texas Genco, LP (Direct Testimony)
8/19/2004	Texas Public Utility Commission	28813	Cap Rock Energy Corporation (Affidavit)
8/30/2004	Texas Public Utility Commission	28813	Cap Rock Energy Corporation (Direct Testimony)
1/7/2005	Texas Public Utility Commission	30485	CenterPoint Energy Houston Electric, LLC (Direct Testimony)
3/16/2005	Texas Public Utility Commission	30706	CenterPoint Energy Houston Electric, LLC (Direct Testimony)
6/9/2005	Texas Public Utility Commission	29801	Southwestern Public Service Company (Direct Testimony)
9/2/2005	Texas Public Utility Commission	31056	AEP Texas Central Company and CPL Retail Energy, LP (Direct Testimony)
9/9/2005	State Corporation Commission of Kansas	05-WSEE-981-RTS	Westar Energy, Inc. and Kansas Gas and Electric Company (Direct Testimony)
9/29/2005	Georgia Public Service Commission	20298-U	Atmos Energy Corporation (Direct Testimony)
4/24/2006	Texas Public Utility Commission	32475	AEP Texas Central Company (Cross Answering Testimony)

LIST OF TESTIMONY, AFFIDAVITS, AND EXPERT REPORTS PRESENTED IN REGULATORY AND COURT PROCEEDINGS BY JAMES W. DANIEL

DATE	REGULATORY AGENCY/COURT	DOCKET	UTILITY INVOLVED
8/11/2006	Texas Public Utility Commission	32093	CenterPoint Energy Houston Electric, LLC (Direct Testimony)
8/23/2006	Texas Public Utility Commission	32795	Reallocation of Stranded Costs Pursuant to PURA §139.253(f) (Direct Testimony)
8/24/2006	Texas Public Utility Commission	32758	AEP Texas Central Company (Direct Testimony)
12/22/2006	Texas Public Utility Commission	32766	Southwestern Public Service Company (Direct Testimony)
3/13/2007	Texas Public Utility Commission	33309	AEP Texas Central Company (Direct Testimony)
3/19/2007	State Corporation Commission of Kansas	07-AQLG-431-RTS	Aquila Networks-KGO (Direct Testimony)
4/27/2007	Texas Public Utility Commission	33687	Entergy Gulf States, Inc. (Direct Testimony)
7/11/2007	Texas Public Utility Commission	33823	CenterPoint Energy Houston Electric, LLC (Direct Testimony)
7/13/2007	Texas Public Utility Commission	33687	East Texas Cooperatives (Supplemental Testimony)
1/11/2008	Texas Public Utility Commission	35219	Guadalupe Valley Electric Cooperative, Inc (Direct Testimony)
1/29/2008	Texas Public Utility Commission	35287	Sharyland Utilities, L.P. (Direct Testimony)
7/1/2008	Georgia Public Service Commission	27163	Atmos Energy Corporation (Direct Testimony)
9/16/2008	Texas Public Utility Commission	34442	JD Wind (Direct Testimony)
9/29/2008	State Corporation Commission of the State of Kansas	08-WSEE-1041-RTS	Westar Energy, Inc. and Kansas Gas and Electric Company (Direct Testimony)
10/13/2008	Texas Public Utility Commission	35763	Southwestern Public Services Company (Direct Testimony)

LIST OF TESTIMONY, AFFIDAVITS, AND EXPERT REPORTS PRESENTED IN REGULATORY AND COURT PROCEEDINGS BY JAMES W. DANIEL

DATE	REGULATORY AGENCY/COURT	DOCKET	UTILITY INVOLVED
11/26/2008	Texas Public Utility Commission	35717	Oncor Electric Delivery Company (Direct Testimony)
6/26/2009	State Corporation Commission of the State of Kansas	09-WSEE-641-GIE	Westar Energy, Inc. and Kansas Gas and Electric Company (Direct Testimony)
6/29/2009	Texas Public Utility Commission	36918	CenterPoint Energy Houston Electric, LLC (Direct Testimony)
9/30/2009	State Corporation Commission of the State of Kansas	09-WSEE-925-RTS	Westar Energy, Inc. and Kansas Gas and Electric Company (Direct Testimony)
7/10/2010	Pennsylvania Public Utility Commission	R-2010-2161575, et. al.	PECO Energy Company (Direct Testimony)
9/3/2010	Texas Public Utility Commission	38324	Oncor Electric Delivery Company, LLC (Direct Testimony)
9/10/2010	Texas Public Utility Commission	38339	CenterPoint Energy Houston Electric, LLC (Direct Testimony)
9/24/2010	Texas Public Utility Commission	38339	CenterPoint Energy Houston Electric, LLC (Cross-Rebuttal Testimony)
9/27/2010	Texas Public Utility Commission	38324	Oncor Electric Delivery Company, LLC (Cross-Rebuttal Testimony)
11/5/2010	Texas Public Utility Commission	38577	Modification of CREZ Transmission Plan (Direct Testimony)
2/4/2011	Texas Railroad Commission	GUD 10038	CenterPoint Energy Texas Gas (Direct Testimony)
3/1/2011	Texas Public Utility Commission	39070	Sharyland Utilities, L.P. (Direct Testimony)
10/19/2011	Texas Public Utility Commission	39856	Guadelupe Valley Electric Cooperative (Direct Testimony)
5/1/2012	Texas Public Utility Commission	40364	Sharyland Utitilies, L.P. (Direct Testimony)

LIST OF TESTIMONY, AFFIDAVITS, AND EXPERT REPORTS PRESENTED IN REGULATORY AND COURT PROCEEDINGS BY JAMES W. DANIEL

DATE	REGULATORY AGENCY/COURT	DOCKET	UTILITY INVOLVED
5/15/2012	Delaware Public Service Commisison	11-528	Delmarva Power & Light Company (Direct Testimony)
11/2/2012	Florida Public Service Commission	120015-EI	Florida Power & Light Company (Direct Testimony)
2/20/2013	Texas Public Utility Commission	40627	Westlake United Methodist Church (Cross-Rebuttal Testimony)
4/30/2013	Texas Public Utility Commission	41438	Sharyland Utilities, L.P. (Direct Testimony)
5/31/2013	Texas Public Utility Commission	41474	Sharyland Utilities, L.P. (Direct Testimony)
8/27/2013	Texas Public Utility Commission	41794	Sharyland Utilities, L.P. (Direct Testimony)
11/7/2013	Texas Public Utility Commission	41474	Sharyland Utilities, L.P. (Rebuttal Testimony)
1/2/2014	Texas Public Utility Commission	42133	Sharyland Utilities, L.P. (Direct Testimony)
1/9/2014	Michigan Public Service Commission	U-17437	DTE Electric Company (Direct Testimony)
5/19/2014	Public Service Commission of West Virginia	14-0344-E-GI	SWVA, Inc. (Direct Testimony)
6/17/2014	Texas Public Utility Commission	42087	The Hillwood Group (Direct Testimony)
7/23/2014	Texas Public Utility Commission	42699	Sharyland Utilities, L.P. (Direct Testimony)
8/6/2014	Virginia State Corporation Commission	2014-00026	Steel Dynamics, Inc. (Direct Testimony)
8/15/2014	Texas Public Utility Commission	42767	Sharyland Utilities, L.P. (Direct Testimony)
12/18/2014	Public Service Commission of West Virginia	14-1152-E-42T	SWVA, Inc. (Direct Testimony)

LIST OF TESTIMONY, AFFIDAVITS, AND EXPERT REPORTS PRESENTED IN REGULATORY AND COURT PROCEEDINGS BY JAMES W. DANIEL

DATE	REGULATORY AGENCY/COURT	DOCKET	UTILITY INVOLVED
1/23/2015	Texas Public Utility Commission	44361	Sharyland Utilities, L.P. (Direct Testimony)
2/10/2015	Texas Public Utility Commission	44438	Sharyland Utilities, L.P. (Direct Testimony)
4/8/2015	Texas Public Utility Commission	44620	Sharyland Utilities, L.P. (Direct Testimony)
5/13/2015	Regulatory Commission of Alaska	U-14-111	Municipal Light & Power, Municipality of Anchorage (Direct Testimony)
5/19/2015	West Virginia Public Service Commission	15-0301-E-GI	SWVA, Inc. (Direct Testimony)
6/15/2015	Oregon Public Utility Commission	UE 294	Industrial Customers of Northwest Utilities (Direct Testimony)
9/8/2015	Texas Public Utility Commission	44620	Sharyland Utilities, L.P. (Rebuttal Testimony)
10/23/2015	Oklahoma Corporation Commission	201500208	Public Service Company of Oklahoma (Responsive Testimony)
12/11/2015	Texas Public Utility Commission	44941	The Rate 41 Group (Direct Testimony)
1/11/2016	Texas Public Utility Commission	44941	The Rate 41 Group (Supplemental Testimony)
3/21/2016	Oklahoma Corporation Commission	201500273	Oklahoma Attorney General (Responsive Testimony)
3/31/2016	Oklahoma Corporation Commission	201500273	Oklahoma Attorney General (Responsive Testimony)
4/20/2016	Texas Public Utility Commission	45875	Sharyland Utilities, L.P. (Direct Testimony)
4/29/2016	Texas Public Utility Commission	45414	Sharyland Utilities, L.P. (Direct Testimony)
6/29/2016	West Virginia Public Service Commission	15-1734-E-T-PC	SWVA, Inc. (Direct Testimony)
8/4/2016	Texas Public Utility Commission	46236	Sharyland Utilities, L.P. (Direct Testimony)
12/6/2016	Texas Public Utility Commission	46042	City of Lubbock (Direct Testimony)

LIST OF TESTIMONY, AFFIDAVITS, AND EXPERT REPORTS PRESENTED IN REGULATORY AND COURT PROCEEDINGS BY JAMES W. DANIEL

DATE	REGULATORY AGENCY/COURT	DOCKET	UTILITY INVOLVED
12/28/2016	Texas Public Utility Commission	46710	Guadalupe Valley Electric Cooperative, Inc. (Direct Testimony)
12/30/2016	Texas Public Utility Commission	45414	Sharyland Utilities, L.P. & SDTS, LLC (Direct Testimony)
2/7/2017	Regulatory Commission of Alaska	U-16-066	ENSTAR Natural Gas Company (Responsive Testimony)
3/7/2017	Texas Public Utility Commission	45414	Sharyland Utilities, L.P. & SDTS, LLC (Rebuttal Testimony)
4/6/2017	Public Service Commission of Utah	16035-036	Office of Consumer Services (Direct Testimony)
4/27/2017	Public Service Commission of Utah	16035-036	Office of Consumer Services (Rebuttal Testimony)
6/23/2017	Texas Public Utility Commission	46831	Rate 41 Group (Direct Testimony)
7/21/2017	Texas Public Utility Commission	46831	Rate 41 Group (Cross Rebuttal Testimony)
10/2/2017	Texas Public Utility Commission	46936	Golden Spread Electric Cooperative, Inc. (Direct Testimony)
10/7/2017	Texas Public Utility Commission	47576	City of Lubbock (Direct Testimony)
12/4/2017	Texas Public Utility Commission	47461	ETEC/NTEC (Direct Testimony)
1/4/2018	Texas Public Utility Commission	47576	City of Lubbock (Rebuttal Testimony)
6/29/2018	Pennsylvania Public Utility Commission	R-2018-3000124	Peoples Natural Gas Company (Rebuttal Testimony)
8/6/2018	Pennsylvania Public Utility Commission	R-2018-3000124	Peoples Natural Gas Company (Surrebuttal Testimony)
1/14/2019	Railroad Commission of Texas	10779	Atmos Texas Municipalities Coalition (Direct Testimony)
10/28/2019	Texas Public Utility Commission	49849	Rate 41 Group (Direct Testimony)
11/14/2019	Utah Public Utility Commission	19-057-02	Office of Consumer Services (Direct Testimony)

LIST OF TESTIMONY, AFFIDAVITS, AND EXPERT REPORTS PRESENTED IN REGULATORY AND COURT PROCEEDINGS BY JAMES W. DANIEL

DATE	REGULATORY AGENCY/COURT	DOCKET	UTILITY INVOLVED
12/13/2019	Utah Public Utility Commission	19-057-02	Office of Consumer Services (Rebuttal Testimony)
1/6/2020	Utah Public Utility Commission	19-057-02	Office of Consumer Services (Surrebuttal Rebuttal Testimony)
1/14/2020	Texas Public Utility Commission	49737	ETEC/NTEC (Direct Testimony)
2/13/2020	Federal Energy Regulatory Commission	RP19-1353	Northern Municipal Distributors Group/Midwest Region Gas Task Force Association (Answering Testimony)
3/23/2021	Texas Public Utility Commission	51611	Sharyland Utilities, L.L.C. (Direct Testimony)
3/31/2021	Texas Public Utility Commission	51415	Nucor Steel Longview, LLC (Direct Testimony)

EXHIBIT JWD-2

SENATE BILL 1524, 1995 TEXAS LEGISLATURE

By: Rosson S.B. No. 1524

(In the Senate - Filed March 13, 1995; March 21, 1995, read first time and referred to Committee on State Affairs; May 12, 1995, reported favorably, as amended, by the following vote: Yeas 11, Nays 0; May 12, 1995, sent to printer.)

COMMITTEE AMENDMENT NO. 1 By: Rosson

Amend S.B. No. 1524 on line 9 (committee printing line 19) by inserting the following between the words "university" and "and":

"prior to January 1, 1995,".

A BILL TO BE ENTITLED
AN ACT

relating to the composition of a rate class for electric service.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

SECTION 1. Article VI, Public Utility Regulatory Act (Article 1446c, Vernon's Texas Civil Statutes), is amended by adding Section 45A to read as follows:

Sec. 45A. Notwithstanding any other provision of this Act, where the commission, for electric service, has approved the establishment of a separate rate class for a university and where the commission has grouped public schools in a separate rate class, the commission shall include any community college in the rate class containing public school customers.

SECTION 2. This Act takes effect September 1, 1995.

SECTION 3. The importance of this legislation and the crowded condition of the calendars in both houses create an emergency and an imperative public necessity that the constitutional rule requiring bills to be read on three several days in each house be suspended, and this rule is hereby suspended.

* * * * *

BILL ANALYSIS

S.B. 1524
By: Rosson
State Affairs
5-12-95
Committee Report (Amended)

BACKGROUND

As a result of recent action by the Public Utility Commission (commission), a separate university rate class has been established for a community college located in the service territory of El Paso Electric Company. At the same time, the commission is contemplating establishing a "public school" rate class. The community college is not classified as a public school for ratemaking purposes, even though it performs many of the same functions.

PURPOSE

As proposed, S.B. 1524 requires a community college to be in the rate class for electric service containing public school customers under certain circumstances.

RULEMAKING AUTHORITY

It is the committee's opinion that this bill does not grant any additional rulemaking authority to a state officer, institution, or agency.

SECTION BY SECTION ANALYSIS

SECTION 1. Amends Article VI, Article 1446c, V.T.C.S. (Public Utility Regulatory Act), by adding Section 45A, to require the Public Utility Commission, where the commission has approved the establishment of a separate rate class for a university prior to January 1, 1995, and for public schools for electric service, to include any community college in the rate class containing public school customers.

SECTION 2. Effective date: September 1, 1995.

SECTION 3. Emergency clause.

EXHIBIT JWD-3

SUPPORT FOR TABLE 1

Table 1

Line No.	Rate	Rate Class	Base Rate Revenue @ Present Rates	Full Cost of Service *	Full Cost % Revenue Increase	Capped / Floor Cost of Service	Cap / Floor Revenue Increase %	Capped / Floored Revenue Increase $
1	01	Residential Service	$273,638,830	$324,724,406	18.67%	$315,133,900	15.16%	$41,495,070
2	02	Small General Service	$33,319,685	$29,985,897	-10.01%	$31,652,791 [2]	-5.00%	($1,666,894)
3	07	Outdoor Recreational Lighting	$462,980	$613,998	32.62%	$636,660	37.51%	$173,680
4	08	Government Street Lighting	$4,046,620	$3,063,775	-24.29%	$3,176,852	-21.49%	($869,768)
5	09	Traffic Signals	$95,204	$98,208	3.16%	$101,833	6.96%	$6,629
6	11TOU	Municipal Pumping TOU	$10,102,350	$10,158,249	0.55%	$10,533,166	4.26%	$430,816
7	15	Electrolytic Refining Service	$1,830,063	$2,228,715	21.78%	$2,310,971	26.28%	$480,908
8	WH	Water Heating Service	$474,582	$804,466	69.51%	$546,548	15.16%	$71,966
9	22	Irrigation Service	$423,413	$556,623	31.46%	$577,166	36.31%	$153,753
10	24	General Service	$125,005,740	$113,791,588	-8.97%	$119,398,664 [2]	-4.49%	($5,607,076)
11	25	Large Power Service	$35,955,664	$37,134,334	3.28%	$38,504,877	7.09%	$2,549,213
12	26	Petroleum Refinery Service	$10,964,770	$12,891,636	17.57%	$13,367,436	21.91%	$2,402,666
13	28	Area Lighting Service	$2,932,614	$2,636,450	-10.10%	$2,733,755	-6.78%	($198,859)
14	30	Electric Furnace Rate	$1,191,760	$1,500,889	25.94%	$1,556,283	30.59%	$364,523
15	31	Military Reservation Service	$13,009,892	$14,718,900	13.14%	$15,262,140	17.31%	$2,252,248
16	34	Cotton Gin Service	$132,972	$177,564	33.53%	$184,118	38.46%	$51,146
17	41	City and County Service	$19,126,500	$16,924,524	-11.51%	$16,333,060 [1,2]	-14.61%	($2,793,440)
18	TOTAL		$532,713,639	$572,010,221	7.38%	$572,010,221	7.38%	$39,296,582
19								

20 [1] Rate 41:
- Full Cost % Revenue Increase (with 20% discount to Rate 41 Cost of Service) = ($16,924,524 Full Cost of Service *.8)/Base Rate Revenue @ Present Rates $19,126,500 - 1 = -29.21%.
- Capped Floor Decrease @ Capping Level 1 (50% Floor) = -29.21% * 0.5 = -14.61% for Rate 41.
- (Rev. Req. at Capped Floor Decrease = Base Rate Revenue @ Present Rates $19,126,500 * (1+-14.61%) = $16,333,060) + (Allocation of Deficiency $0) = $16,333,060 Floor Cost of Service

21 [2] Capping Level 1 (50% Floor) = No allocation of deficiency.

Line	Description	Total Texas	R01-Residential	R02-Small Gen Serv	R07-Rec Light	R08-Street Light	R09-Traffic Signs	R11TOU-Muni Pump
1	DEC COMPONENTS							
2	PRODUCTION	$273,171,156	$149,477,307	$13,186,355	$79,537	$656,720	$46,453	$4,450,493
3	TRANSMISSION	60,924,311	34,149,096	3,154,658	26,430	26,265	8,975	974,643
4	DISTRIBUTION	122,200,292	75,027,585	6470,601	401,535	628,075	14,624	2,615,586
5	TOTAL DEMAND	$456,295,758	$258,653,988	$22811,614	$507,503	$1,311,060	$70,052	$8,040,722
6	TOTAL ENERGY	64,110,397	28,959,425	3105,321	44,796	381,735	20,186	1,684,636
7	TOTAL CUSTOMER	54,125,262	38,632,461	4221,248	64,298	1,385,993	8,383	472,148
8	TOTAL DEC COMPONENTS	$574,531,417	$326,245,874	$30,138,183	$616,597	$3,078,789	$98,620	$10,197,506
9	COVID19 RIDER REVENUE[1]	2,196,060	1,341,904	136,838	2,598	15,014	370	34,075
10	NON-FIRM REVENUE[2] INCREASE @ SYSTEM AVERAGE	325,136	179,565	15,448	0	0	42	5,183
11	NET TOTAL DEC COMPONENTS	$572,010,221	$324,724,406	$29835,897	$613,998	$3,063,775	$98,208	$10,158,249
12	BASE RATE REVENUE AT PRESENT RATES (From P-1,4)	$532,713,639	$273,638,830	$33319,685	$462,980	$4,046,620	$95,204	$10,102,350
13	**% NON-FUEL INCREASE AT NET FULL COST**	**7.38%**	**18.67%**	**-10.01%**	**32.62%**	**-24.29%**	**3.16%**	**0.55%**
14	**% NON-FUEL INCREASE AT NET FULL COST (20% discount to Rate 41 Cost of Service)**							
15	Capping Level[3]		2	1	0	0	0	0
16	CAPPED INCREASE / FLOOR DECREASE		11.07%	-5.00%	32.62%	-24.29%	3.16%	0.55%
17	REV. REQ. AT CAPPED INCREASE / FLOOR DECREASE	$ 557,607,972	$ 303,917,022	$ 31652,791	$ 613,998	$ 3,063,775	$ 98,208	$ 10,158,249
18	REV. REQ. DEFICIENCY	$ 14,402,249						
19	REV. REQ. SUBJECT TO DEFICIENCY ALLOCATION[4]	$ 390,223,457	$ 303,917,022		$ 613,998	$ 3,063,775	$ 98,208	$ 10,158,249
20	ALLOCATION OF DEFICIENCY	$ 14,402,249	$ 11,216,877	$ -	$ 22,661	$ 113,077	$ 3,625	$ 374,918
21	REV. REQ. WITH DEFICIENCY ALLOCATION	$ 572,010,221	$ 315,133,900	$ 31652,791	$ 636,660	$ 3,176,852	$ 101,833	$ 10,533,166
22	**% NON-FUEL INCREASE W/ CAP OR FLOOR**	**7.38%**	**15.16%**	**-5.00%**	**37.51%**	**-21.49%**	**6.96%**	**4.26%**
23	BASE REVENUE INCREASE	$ 39,296,582	$ 41,495,070	$ (1666,894)	$ 173,080	$ (869,768)	$ 6,629	$ 430,816
24	COVID19 RIDER REVENUE	2,196,060	1,341,904	136,838	2,598	15,014	370	34,075
25	NON-FIRM REVENUE INCREASE	325,136	179,565	15,448	0	0	42	5,183
26	BASE & NON-FIRM REVENUE INCREASE	$ 41,817,778	$ 43,016,538	$ (1514,608)	$ 176,278	$ (854,754)	$ 7,041	$ 470,074
28	[2] NON-FIRM BASE REVENUE AT PRESENT RATES	$ 4,174,343	$ 2,305,388	$ 198,330	$ -	$ -	$ 542	$ 65,539

Line	R15-Elec Ref	R22-Irrig Serv	R24-Gen Serv	R25-Large Power	R26-Petroleum Ref	R28-P Area Light	R30-Elec Furnace	R31-Mili Reserv	R34-Cotton Gin	R41-Cty/Cnty	RWH-Water Heating
1											
2	$1,460,554	$255,986	$56,926,616	$18,808,390	$7,982,150	$485,241	$1,033,584	$9,700,783	$31,220	$8,444,199	$145,566
3	331,648	55,516	12,112,765	3,972,448	1,631,312	19,614	233,405	2,182,352	5,771	1,783,899	55,512
4	0	163,199	24,869,453	7,073,623	0	471,368	0	0	114,165	3,995,878	354,602
5	$1,792,202	$474,703	$93,908,834	$29,854,460	$9,813,462	$976,222	$1,266,989	$11,883,135	$151,156	$14,223,976	$555,679
6	444,839	44,493	14,806,602	5,984,693	3,126,506	283,684	239,100	2,891,195	17,036	2,005,666	70,283
7	265	39,734	5,522,311	1,437,541	1,276	1,383,168	229	1,602	9,992	760,786	183,826
8	$2,237,306	$558,931	$114,237,918	$37,276,694	$12,941,244	$2,643,075	$1,506,318	$14,775,932	$178,184	$16,990,428	$809,787
9	6,908	1,993	377,654	120,017	40,602	6,625	4,313	45,664	616	55,631	5,239
10	1,684	315	68,706	22,343	9,006	0	1,116	11,369	4	10,274	83
11	$2,228,715	$556,623	$113,791,588	$37,134,334	$12,891,636	$2,636,450	$1,500,889	$14,718,900	$177,564	$16,924,524	$804,466
12	$1,830,063	$423,413	$125,005,740	$35,955,664	$10,964,770	$2,932,614	$1,191,760	$13,009,892	$132,972	$19,126,600	$474,582
13	**21.78%**	**31.46%**	**-8.97%**	**3.28%**	**17.57%**	**-10.10%**	**25.94%**	**13.14%**	**33.53%**	**-11.51%**	**69.51%**
14										**-29.21%**	
15	0	0	1	0	0	0	0	0	0	1	2
16	21.78%	31.46%	-4.49%	3.28%	17.57%	-10.10%	25.94%	13.14%	33.53%	-14.61%	11.07%
17	$ 2,228,715	$ 556,623	$ 119,398,664	$ 37,134,334	$ 12,891,636	$ 2,636,450	$ 1,500,889	$ 14,718,900	$ 177,564	$ 16,333,060	$ 527,095
18											
19	$ 2,228,715	$ 556,623		$ 37,134,334	$ 12,891,636	$ 2,636,450	$ 1,500,889	$ 14,718,900	$ 177,564		$ 527,095
20	$ 82,257	$ 20,544	$ -	$ 1,370,543	$ 475,801	$ 97,305	$ 55,394	$ 543,241	$ 6,553	$ -	$ 19,454
21	$ 2,310,971	$ 577,166	$ 119,398,664	$ 38,504,877	$ 13,367,436	$ 2,733,755	$ 1,556,283	$ 15,262,140	$ 184,118	$ 16,333,060	$ 546,548
22	**26.28%**	**36.31%**	**-4.49%**	**7.09%**	**21.91%**	**-6.78%**	**30.59%**	**17.31%**	**38.46%**	**-14.61%**	**15.16%**
23	$ 480,908	$ 153,753	$ (5,607,076)	$ 2,549,213	$ 2,402,666	$ (198,859)	$ 364,523	$ 2,252,248	$ 51,146	$ (2,793,440)	$ 71,968
24	6,908	1,993	377,654	120,017	40,602	6,625	4,313	45,664	616	55,631	5,239
25	1,684	315	68,706	22,343	9,006	0	1,116	11,369	4	10,274	83
26	$ 489,500	$ 156,061	$ (5,160,716)	$ 2,691,573	$ 2,452,274	$ (192,234)	$ 369,953	$ 2,309,281	$ 51,765	$ (2,727,536)	$ 77,288
28	$ 21,622	$ 4,047	$ 832,099	$ 286,854	$ 115,622	$ -	$ 14,328	$ 145,960	$ 48	$ 131,901	$ 1,065

27 [1] COVID19 EXPENSES TO BE RECOVERED VIA A STANDALONE RIDER TARIFF

28 [2] NON-FIRM BASE REVENUE AT PRESENT RATES

29 [3] Capping Level:
- 0 - No Cap / No Floor
- 1 - 50% Floor
- 2 - 1.5 x System Average
- 3 - 2.0 x System Average

30 [4] Capping Level 1 (50% Floor) = No allocation of deficiency.

Exhibit JWD-3
Page 2 of 2

000045

EXHIBIT JWD-4

EPE WORKPAPER WP/Q-7(A) FOR RATE 41

2021 TEXAS RATE CASE FILING
WORKPAPER TO SCHEDULE Q-7(a)
PROOF OF REVENUES
SPONSOR: MANUEL CARRASCO
PREPARER: MANUEL CARRASCO
FOR THE TEST YEAR ENDED DECEMBER 31, 2020

Exhibit JWD-4
Page 1 of 3

Rate Design - Rate No. 41, City & County Service

	Rate Design	Billing Units	Non-Fuel Unit Rate	Calculated Base (Non-Fuel) Revenues
1	Target Revenue			$ 18,435,132
2	Secondary Voltage			
3	Customer Charge	9,996	$74.94	$ 749,100
4	Demand Charge (Jun - Sep)	215,462	$24.70	5,321,096
5	Energy Charge (Jun - Sep)	64,673,685	$0.04512	2,918,001
6	Demand Charge (Oct - May)	339,892	$13.16	4,471,645
7	Energy Charge (Oct - May)	101,333,252	$0.02943	2,982,618
8	Total Secondary kWh Sales and Revenues	166,006,937		$ 16,442,460
9	Primary Voltage			
10	Customer Charge	156	$74.94	$ 11,691
11	Demand Charge (Jun - Sep)	23,889	$23.79	568,382
12	Energy Charge (Jun - Sep)	10,476,231	$0.04382	459,103
13	Demand Charge (Oct - May)	39,337	$12.25	481,976
14	Energy Charge (Oct - May)	16,757,386	$0.02814	471,524
15	Total Primary kWh Sales and Revenues	27,233,617		$ 1,992,676
16	kWh and Total Revenues	193,240,554		$ 18,435,136
17	Difference from Target Revenue			$ 4
18	DEC Customer Unit Component Cost		$74.940	
19	Difference from Target Adjustment - kW		$0.00	
20	Difference from Target Adjustment - kWh		$0.00000	
21	Summer/Non-Summer Differential - $/kWh		$0.00000	
22	Rate Tilt (Demand $ to Energy $)		30.00%	
23	Production Demand $ Recovered in Summer Months		65.00%	
24	DEC Customer Component Cost		$760,786.469	

Rate Design - Rate No. 41, City & County Service

25	DEMAND COMPONENTS ($/kW) for Summer Months	COS Data	$/kW - Transmission	$/kW - Primary	$/kW - Secondary
26	DEMAND PRODUCTION	$5,977,316	$17.481	$17.481	$17.481
27	DEMAND TRANSMISSION	$1,942,695	$2.198	$2.198	$2.198
28	DEMAND DISTRIBUTION	$4,351,576			
29	DEMAND DISTRIBUTION LOAD DISPATCHING	$1,387,137	$1.570	$1.570	$1.570
30	DEMAND DISTRIBUTION POLES, TOWERS, FIXTUR	$691,238			
31	DEMAND POLES, TOWER, FIXTURES PRIMARY	$472,121		$0.534	$0.534
32	DEMAND POLES, TOWER, FIXTURES SECOND,	$219,117			$0.276
33	DEMAND DISTRIBUTION OVERHEAD LINES	$497,817			
34	DEMAND DISTRIBUTION OVHD PRIMARY	$451,860		$0.511	$0.511
35	DEMAND DISTRIBUTION OVHD SECONDARY	$45,957			$0.058
36	DEMAND DISTRIBUTION UNDERGROUND LINES	$1,026,521			
37	DEMAND DISTRIBUTION UNGD PRIMARY	$838,776		$0.949	$0.949
38	DEMAND DISTRIBUTION UNGD SECONDARY	$187,746			$0.237
39	DEMAND DISTRIBUTION LINE TRANSFORMER	$748,863			
40	DEMAND DISTRIBUTION LINE TRNSFMR PRIM/	$484,813		$0.549	$0.549
41	DEMAND DISTRIBUTION LINE TRNSFMR SECOI	$264,050			$0.333
42	Total Demand Transmission and Distribution		$21.249	$23.793	$24.696
43	DEC Customer Component Unit Cost for Non-Summer Months				
44	DEMAND COMPONENTS ($/kW)				
45	DEMAND PRODUCTION	$3,218,555	$5.941	$5.941	$5.941
46	DEMAND TRANSMISSION	$1,942,695	$2.198	$2.198	$2.198
47	DEMAND DISTRIBUTION	$4,351,576			
48	DEMAND DISTRIBUTION LOAD DISPATCHING	$1,387,137	$1.570	$1.570	$1.570
49	DEMAND DISTRIBUTION POLES, TOWERS, FIXTUR	$691,238			
50	DEMAND POLES, TOWER, FIXTURES PRIMARY	$472,121		$0.534	$0.534
51	DEMAND POLES, TOWER, FIXTURES SECOND,	$219,117			$0.276
52	DEMAND DISTRIBUTION OVERHEAD LINES	$497,817			
53	DEMAND DISTRIBUTION OVHD PRIMARY	$451,860		$0.511	$0.511
54	DEMAND DISTRIBUTION OVHD SECONDARY	$45,957			$0.058
55	DEMAND DISTRIBUTION UNDERGROUND LINES	$1,026,521			
56	DEMAND DISTRIBUTION UNGD PRIMARY	$838,776		$0.949	$0.949
57	DEMAND DISTRIBUTION UNGD SECONDARY	$187,746			$0.237
58	DEMAND DISTRIBUTION LINE TRANSFORMER	$748,863			
59	DEMAND DISTRIBUTION LINE TRNSFMR PRIM/	$484,813		$0.549	$0.549
60	DEMAND DISTRIBUTION LINE TRNSFMR SECOI	$264,050			$0.333
61	Total Demand Transmission and Distribution		$9.709	$12.252	$13.156

Rate Design - Rate No. 41, City & County Service

62	DEMAND COMPONENTS ($/kWh) for Summer Months	COS Data	$/kWh - Transmission	$/kWh - Primary	$/kWh - Secondary
63	DEMAND PRODUCTION	$5,977,316	$0.0238616	$0.0238616	$0.0238616
64	DEMAND TRANSMISSION	$1,942,695	$0.0030160	$0.0030160	$0.0030160
65	DEMAND DISTRIBUTION	$4,351,576			
66	DEMAND DISTRIBUTION LOAD DISPATCHING	$1,387,137	$0.0021535	$0.0021535	$0.0021535
67	DEMAND DISTRIBUTION POLES, TOWERS, FIXTUR	$691,238			
68	DEMAND POLES, TOWER, FIXTURES PRIMARY	$472,121		$0.0007330	$0.0007330
69	DEMAND POLES, TOWER, FIXTURES SECOND/	$219,117			$0.0003960
70	DEMAND DISTRIBUTION OVERHEAD LINES	$497,817			
71	DEMAND DISTRIBUTION OVHD PRIMARY	$451,860		$0.0007015	$0.0007015
72	DEMAND DISTRIBUTION OVHD SECONDARY	$45,957			$0.0000831
73	DEMAND DISTRIBUTION UNDERGROUND LINES	$1,026,521			
74	DEMAND DISTRIBUTION UNGD PRIMARY	$838,776		$0.0013022	$0.0013022
75	DEMAND DISTRIBUTION UNGD SECONDARY	$187,746			$0.0003393
76	DEMAND DISTRIBUTION LINE TRANSFORMER	$748,863			
77	DEMAND DISTRIBUTION LINE TRNSFMR PRIM/	$484,813		$0.0007527	$0.0007527
78	DEMAND DISTRIBUTION LINE TRNSFMR SECOI	$264,050			$0.0004772
79	Total Demand Transmission and Distribution		$0.0290310	$0.0325203	$0.0338158
80	ENERGY COMPONENTS UNIT COST ($/kWh)	$2,184,203	$0.0113030	$0.0113030	$0.0113030
81	Total Demand and Energy Unit Cost ($/kWh)		$0.0403341	$0.0438233	$0.0451188

82	DEMAND COMPONENTS ($/kWh) for Non-Summer Mo	COS Data	$/kWh - Transmission	$/kWh - Primary	$/kWh - Secondary
83	DEMAND PRODUCTION	$3,218,555	$0.0081765	$0.0081765	$0.0081765
84	DEMAND TRANSMISSION	$1,942,695	$0.0030160	$0.0030160	$0.0030160
85	DEMAND DISTRIBUTION	$4,351,576			
86	DEMAND DISTRIBUTION LOAD DISPATCHING	$1,387,137	$0.0021535	$0.0021535	$0.0021535
87	DEMAND DISTRIBUTION POLES, TOWERS, FIXTUR	$691,238			
88	DEMAND POLES, TOWER, FIXTURES PRIMARY	$472,121		$0.0007330	$0.0007330
89	DEMAND POLES, TOWER, FIXTURES SECOND/	$219,117			$0.0003960
90	DEMAND DISTRIBUTION OVERHEAD LINES	$497,817			
91	DEMAND DISTRIBUTION OVHD PRIMARY	$451,860		$0.0007015	$0.0007015
92	DEMAND DISTRIBUTION OVHD SECONDARY	$45,957			$0.0000831
93	DEMAND DISTRIBUTION UNDERGROUND LINES	$1,026,521			
94	DEMAND DISTRIBUTION UNGD PRIMARY	$838,776		$0.0013022	$0.0013022
95	DEMAND DISTRIBUTION UNGD SECONDARY	$187,746			$0.0003393
96	DEMAND DISTRIBUTION LINE TRANSFORMER	$748,863			
97	DEMAND DISTRIBUTION LINE TRNSFMR PRIM/	$484,813		$0.0007527	$0.0007527
98	DEMAND DISTRIBUTION LINE TRNSFMR SECOI	$264,050			$0.0004772
99	Total Demand Transmission and Distribution		$0.0133459	$0.0168352	$0.0181307
100	ENERGY COMPONENTS UNIT COST ($/kWh)	$2,184,203	$0.0113030	$0.0113030	$0.0113030
101	Total Demand and Energy Unit Cost ($/kWh)		$0.0246490	$0.0281383	$0.0294337

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

APPLICATION OF EL PASO ELECTRICT COMPANY TO CHANGE RATES	**§ § §**	**PUBLIC UTILITY COMMISSION OF TEXAS**

CORRECTION TO THE TESTIMONY OF JAMES W. DANIEL FILED ON BEHALF OF THE RATE 41 GROUP

COMES NOW, Anthony Independent School District, Canutillo Independent School District, Clint Independent School District, El Paso County, El Paso County Community College District, El Paso County Housing Authority, El Paso Independent School District, Fabens Independent School District, Housing Authority of the City of El Paso, Region 19 Education Service Center, San Elizario Independent School District, Socorro Independent School District, Tornillo Independent School District, and Ysleta Independent School District (collectively the "Rate 41 Group") and files the attached correction to the Testimony of James W. Daniel filed into this Docket on October 22, 2021 (Item No. 287). The correction appears on page 4 of Mr. Daniel's testimony to include group member, "El Paso County Housing Authority" which was inadvertently not included in the original testimony.

Rate 41 Group files herewith the following corrected page to be substituted in its Direct Testimony of James W. Daniel.

- Page 4 containing the redline addition of El Paso County Housing Authority.

EXHIBIT

Rate 41-1a

Respectfully submitted,

By: */s/ Maria Faconti*

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CANUTILLO INDEPENDENT SCHOOL DISTRICT
CLINT INDEPENDENT SCHOOL DISTRICT
EL PASO COUNTY
EL PASO COUNTY COMMUNITY COLLEGE DISTRICT
EL PASO COUNTY HOUSING AUTHORITY
EL PASO INDEPENDENT SCHOOL DISTRICT
FABENS INDEPENDENT SCHOOL DISTRICT
HOUSING AUTHORITY OF THE CITY OF EL PASO
REGION 19 EDUCATION SERVICE CENTER
SAN ELIZARIO INDEPENDENT SCHOOL DISTRICT
SOCORRO INDEPENDENT SCHOOL DISTRICT
TORNILLO INDEPENDENT SCHOOL DISTRICT
YSLETA INDEPENDENT SCHOOL DISTRICT

CERTIFICATE OF SERVICE

I certify that a true and correct copy of this pleading has been forwarded by e-mail to all parties of record on the 28th of October, 2021 in accordance with the Order Suspending Rules issued in Docket No. 50664.

/s/ Maria Faconti
Maria Faconti

services. Our clients are primarily privately-owned utilities, publicly-owned utilities, municipalities, customers of investor-owned utilities, groups or associations of customers, and government agencies.

Q. ON WHOSE BEHALF ARE YOU TESTIFYING?

A. I am testifying on behalf of the Rate 41 Group. The Rate 41 Group includes the following entities: Ysleta Independent School District, El Paso Independent School District, Socorro Independent School District, Clint Independent School District, San Elizario Independent School District, Fabens Independent School District, Anthony Independent School District, Canutillo Independent School District, Tomillo Independent School District, Region 19 Education Service Center, Housing Authority of the City of El Paso, El Paso County Housing Authority, and El Paso County Community College District. Each of these entities receives service under El Paso Electric Company's ("EPE" or "Company") existing Schedule No. 41 City and County Service Rate ("Rate 41").

II. PURPOSE OF TESTIMONY

Q. WHAT WAS YOUR ASSIGNMENT IN THIS PROCEEDING?

A. My assignment in this proceeding was to review and analyze: (1) the portions of the rate case application of EPE related to cost allocation and rate design and (2) the direct testimony of certain EPE witnesses. In addition, I was to review issues 46, 49, 51, 52, 53, 55, 56, 59 and 60 of the Preliminary Order.

Table 1

Line No.	Rate	Rate Class	Base Rate Revenue @ Present Rates	Full Cost of Service *	Full Cost % Revenue Increase	Capped / Floor Cost of Service	Cap / Floor Revenue Increase %	Capped / Floored Revenue Increase $
1	01	Residential Service	$273,638,830	$324,724,406	18.67%	$315,133,900	15.16%	$41,495,070
2	02	Small General Service	$33,319,685	$29,985,897	-10.01%	$31,652,791 [2]	-5.00%	($1,666,894)
3	07	Outdoor Recreational Lighting	$462,980	$613,998	32.62%	$636,660	37.51%	$173,680
4	08	Government Street Lighting	$4,046,620	$3,063,775	-24.29%	$3,176,852	-21.49%	($869,768)
5	09	Traffic Signals	$95,204	$98,208	3.16%	$101,833	6.96%	$6,629
6	11TOU	Municipal Pumping TOU	$10,102,350	$10,158,249	0.55%	$10,533,166	4.26%	$430,816
7	15	Electrolytic Refining Service	$1,830,063	$2,228,715	21.78%	$2,310,971	26.28%	$480,908
8	WH	Water Heating Service	$474,582	$804,466	69.51%	$546,548	15.16%	$71,966
9	22	Irrigation Service	$423,413	$556,623	31.46%	$577,166	36.31%	$153,753
10	24	General Service	$125,005,740	$113,791,588	-8.97%	$119,398,664 [2]	-4.49%	($5,607,076)
11	25	Large Power Service	$35,955,864	$37,134,334	3.28%	$38,504,877	7.09%	$2,549,213
12	26	Petroleum Refinery Service	$10,964,770	$12,891,636	17.57%	$13,367,436	21.91%	$2,402,666
13	28	Area Lighting Service	$2,932,614	$2,636,450	-10.10%	$2,733,755	-6.78%	($198,859)
14	30	Electric Furnace Rate	$1,191,760	$1,500,889	25.94%	$1,556,283	30.59%	$364,523
15	31	Military Reservation Service	$13,009,892	$14,718,900	13.14%	$15,262,140	17.31%	$2,252,248
16	34	Cotton Gin Service	$132,972	$177,564	33.53%	$184,118	38.46%	$51,146
17	41	City and County Service	$19,126,500	$16,924,524	-11.51%	$16,333,060 [1,2]	-14.61%	($2,793,440)
18	**TOTAL**		**$532,713,639**	**$572,010,221**	**7.38%**	**$572,010,221**	**7.38%**	**$39,296,582**
19								

20 [1] Rate 41:
•Full Cost % Revenue Increase (with 20% discount to Rate 41 Cost of Service) = ($16,924,524 Full Cost of Service * .8)/Base Rate Revenue @ Present Rates $19,126,500 - 1 = -29.21%.
•Capped Floor Decrease @ Capping Level 1 (50% Floor) = -29.21% * 0.5 = -14.61% for Rate 41.
•(Rev. Req. at Capped Floor Decrease = Base Rate Revenue @ Present Rates $19,126,500 * (1+-14.61%) = $16,333,060) + (Allocation of Deficiency $0) = $16,333,060 Floor Cost of Service

21 [2] Capping Level 1 (50% Floor) = No allocation of deficiency.

EXHIBIT

Rate 41-1b

EL PASO ELECTRIC COMPANY
2021 TEXAS RATE CASE FILING
BASE REVENUE INCREASE ALLOCATION BY RATE CLASS

P-5 Capping

Manuel Carrasco's EXHIBIT

Line	Description	Total Texas	R01-Residential	R02-Small Gen Serv	R07-Rec Light	R08-Street Light	R09-Traffic Signs	R11TOU-Muni Pump	R15-Elec Ref	R22-Irrg Serv	R24-Gen Serv	R25-Large Power	R26-Petroleum Ref	R28-P Area Light	R30-Elec Furnace	R31-Mill Reserv	R34-Cotton Gin	R41-Cty/Cnty	RWH-Water Heating
1	DEC COMPONENTS																		
2	PRODUCTION	$273,171,156	$149,477,307	$13,186,355	$79,537	$856,720	$46,453	$4,450,493	$1,460,554	$255,986	$56,926,616	$18,808,390	$7,982,150	$485,241	$1,033,584	$9,700,783	$31,220	$8,444,199	$145,566
3	TRANSMISSION	80,924,311	34,149,096	3,154,658	26,430	26,265	8,975	974,643	331,648	55,518	12,112,765	3,972,448	1,831,312	19,614	233,405	2,182,352	5,771	1,783,899	55,512
4	DISTRIBUTION	122,200,292	75,027,585	6,470,601	401,535	628,075	14,624	2,615,586	0	163,199	24,869,453	7,073,623	0	471,368	0	0	114,165	3,995,878	354,602
5	TOTAL DEMAND	$456,295,758	$258,653,988	$22,811,614	$507,503	$1,511,060	$70,052	$8,040,722	$1,792,202	$474,703	$93,908,834	$29,854,460	$9,813,462	$976,222	$1,266,989	$11,883,135	$151,156	$14,223,976	$555,679
6	TOTAL ENERGY	84,110,397	28,959,425	3,105,321	44,796	381,735	20,186	1,684,636	444,839	44,493	14,806,802	5,984,693	3,126,506	283,684	239,100	2,891,195	17,036	2,005,886	70,283
7	TOTAL CUSTOMER	54,125,262	38,632,461	4,221,248	64,298	1,385,993	8,383	472,148	265	39,734	5,522,311	1,437,541	1,276	1,383,168	229	1,602	9,992	760,786	183,826
8	TOTAL DEC COMPONENTS	$574,531,417	$326,245,874	$30,138,183	$616,597	$3,078,789	$98,620	$10,197,506	$2,237,306	$558,931	$114,237,948	$37,276,694	$12,941,244	$2,643,075	$1,506,318	$14,775,932	$178,184	$16,990,428	$809,787
9	COVID19 RIDER REVENUE[1]	2,196,060	1,341,904	136,838	2,598	15,014	370	34,075	6,908	1,993	377,654	120,017	40,602	6,625	4,313	45,664	616	55,631	5,239
10	NON-FIRM REVENUE[2] INCREASE @ SYSTEM AVERAGE	325,136	179,565	15,448	0	0	42	5,183	1,684	315	68,706	22,343	9,006	0	1,116	11,369	4	10,274	83
11	NET TOTAL DEC COMPONENTS	$572,010,221	$324,724,406	$29,985,897	$613,998	$3,063,775	$98,208	$10,158,249	$2,228,715	$556,623	$113,791,588	$37,134,334	$12,891,636	$2,636,450	$1,500,889	$14,718,900	$177,564	$16,924,524	$804,466
12	BASE RATE REVENUE AT PRESENT RATES (From P-1.4)	$532,713,639	$273,638,830	$33,319,685	$462,980	$4,046,620	$95,204	$10,102,350	$1,830,063	$423,413	$125,005,740	$35,955,664	$10,964,770	$2,932,614	$1,191,760	$13,009,892	$132,972	$19,126,500	$474,582
13	**% NON-FUEL INCREASE AT NET FULL COST** **% NON-FUEL INCREASE AT NET FULL COST** **(20% discount to Rate 41 Cost of Service)**	**7.38%**	**18.67%**	**-10.01%**	**32.62%**	**-24.29%**	**3.16%**	**0.55%**	**21.78%**	**31.46%**	**-8.97%**	**3.28%**	**17.57%**	**-10.10%**	**25.94%**	**13.14%**	**33.53%**	**-11.51%** **-29.21%**	**69.51%**
14																			
15	Capping Level[3]		2	1	0	0	0	0	0	0	1	0	0	0	0	0	0	1	2
16	CAPPED INCREASE / FLOOR DECREASE		11.07%	-5.00%	32.62%	-24.29%	3.16%	0.55%	21.78%	31.46%	-4.49%	3.28%	17.57%	-10.10%	25.94%	13.14%	33.53%	-14.61%	11.07%
17	REV. REQ. AT CAPPED INCREASE / FLOOR DECREASE	$ 557,607,972	$ 303,917,022	$ 31,652,791	$ 613,998	$ 3,063,775	$ 98,208	$ 10,158,249	$ 2,228,715	$ 556,623	$ 119,398,664	$ 37,134,334	$ 12,891,636	$ 2,636,450	$ 1,500,889	$ 14,718,900	$ 177,564	$ 16,333,080	$ 527,095
18	REV. REQ. DEFICIENCY	$ 14,402,249																	
19	REV. REQ. SUBJECT TO DEFICIENCY ALLOCATION[4]	$ 390,223,457	$ 303,917,022		$ 613,998	$ 3,063,775	$ 98,208	$ 10,158,249	$ 2,228,715	$ 556,623		$ 37,134,334	$ 12,891,636	$ 2,636,450	$ 1,500,889	$ 14,718,900	$ 177,564		$ 527,095
20	ALLOCATION OF DEFICIENCY	$ 14,402,249	$ 11,216,877	$ -	$ 22,661	$ 113,077	$ 3,625	$ 374,918	$ 82,257	$ 20,544	$ -	$ 1,370,543	$ 475,801	$ 97,305	$ 55,394	$ 543,241	$ 6,553	$ -	$ 19,454
21	REV. REQ. WITH DEFICIENCY ALLOCATION	$ 572,010,221	$ 315,133,900	$ 31,652,791	$ 636,660	$ 3,176,852	$ 101,833	$ 10,533,166	$ 2,310,971	$ 577,166	$ 119,398,664	$ 38,504,877	$ 13,367,436	$ 2,733,755	$ 1,556,283	$ 15,262,140	$ 184,118	$ 16,333,080	$ 546,548
22	**% NON-FUEL INCREASE W/ CAP OR FLOOR**	**7.38%**	**15.16%**	**-5.00%**	**37.51%**	**-21.49%**	**6.96%**	**4.26%**	**26.26%**	**36.31%**	**-4.49%**	**7.09%**	**21.91%**	**-6.78%**	**30.59%**	**17.31%**	**39.46%**	**-14.61%**	**15.16%**
23	BASE REVENUE INCREASE	$ 39,296,582	$ 41,495,070	$ (1,666,894)	$ 173,680	$ (869,768)	$ 6,629	$ 430,816	$ 480,908	$ 153,753	$ (5,607,076)	$ 2,549,213	$ 2,402,666	$ (198,859)	$ 364,523	$ 2,252,248	$ 51,146	$ (2,793,440)	$ 71,966
24	COVID19 RIDER REVENUE	2,196,060	1,341,904	136,838	2,598	15,014	370	34,075	6,908	1,993	377,654	120,017	40,602	6,625	4,313	45,664	616	55,631	5,239
25	NON-FIRM REVENUE INCREASE	325,136	179,565	15,448	0	0	42	5,183	1,684	315	68,706	22,343	9,006	0	1,116	11,369	4	10,274	83
26	BASE & NON-FIRM REVENUE INCREASE	$ 41,817,778	$ 43,016,538	$ (1,514,608)	$ 176,278	$ (854,754)	$ 7,041	$ 470,074	$ 489,500	$ 156,061	$ (5,160,716)	$ 2,691,573	$ 2,452,274	$ (192,234)	$ 369,953	$ 2,309,281	$ 51,765	$ (2,727,536)	$ 77,288
27	[1] COVID19 EXPENSES TO BE RECOVERED VIA A STANDALONE RIDER TARIFF																		
28	[2] NON-FIRM BASE REVENUE AT PRESENT RATES	$ 4,174,343	$ 2,305,388	$ 198,330	$ -	$ -	$ 542	$ 66,539	$ 21,622	$ 4,047	$ 882,099	$ 288,854	$ 115,622	$ -	$ 14,328	$ 145,960	$ 48	$ 131,901	$ 1,065
29	[3] Capping Level 0 - No Cap / No Floor 1 - 50% Floor 2 - 1.5 x System Average 3 - 2.0 x System Average																		
30	[4] Capping Level 1 (50% Floor) = No allocation of deficiency.																		

ORIGINAL SOURCE: Manuel Carrasco's Exhibit MC-4, Tab: P-5 Capping

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

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

CROSS-REBUTTAL TESTIMONY

AND EXHIBITS

OF

JAMES W. DANIEL

ON BEHALF OF

THE

RATE 41 GROUP

NOVEMBER 19, 2021

EXHIBIT

Rate 41-2

CROSS-REBUTTAL TESTIMONY OF
JAMES W. DANIEL

TABLE OF CONTENTS

EXHIBITS

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

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

CROSS-REBUTTAL TESTIMONY OF JAMES W. DANIEL

I. INTRODUCTION

Q. PLEASE STATE YOUR NAME.

A. My name is James W. Daniel.

Q. ARE YOU THE SAME JAMES W. DANIEL THAT PREVIOUSLY FILED DIRECT TESTIMONY IN THIS DOCKET ON BEHALF OF THE RATE 41 GROUP?

A. Yes.

Q. WHAT IS THE PURPOSE OF YOUR CROSS-REBUTTAL TESTIMONY?

A. I have reviewed the cost allocation and rate design related testimony of the intervenors and Public Utility Commission ("PUC") Staff. My cross-rebuttal testimony will address issues related to: (1) the various proposals regarding the distribution of the overall revenue increase, or decrease, to the customer classes; and (2) the City of El Paso's ("CEP") proposal to adjust El Paso Electric's ("EPE's") customer class cost of service study ("COSS") for estimated COVID-19 impacts.

Q. PLEASE SUMMARIZE YOUR REVIEW OF THE INTERVENOR AND STAFF DIRECT TESTIMONY?

A. I reviewed all of the intervenor and Staff filed direct testimony, focusing on that testimony which discusses the methodology to be used for distributing the revenue

increase, or decrease, to the customer classes, such testimony was in all intervenor direct testimony except for the direct testimony of the Department of Defense ("DOD"), the International Brotherhood of Electrical Workers ("IBEW"), and the Texas Cotton Ginners Association ("TCGA"). Of the intervenors that addressed the class revenue distribution in direct testimony, I will discuss each of the proposed revenue distribution methodologies in Section III of this cross-rebuttal testimony.

One intervenor, CEP, proposed adjustments to EPE's class COSS related to estimated impacts of COVID-19 on cost allocation. In Section II of my cross-rebuttal testimony, I will address issues I have identified with this proposal.

The revenue distribution issue and the COVID-19 impact issue are inter-related. EPE did not adjust its proposed COSS for COVID-19 impacts. Instead, EPE proposes to address COVID-19 impacts on customer classes in its proposed revenue distribution. Several intervenors and the Staff appear to use the same approach regarding COVID-19 impacts on customer classes.

II. PROPOSED COVID-19 IMPACT ADJUSTMENTS TO CUSTOMER CLASS COSS

Q. DID ANY INTERVENOR ATTEMPT TO ADJUST EPE's CLASS COSS FOR ESTIMATED COVID-19 IMPACTS ON CUSTOMER CLASS ALLOCATION FACTORS?

A. Yes, CEP is the only party that attempts to adjust customer class allocation factors in the COSS to reflect estimated impacts of COVID-19 on customer class energy and demand levels.

Q. PLEASE DESCRIBE CEP'S PROPOSAL TO ADJUST THE CUSTOMER CLASS ALLOCATION FACTORS IN THE CLASS COSS FOR COVID-19 IMPACTS.

A. CEP witness Clarence Johnson opines that adjusting allocation factors in the class COSS for estimated COVID-19 impacts is a better way to address COVID-19 impacts on class revenue requirements than EPE's proposed revenue distribution methodology. First, Mr. Johnson identifies six customer classes that he believes need their allocation factor percentages adjusted to eliminate COVID-19 impacts. These six customer classes are: Residential, Small General Service, General Service, Large General Service, Petroleum Refining, and City and County Service. To develop "normalized," or COVID-19 impact free, allocation factors for the 2020 test year, Mr. Johnson mostly uses the average of the primary allocation factors for the three years prior to COVID-19, 2017, 2018, and 2019. As stated by Mr. Johnson, this method assumes that the decrease in the residential customer class allocation factors equals the cumulative increase in the allocation factors of the other five customer classes.

Mr. Johnson also attempts to adjusts class revenues under current rates to eliminate COVID-19 impacts. He first determines that their residential class current revenues should be decreased by $14.99 million. The current revenues of the other five customer classes are then increased such that their total increase is also $14.99 million.

The results of CEP's adjusted class COSS is provided in CEP Schedules CJ-3 and CJ-4. As shown on CJ-3, under CEP's adjusted class COSS at EPE's proposed overall revenue level, the residential customer class would receive an increase of $29.37 million, or 11.4% over Mr. Johnson's adjusted current rate revenues. This

compares to EPE's residential class revenue increase using the Company's class COSS of $51.09 million, or 18.67% over the Company's current rate revenues. CEP then uses its "normalized" class COSS to determine its proposed revenue distribution.

Q. DOES CEP's "NORMALIZED" CLASS COSS TO ELIMATE COVID-19 IMPACTS PROVIDE AN ACCURATE, OR EVEN REASONABLE, REPRESENTATION OF THE COST OF SERVING EACH RATE CLASS DURING THE RATE YEAR?

A. Not in my opinion. There are several major flaws with CEP's "normalized" class COSS. These major flaws result in an inaccurate and unreliable representation of customer class allocated costs excluding COVID-19 impacts. These major flaws include the following:

(1) CEP's method for adjusting customer class allocation factors completely eliminates the impact of COVID-19 although COVID-19 will continue to impact customer class energy and demand levels in the rate year, and likely beyond.

(2) CEP's proposed COVID-19 adjustment to the allocation factors for the Rate 41 City and County Service customer class incorrectly assumes that the annual decrease in the class's energy and demand allocation factors from 2019 to 2020 are entirely COVID-19 related.

(3) CEP's adjustments to the test year customer class energy (kwh) usage levels for the impacts of COVID-19 are contrary to the kwh impacts provided by EPE.

(4) Attempting adjustments for estimated 2020 COVID-19 impacts are difficult at best since the impacts are not known and measurable and the duration of the impacts are unknown.

Q. PLEASE DISCUSS WHY CEP'S "NORMALIZED" COSS SHOULD NOT BE USED SINCE IT ELIMINATES ALL ESTIMATED COVID-19 IMPACTS ON CUSTOMER CLASS ENERGY AND DEMAND LEVELS.

A. CEP relies on customer class allocation factors for the years 2017, 2018, and 2019 to adjust test year allocation factors for COVID-19 impacts. CEP argues sing the three-year average of major demand and energy allocation factors for the three years prior to COVID-19 results in eliminating all COVID-19 impacts.

It is unreasonable to assume that COVID-19 will no longer impact customer class demand and energy levels in the rate year. For example, many employees will continue to work from home, either fully or partially, as employers have changed their policies to allow working from home post-COVID-19. Also, many businesses that closed in 2020 and 2021 due to COVID-19 impacts will likely not reopen post-COVID-19. Additionally, it is unknown how long the impacts of COVID-19 will be seen and what form they may ultimately take. An example of a report regarding the expected increase in working from home post COVID-19 is provided as my Exhibit JWD-CR-1, which is titled "The Future of Remote Work." On page 1 of that document, it states:

> (6) As a result of their experience during COVID-19, 61.9% of hiring managers say their workforce will be more remote going forward.
>
> (7) The expected growth rate of full-time remote work over the next five years has doubled from 30% to 65%.

Permanent business closures caused by COVID-19 vary by industry. In a January 2021 report from the Texas Comptroller titled "Weathering the Pandemic: Texas Industries and COVID-19," for example, states that "the TRA[1] estimated that 15

[1] TRA is the Texas Restaurant Associations.

percent of the states 50,000 restaurants have closed for good." A copy of this report is provided as my Exhibit JWD-CR-2.

Therefore, if the objective is to determine a "normalized" test year class COSS, one should not entirely eliminate the estimated COVID-19 impacts on the test year, as CEP has proposed. While CEP criticizes EPE for not adjusting the COSS for any COVID-19 impacts, CEP's "normalized" class COSS suffers for the same criticism because it adjusts for 100% of the estimated COVID-19 impacts, which is unreasonable.

Q. DOES CEP CLAIM THAT THE TEST YEAR ALLOCATION FACTORS FOR THE RATE 41 CUSTOMER CLASS ARE LOWER THAN NORMAL DUE TO COVID-19 IMPACTS?

A. Yes. CEP witness Clarence Johnson states on pages 24 and 25 of his direct testimony that the demand and energy allocation factors for the "city/county" class "are lower than normal" as a result of COVID-19 impacts. He then develops "normal" allocation factors for Rate 41 for the test year based upon the "three-year average allocation factors for the period 2017-2019, based on Mr. Carrasco's Exhibit MC-5."[2]

Q. DOES THE DATA SUPPORT CEP's CLAIM THAT COVID-19 CAUSED THE DECREASE IN THE ALLOCATION FACTORS FOR THE RATE 41 CUSTOMER CLASS?

A. No. While COVID-19 impacted some customer class test year energy and demand levels, other reasons appear to have caused the reductions experienced by the Rate 41 City and County Service Rate customer class.

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[2] Page 28, lines 12 through 17, of the direct testimony of CEP witness Clarence Johnson.

Q. PLEASE EXPLAIN.

A. EPE witness Manuel Carrasco's Exhibit MC-5 shows class energy[3] and demand allocation factors for the years 2015 to 2020. This exhibit shows a change in the allocation factors from 2019 to 2020 for some customer classes. However, for Rate 41, this exhibit shows the Rate 41 allocation factors have been decreasing for the past five years in a row, well before COVID-19. In fact, the decrease in the demand allocation factors from 2019 to 2020 was only the fourth largest decrease during that five-year comparison, i.e., three other years experienced larger decreases than experienced during the test year.[4] This trend provides support that the Rate 41 allocation factors would have likely decreased in the test year absent COVID-19, as that has been the recent historic trend for the rate class. My Exhibit JWD-CR-3 shows the annual percentage changes in allocation factors for just the Rate 41 customer class, which highlights this decrease in allocation factors over the past few years.

Q. WHAT IS THE PRIMARY CAUSE FOR THESE ANNUAL DECREASES FOR THE RATE 41 CUSTOMER CLASS?

A. Since July 10, 2010, Rate 41 has been closed to new customers or new accounts. As a result, since that time, the number of Rate 41 customers has decreased. For at least the past five years, the class energy usage, class demands, and number of customers have decreased. This is because some Rate 41 accounts have been either closed or replaced with a different rate schedule when facilities expand or are replaced. Therefore, unless

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[3] The energy allocation factor, E1, is used for allocating very little in EPE's COSS.

[4] The only Rate 41 decrease shown on EPE Exhibit MC-5 that was less than the decrease from 2019 to 2020 was for a partial year from September 30, 2016 to December 31, 2016.

EPE reopens Rate 41, restores Rate 41 accounts, or changes its historic policy, the allocation factors for the Rate 41 customer class will likely continue to decrease in future rate cases, with this decrease being independent of the impacts of COVID-19. Given this trend, it is likely COVID-19 had limited impact on the decrease in the allocation factors for the Rate 41 customer class.

Q. WHAT DO YOU CONCLUDE FROM THE INFORMATION PROVIDED ON EPE'S EXHIBIT MC-5 WHICH WAS RELIED UPON BY CEP?

A. While the changes in class allocation factors from 2019 to 2020 may be abnormal for some customer classes, the decrease in Rate 41's class allocation factors from 2019 to 2020 are consistent with recent history and appears to be normal relative to decreases in prior years. Therefore, claiming that the decreases in Rate 41 allocation factors from 2019 to the 2020 test year is due solely to COVID-19 impacts is incorrect and results in CEP's "normalized" class COSS to be incorrect, failing to consider the history of the class.

Q. HAS THE NUMBER OF RATE 41 CUSTOMERS CONTINUED TO DECLINE SINCE THE 2020 TEST YEAR?

A. At the end of the test year, the Rate 41 customer class had 846 customers per EPE Schedule O-1.01. In EPE's response to OPUC RFI Question 1-6, the number of Rate 41 customers at the end of May 2021 was reported to be 804 customers. If CEP wanted to "normalize" the test year allocation factors for the Rate 41 customer class, it likely should have further reduced those allocation factors rather than increasing them, consistent with the decrease represented in the RFI response.

Q. DOES CEP USE ITS "NORMALIZED" CLASS COSS RESULTS TO ALSO DESIGN RATES?

A. No. CEP only uses the results of its "normalized" class COSS to determine their proposed customer class revenue distribution and not rate design.

Q. HAVE YOU DETERMINED THE RESULTS OF USING CEP'S "NORMALIZED" CLASS COSS FOR DESIGNING RATES?

A. I conducted this analysis for the residential class. The first step was to determine normalized billing determinants that track CEP's adjustments to the demand and energy amounts for developing its normalized allocation factors. Since CEP reduced the test year residential customer class's kwh in developing its "normalized" allocation factors, the test year residential kwh billing determinants should also be reduced proportionately, which CEP did not do.

Q. HOW DID YOU DEVELOP THE ADJUSTED RESIDENTIAL CLASS BILLING KWH?

A. As mentioned, the billing kWh should be reduced proportionately to the adjustment made to energy amounts used to develop CEP's normalized allocation factors. CEP reduced the energy used in the E1 allocator from 2,681,376,311 kWh to 2,400,382,735 kWh,[5] a reduction of 280,993,576 kWh, or 10.48%. To determine the amount of kWh to use for my rate analysis, I applied this 10.48% reduction to the total 2,478,851,326 kWh used for rate design, resulting in an adjusted amount of 2,219,081,261 kWh.

[5] From CEP witness Clarence Johnson's workpaper titled "Workpaper – Allocation Adjustments CCOS and Rev Incr.xls." Worksheet "coss results, Cell C13.

Q. WHAT IS THE RESULT OF YOUR "NORMALIZED" RESIDENTIAL RATE ANALYSIS?

A. My analysis started with the CEP's proposed residential class revenues of $286,317,846, which is based on EPE's proposed overall revenue increase, CEP's "normalized" class COSS, and CEP's proposed revenue distribution which limits the increase for the residential class. I also assumed that EPE's proposed residential customer charge would not change. Under EPE's proposed residential rates, the average energy charge for all kwh billed would be $0.11047 per kwh. Using CEP's residential class revenue target level and my "normalized" residential billing kwh, CEP's average residential energy charge for all kwh billed would be $0.11220 per kwh.[6] The calculation of these two average residential energy rate amounts is provided on my Exhibit JWD CR-4.

Q. DID YOU EXPECT THIS RESULT?

A. Even though the demand and energy amounts used to calculate allocation factors increased or decreased causing some customer classes' cost of service to increase or decrease, I would not expect a big change in rates since the billing determinants should also increase or decrease proportionately. This is illustrated by the results for the residential customer class discussed in my previous answer. Although CEP's "normalized" class COSS allocates much lower costs to the residential customer class, the residential rates will not change very much, if the billing determinants are also

[6] This calculation assumes that the CEP residential class revenues remaining after the amount recovered in the proposed customer charge would be recovered from the normalized billing kwh amount.

proportionately adjusted. As shown, the rates could even increase slightly even though the allocated costs decrease significantly.

Q. PLEASE EXPLAIN HOW CEP'S NORMALIZING ADJUSTMENTS FOR THE COVID-19 IMPACTS ON TEST YEAR CUSTOMER CLASS ENERGY LEVELS DIFFER FROM EPE'S COVID-19 IMPACTS AMOUNT FOR THE TEST YEAR?

A. As previously discussed, using CEP's methodology for determining estimated COVID-19 impacts on the Texas residential customer class resulted in an increase on test year Texas residential energy sales of 259,770,065 kwh.[7] Under Mr. Johnson's methodology to normalize the COSS energy allocation factors for COVID-19 impacts this 259,770,065 kwh amount is also assumed to be the total amount of kwh needed to increase the test year energy for the five customer classes claimed to experience decreased energy sales due to COVID-19. I would note the assumption that the residential energy decrease for COVID-19 impacts is equal to the energy increase for the other five customer classes is unsupported. It avoids having to estimate other off-setting normalizing adjustments to EPE's test year results that could be caused by a net increase or net decrease in kwh sales rather than the assumed equal off-setting amounts.

By contrast, EPE determined that the test year COVID-19 impact increase on residential kwh sales was significantly less than the COVID-19 impact kwh decrease estimated by CEP. As shown on EPE's Attachment 1, page 1 of 2, of its response to OPUC RFI Question 1-20, EPE determined that COVID-19 caused total system (Texas

[7] This is based on the amounts discussed in the third previous question and answer (2,478,851,326 kwh – 2,219,081,261 kwh = 259,770,065 kwh).

and New Mexico) residential energy sales in 2020 to be 222,505 MWh higher. This total EPE residential impact amount is less than CEP's estimated impact amount of 259,770 MWh for just the Texas residential customers. This RFI response also shows that the sum of the COVID-19 MWh decreases of the other customer classes is not comparable to the COVID-19 MWh increase for the residential class. Therefore, it appears that CEP's assumption that the residential class COVID-19 impact increase on energy equals the COVID-19 impact decrease on energy for the other classes is unreasonable. A copy of this RFI response is provided as my Exhibit JWD-CR-5.

Q. ARE CEP'S ADJUSTMENTS TO THE TEST YEAR ENERGY AND DEMAND ALLOCATION FACTORS IN THEIR CLASS COSS KNOWN AND MEASURABLE?

A. No, and I do not believe CEP claims them to be known and measurable. Instead, CEP refers to these adjustments as test year "normalizing adjustments."

Q. DOES THE COMMISSION'S RATE FILING PACKAGE ("RFP") ALLOW FOR NORMALIZING ADJUSTMENTS TO THE TEST YEAR?

A. Yes, however, the RFP appears to only allow normalization adjustments to test year customer class number of customers, kwh sales, and peak demand amounts. The allowed adjustments are based on the number of customers at the end of the test year and for normal weather conditions. CEP's proposed normalizing adjustments for COVID-19 do not fit into either of these permitted normalizing adjustments.

Q. DOES THE COMMISSION ALLOW KNOWN AND MEASURABLE ADJUSTMENTS TO THE TEST YEAR?

A. Yes, the Commission allows known and measurable adjustments to the test year. However, the changing impacts of COVID-19 on EPE are neither known nor measurable. This conclusion is supported by the Proposal for Decision ("PFD") in Southwestern Electric Power Company's ("SWEPCO's") pending rate case, PUC Docket No. 51415. In the August 27, 2021 PFD in that case, the Administrative Law Judge ("ALJ") determined that "the continuing effects of COVID-19 are transitory and unknown."

III. CUSTOMER CLASS REVENUE DISTRIBUTION PROPOSALS

Q. WHICH REVENUE DISTRIBUTION PROPOSALS ARE YOU ADDRESSING IN YOUR CROSS-REBUTTAL TESTIMONY?

A. I addressed EPE's revenue distribution proposal in my direct testimony. In my cross-rebuttal testimony, I will address the revenue distribution proposals of Wal-Mart, Texas Industrial Electric Consumers ("TIEC"), Freeport-McMoran, Inc. ("FMI"), PUC Staff, Vinton Steel, University of Texas at El Paso ("UTEP"), OPUC, and CEP.

(a) Wal-Mart Proposal

Q. PLEASE DESCRIBE THE REVENUE DISTRIBUTION PROPOSAL OF WAL-MART.

A. Wal-Mart witness Andrew Teague accepts EPE's proposed revenue distribution methodology at the Company's proposed base rate revenue increase level. I addressed

the issues with that methodology in my direct testimony and will therefore not re-address the issues I identified with that approach here.

(b) TIEC Proposal

Q. PLEASE DESCRIBE THE REVENUE DISTRIBUTION PROPOSAL OF TIEC.

A. TIEC witness Kevin Higgins proposes to set all customer class revenue levels equal to their allocated cost of service.

Q. WHAT IS THE IMPACT ON CUSTOMER CLASSES UNDER TIEC'S PROPOSED REVENUE DISTRIBUTION METHODOLOGY?

A. TIEC Exhibit KCH-10 shows the results of TIEC's proposal using TIEC's revised COSS and the Company's proposed revenue levels. As shown on that exhibit, the impacts on customer classes range from a 66.06% base rate revenue increase for the Residential Water Heating ("RWH") rate class to a (-24.77%) base rate revenue decrease for the Street Light rate class.

Q. DO YOU HAVE ANY ISSUES WITH TIEC'S PROPOSED REVENUE DISTRIBUTION?

A. Yes, I have issues with TIEC's proposed revenue distribution. In addition to the 66.06% increase for the RWH rate class, other rate classes would also receive substantial base rate revenue percent increases. Gradualism or COVID-19 impact adjustments should be applied to rate classes receiving substantial base rate revenue increases. I will discuss the gradualism adjustment in Section IV of my cross-rebuttal testimony.

Q. DO YOU HAVE ANY OTHER COMMENTS REGARDING TIEC'S PROPOSED REVENUE DISTRIBUTION?

A. Yes. TIEC witness Kevin Higgins relies on a prior SWEPCO rate case, PUC Docket No. 40443, in which the Commission set class revenue levels equal to their cost of service as support for his proposal. However, Mr. Higgins ignores SWEPCO's two most recent rate cases, PUC Docket Nos. 46449 and 51415. The Commission's Order in Docket No. 46449 adopted gradualism for the approved class revenue distribution. In SWEPCO's pending rate case, Docket No. 51415, the ALJ's PFD also adopted gradualism for their recommended class revenue distribution.

(c) Freeport McMoran's Proposal

Q. PLEASE DESCRIBE THE REVENUE DISTRIBUTION PROPOSAL OF FMI?

A. FMI's proposed revenue distribution is similar to the proposal of TIEC. Like TIEC's proposal, FMI proposes to move all customer class revenue levels to their allocated cost of service. The only difference in FMI's proposal is that gradualism would be applied to the RWH rate class by capping that class's base rate revenue increase at 43%.[8]

Capping the increase for the RWH rate class at 43% would increase EPE's proposed increase to that class from $65,000 to $204,000. The subsidy that the RWH rate class would receive under FMI's proposal would be reduced to $126,000 from the $265,000 subsidy under EPE's proposal. Under FMI's proposed revenue distribution,

[8] It should be noted that FMI witness Jeffry Pollock does not recommend class revenue distribution adjustments due to COVID-19 impacts. The 43% cap for the RWH rate class is for mitigating excessive rate increases if the RWH revenues are set equal to their cost of service.

this relatively small subsidy amount is recovered by slight reductions to the revenue decreases received by some rate classes.

Q. WHAT IS THE BASIS FOR THE 43% CAP PROPOSED BY FMI?

A. As stated on page 34, lines 9 through 18, of the direct testimony of FMI witness Jeffry Pollock, the 43% cap is what was approved for SWEPCO in PUC Docket No. 46449.

Q. IS THIS A REASONABLE BASIS FOR SETTING A CLASS REVENUE INCREASE CAP IN THIS CASE?

A. No. The cap should be established based on the facts in this case. Judgement is also involved but it is judgement based on the facts in the case, e.g., the average jurisdictional percent increase in EPE's base rate revenues. FMI's revenue distribution proposal should be rejected for the same reasons that TIEC's revenue distribution proposal should be rejected.

(d) Vinton Steel Proposal

Q. PLEASE DESCRIBE THE REVENUE DISTRIBUTION PROPOSAL OF VINTON STEEL.

A. Vinton Steel witness Raymond Stanley proposes to apply gradualism in this case by limiting the base rate revenue increase for each rate class to 1.5 times EPE's jurisdictional average percent increase. Unlike EPE's cap that is only applied to rate classes impacted by COVID-19, Vinton Steel's cap would apply to any rate class whose proposed revenue increase exceeds the cap.

Q. HAVE YOU IDENTIFIED ANY ISSUES WITH VINTON STEEL'S REVENUE DISTRIBUTION PROPOSAL?

A. The issue with Vinton Steel's proposal is that Mr. Stanley did not present the results of his gradualism proposal in a proposed revenue distribution calculation. Therefore, it is not known how the revenue shortfall from the proposed cap will be assigned to the other rate classes. One needs to know this to evaluate the reasonableness of Vinton Steel's cap proposal.

(e) PUC Staff Proposal

Q. PLEASE DESCRIBE THE REVENUE DISTRIBUTION PROPOSAL OF THE PUC STAFF.

A. PUC Staff witness Adrian Narvaez sponsors Staff's revised COSS, which is provided as his Attachment AN-3. Mr. Narvaez does not provide a description of his proposed class revenue distribution methodology in his direct testimony. However, tab "Rev Distribution" of "Staff's Rate Design Model," provided as a Staff workpaper, demonstrates Staff's proposed revenue distribution methodology at Staff's adjusted revenue requirement. Based on this Excel file, the Commission Staff appears to be using the same revenue distribution methodology proposed by EPE – the base rate revenue increase is capped at 1.5 times the average jurisdictional percent increase for those rate classes with significantly increased sales claimed to be caused by COVID-19 and the base rate revenue decrease is reduced by 50% for those rate classes with significantly decreased sales claimed to be caused by COVID-19. The net revenue shortfall resulting from applying the cap increase and floor decrease to those classes is

allocated to all customer classes based on the class revenues, after any capped increase or floored decrease.

Q. HAVE YOU IDENTIFIED ANY ISSUES WITH STAFF'S PROPOSED REVENUE DISTRIBUTION METHODOLOGY?

A. Yes. As the Commission Staff is proposing the same revenue distribution methodology as EPE, the issues I identified in my direct testimony regarding EPE's proposed revenue distribution methodology also apply to Staff's proposed methodology. In addition, for the reasons discussed in Section II of this cross-rebuttal testimony the 50% floor applied to the revenue decrease for the Rate 41 customer class should not be approved since the Rate 41 decrease is linked to factors other than COVID-19.

(f) University of Texas at El Paso Proposal

Q. PLEASE DESCRIBE THE REVENUE DISTRIBUTION PROPOSAL OF UTEP?

A. UTEP witness Kit Pevoto agrees with EPE that certain rate classes have "atypical rate impact changes" due to COVID-19 and that these impacts should be addressed in the class revenue distribution.[9] However, Ms. Pevoto proposes a few revisions to EPE's methodology for addressing COVID-19 impacts and also applies gradualism to some small customer classes in UTEP's proposed class revenue distribution. These proposed revenue distribution methodology changes to EPE's proposal supported by Ms. Pevoto are:

(1) Retains the 50% floor applied to the revenue decreases for the Small General Service, General Service, and City and County Service rate classes.

[9] Page 27, lines 1 through 16, of the direct testimony of UTEP witness Kit Pevoto.

(2) Increases the cap for the RWH rate class from 11.07% to 30%.

(3) Instead of applying the 11.07% cap to the Residential rate class, proposes to apply the net revenue surplus from (1) and (2) above to reduce the revenue increase to the Residential rate class. This results in a residential rate class increase of 15.68%.[10]

(4) In addition to the above COVID-19 impact related revenue distribution methodology revisions, UTEP also proposes applying gradualism to the proposed revenue increases for three other small customer classes.[11]

Q. HAVE YOU IDENTIFIED ANY ISSUES WITH UTEP'S PROPOSED REVENUE DISTRIBUTION METHODOLOGY?

A. Some of the criticisms I addressed in my direct testimony regarding EPE's proposed revenue distribution methodology also apply to UTEP's proposal. However, UTEP's proposal is more straightforward than the EPE proposal and avoids the problem with EPE's proposal of having to assign the net revenue shortfall or surplus from the capped and floored rate classes' to all other customer classes. However, I believe the cap for the capped rate classes that gradualism is applied to is too high and should be reduced from 30% to 1.75 times the average jurisdictional percent increase. In addition, for the reasons discussed in Section II of my cross-rebuttal testimony above, the 50% floor should not be applied to the City and County ("Rate 41") rate class.

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[10] Table KP-6 on page 27 of the direct testimony of Kit Pevoto. The five classes are Recreational Lighting, Irrigation Service, Cotton Gin Service, Governmental Street Lighting, and Area Lighting.

[11] Page 28, lines 1 through 15, of the direct testimony of UTEP witness Kit Pevoto.

(g) OPUC Proposal

Q. PLEASE DESCRIBE THE REVENUE DISTRIBUTION PROPOSAL OF OPUC.

A. OPUC witness Evan Evans agrees that the revenue distribution should address estimated impacts caused by COVID-19. However, Mr. Evans disagrees with EPE on which customer classes' revenue distributions should be adjusted for COVID-19. Based on a comparison of changes in the annual average kwh use per customer for each customer class provided as Exhibit EDE-13, OPUC claims that all customer classes were impacted by COVID-19. Mr. Evans also disagrees with how EPE allocates to the customer classes the net revenue shortfall resulting from applying the customer class caps and floors to customer classes.

My understanding of OPUC's proposed revenue distribution is: (1) to cap the increase to any customer class at 1.5 times the average Texas jurisdictional percent increase; (2) to not allow any customer class to receive a revenue decrease; and (3) to not allow customer classes that would receive below average revenue increases per the COSS to receive a revenue increase that is less than 0.50 times the average Texas jurisdictional percent increase.

Q. HAVE YOU IDENTIFIED ANY ISSUES WITH OPUC'S PROPOSED REVENUE DISTRIBUTION?

A. Yes, I have identified several issues with OPUC's proposal. First, OPUC does not provide an exhibit or workpaper to show how its proposed revenue distribution would work. While OPUC witness Evan Evans disagrees with how EPE assigns the net revenue shortfall caused by the COVID-19 impact adjustments to other customer

classes, he does not explain, show, or support how he would assign his net revenue shortfall to other customer classes. This is a key factor in determining the reasonableness of OPUC's proposed revenue distribution methodology.

Second, Mr. Evans' direct testimony cites Commission Orders in two previous SWEPCO rate cases that he claims approved revenue distribution methodologies similar to his proposal. I do not believe the cited Findings of Fact in those two Orders provide support for his claim. In fact, in at least one of those cases, the Commission approved base rate revenue decreases for customer classes, which is contrary to OPUC's proposed revenue distribution in this case.

Third, given the magnitude of the level some customer classes' current rate revenues are above their cost of service, not allowing revenue decreases for any customer classes is unreasonable and unacceptable.

Q. DO YOU AGREE THAT OPUC'S ANALYSIS OF AVERAGE ANNUAL USE PER CUSTOMER FOR THE CUSTOMER CLASSES INDICATES THE IMPACTS OF COVID-19 ON CUSTOMER CLASSES?

A. No. This statistic may indicate the COVID-19 impact on some of the customer classes. However, for the Rate 41 customer class, that statistic will not provide any insight as to any impact COVID-19 may have had on the Rate 41 customer class's test year energy sales and demand levels. As previously discussed, the Rate 41 customer class has experienced annual decreases in customers, which is an inherent result from the fact the customer class has been closed since 2010. The loss of customers, and the usage and demand levels of those customers, will impact that statistic so it is incorrect to rely on that statistic for demonstrating claimed COVID-19 impacts for Rate 41.

(h) City of El Paso Proposal

Q. PLEASE DESCRIBE THE REVENUE DISTRIBUTION PROPOSAL OF CEP.

A. As previously discussed in Section II of this cross-rebuttal testimony, CEP witness Clarence Johnson attempts to adjust the allocation factors used in the class COSS for impacts caused by COVID-19. Therefore, Mr. Johnson's proposed revenue distribution appears to only address gradualism or moderation of significant changes in class revenues levels under his adjusted COSS rather than to address COVID-19 impacts. CEP's revenue distribution proposal has two stated factors. First, the class revenue increases are limited to no more than 1.4 times the average Texas jurisdictional percent increase. Second, classes whose current rate revenues exceed their cost of service would not receive a revenue reduction if EPE receives an overall revenue increase. In the case of an overall EPE revenue decrease, no customer class would receive a revenue increase, and any remaining revenue decrease, after capping these classes at zero, would be assigned proportionally to the classes that should receive revenue decreases per his COSS results.

Q. HAVE YOU IDENTIFIED ANY ISSUES WITH CEP'S PROPOSED REVENUE DISRIBUTION?

A. Yes. Even under CEP's COSS that has been adjusted to eliminate claimed allocation factor impacts caused by COVID-19, some customer classes require a significant revenue reduction, i.e., they are paying large subsidies under their current rates. For example, as shown on CEP Schedule CJ-5, the Street Lighting Service ("SLS") customer class should receive a (26.89%) revenue decrease. Without any revenue decrease for this customer class, it will continue to pay over $1 million in subsidies to

other customer classes. Other than OPUC, all other proposed revenue distribution methodologies would provide a revenue decrease for the SLS class.

IV. REVISED RATE 41 REVENUE DISTRIBUTION PROPOSAL

Q. BASED ON YOUR REVIEW OF THE REVENUE DISTRIBUTION METHODOLOGIES PROPOSED BY OTHER PARTIES, DO YOU HAVE ANY REVISIONS TO YOUR CLASS REVENUE DISTRIBUTION PROPOSED IN YOUR DIRECT TESTIMONY?

A. Yes. My Table 2 below summarizes the positions of the parties on how or whether to consider estimated COVID-19 impacts on the distribution of any overall EPE revenue increase to the customer classes:

Table 2

Parties' COVID-19 Impact Proposals			
EPE's Revenue Distribution Method or Version of It	An Alternative Revenue Distribution Method	No COVID-19 Impact Adjustment Needed	Adjusted Class COSS For COVID-19 Impacts
EPE	OPUC	FMI	CEP
Staff		TIEC	
Wal-Mart			
Vinton Steel			
Rate 41			
UTEP			

My review of the parties' various revenue distribution and COVID-19 impact proposals resulted in the following observations and conclusions:

1) In my analysis of CEP's COVID-19 adjusted class COSS and CEP's reliance on EPE Exhibit MC-5's historical allocator comparisons, it is apparent that the claims of several parties that the reductions in the Rate 41 class allocation factors from 2019 to 2020 test year are COVID-19 related are incorrect. Instead, as shown on Exhibit MC-5, those allocation factor reductions occur every year, and are expected to continue in the future, due to the decreasing number of customers in the Rate 41 customer class that resulted from the class closing in 2010. In fact, the demand allocation factor reductions in 2020 are less than the reductions in 3 of the previous 4 years. Therefore, any proposed COVID-19 impact moderating adjustment (e.g., the 50% floor) to the revenue distribution for the rate classes experiencing decreases in their allocation factors should not be applied equally. Because of the unique situation discussed above for the Rate 41 class, the floor adjustment for the Rate 41 class should be reduced by one-half, i.e., the floor should be 75% of the indicated COSS decrease.

2) If CEP's adjusted class COSS is accepted, then the billing determinants for the customer classes that had their allocation factors adjusted should be proportionately adjusted as well. CEP did not provide adjusted billing determinants.

3) Ongoing, unknown impacts of COVID-19 on the rate year, and beyond, customer class energy and demand levels make it very difficult to adjust the test year levels based on known and measurable factors and should therefore be rejected.

Based upon these observations and conclusions, I would revise or add the following factors to my proposed class revenue distribution that is presented in my direct testimony:

1) The floor applied to the Rate 41 revenue decrease should be revised from 50% of the decrease to 75% to reflect the fact that most of the decreased costs allocated to the Rate 41 customer class are recurring decreases and not related to COVID-19.

2) For gradualism purposes, at the Company's proposed overall revenue increase level, apply a cap of 1.75 times the average jurisdictional percent increase to the Recreational Lighting Service, Irrigation Service, and Cotton Gin Service customer classes.

3) If the Commission approves an overall revenue increase that is less than half of EPE's proposed base rate revenue increase, then the proposed caps of 1.50 and 1.75 should be increased to 2.0 and the proposed floors should be eliminated.

Q. HAVE YOU PROVIDED AN EXHIBIT SHOWING THE RESULTS OF YOUR REVISED RECOMMENDED CLASS REVENUE DISTRIBUTED?

A. Yes. My Exhibit JWD-CR-6 shows the results of my revised revenue distribution at EPE's proposed overall revenue increase amount.

Q. DOES THIS CONCLUDE YOUR CROSS-REBUTTAL TESTIMONY?

A. Yes, it does.

The Future of Remote Work

By Adam Ozimek, Upwork Chief Economist

The impact of COVID-19 on the way that we work arguably represents the most drastic and rapid shift to the global workforce that we have seen since World War II. In a matter of weeks, America's social distancing practices and rapid economic shutdown have pushed large swaths of the workforce out of the office and into the home. In fact, a recent survey estimates that the share of remote workers in the U.S. has quadrupled to nearly 50% of the nation's workforce.[1] While businesses and workers have been gradually shifting to remote work over time, the sudden shock of COVID-19 represents an unexpected and massive trial run for many workers and companies. This report will investigate the long term impacts of this remote work experiment and what we can anticipate in the future.

The analysis provides a unique and valuable insight into the direct impact that COVID has had on hiring, sentiments around remote work, and plans moving forward. To show these changes, the analysis uses two waves of survey data from the forthcoming Upwork Future Workforce Report: one fielded prior to the pandemic in November 2019, and the other fielded during the pandemic in April 2020. The surveys polled a combined 1,500 hiring managers which includes executives, VPs, and managers- so the results reflect the views and plans of those with direct influence over businesses' remote work decisions. In short, these results provide before and after snapshots of how relevant decision makers view the remote work experiment so far and how it has affected their plans. **The key results are as follows:**

1. Remote work has risen rapidly as a result of the pandemic, with more than half of the American workforce currently working from home.
2. 56% of hiring managers feel that the shift to remote work has gone better than expected, while only one in ten feel it has gone worse than expected.
3. The greatest perceived benefits of remote work include a lack of commute, fewer unnecessary meetings, and reduced distractions at the office, all of which were shared by 40% of respondents or more.
4. The single biggest drawback, in contrast, is technological issues, a problem that is likely a result of the rapid and unplanned shift and one that would be mitigated over time.
5. One third of hiring managers found that productivity had increased as a result of remote work, a greater share than found productivity decreased.
6. As a result of their experiences during COVID-19, 61.9% of hiring managers say their workforce will be more remote going forward.
7. The expected growth rate of full-time remote work over the next five years has doubled, from 30% to 65%.

[1] Erik Brynjolfsson, et al, "COVID-19 and Remote Work: An Early Look at US Data", April, 2020.

The results suggest that the remote work experiment has gone better than expected for hiring managers. The perceived benefits of working remotely are causing businesses to significantly increase plans for remote hiring in the future, which will cause an acceleration in the already upward trend of greater remote work.

The Rise of Remote Work

In the two decades before COVID-19, remote work has been steadily on the rise but has comprised a relatively modest share of the labor force.[2] It is very common for companies to have no remote employees or restrict remote work altogether, and the percent of the workforce that was fully remote was relatively small. Specifically, nearly half of businesses in the pre-COVID Future Workforce survey reported that none of their workers performed a significant portion of their job remotely. Overall, only 2.3% of hiring managers had fully remote teams, and only around 13.2% of the represented labor force was working fully remotely. These modest numbers are broadly consistent with other estimates.[3]

Unsurprisingly, remote work has increased dramatically. Prior to COVID-19, around half of hiring managers worked with remote talent to some degree -- today that number is at 94%. Fully remote teams have also increased sharply, from 2.3% to 20% in the post-COVID survey. Altogether, the post-COVID survey results suggest that over half the workforce is now remote[4], an estimate that is consistent with other research.[5]

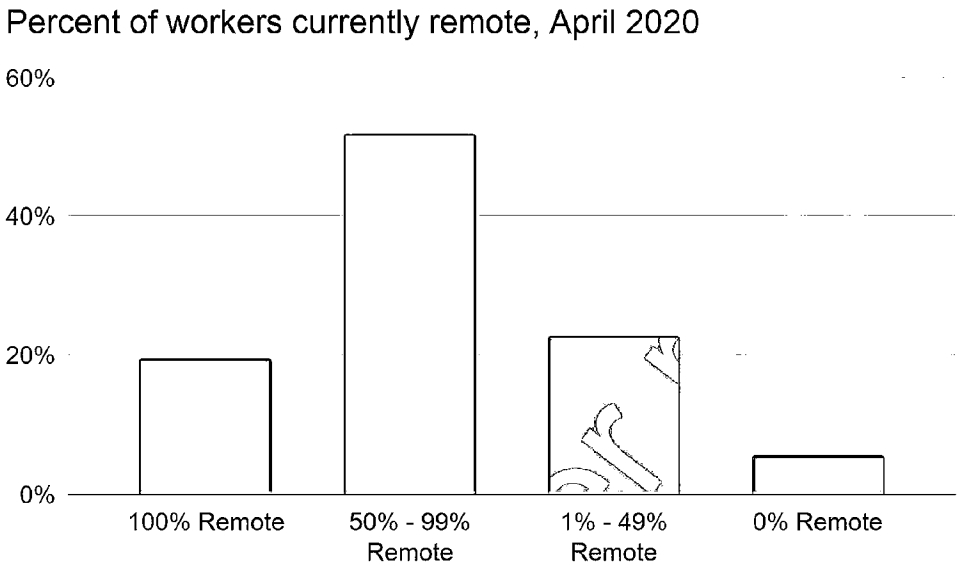
	Pre-COVID	Post-COVID
No remote workers on their team	46%	6%
Fully remote team	2.3%	20%
Share of their workers remote	13.2%	56% to 74%

[2] Ozimek, Adam. "Overboard on Offshore Fears", 2019
https://www.upwork.com/press/economics/report-overboard-on-offshore-fears/

[3] Among the 54% of firms with at least some working a significant portion of the job remote, 24.6% of their workforce was fully remote. This implies 13.2% of overall workers were entirely remote in the survey. This is within the order of magnitude of other estimates. The Census Bureau reports 5.3% "working from home" in 2018, the BLS estimates 11.4% working from home from 2013-2017 American Time Use Survey data, and Freelancing in America 2019 reports 9.5% doing all work remotely and another 7.3% doing most work remotely.

[4] Respondents provided ranges, eg 75% to 99% of their workforce being remote, which does not allow us to estimate the exact percent of the overall represented workforce is remote. The estimated range is between 56% and 74%.

[5] Brynjolffson et al estimate that 45.9% were working remotely in the first week in April, up from 11.8% four weeks prior.



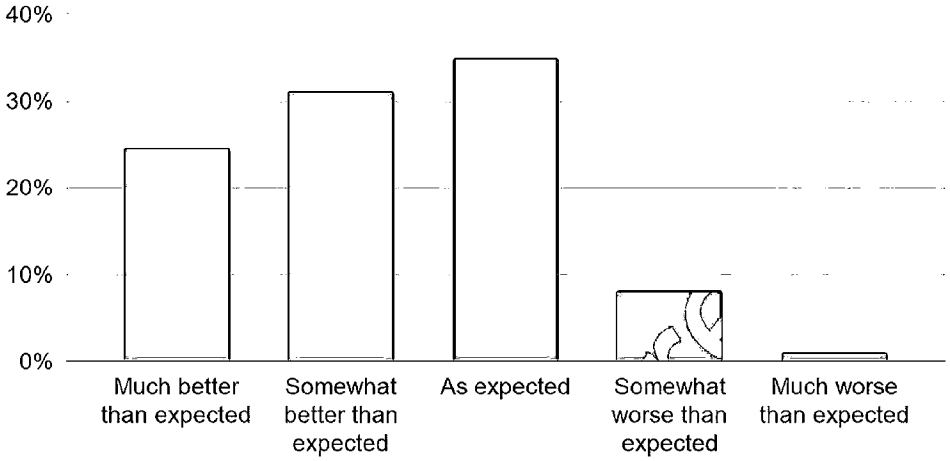
The Remote Work Experiment

For the vast majority of businesses, this drastic shift to remote teams is a new experiment that represents a very different way of working. Face-to-face meetings have been replaced by video-chats and popping by someone's desk or office has been replaced by a quick Slack message.

While it is no surprise that people have had to shift how they work together while being geographically apart, what our survey reveals is that **remote work is working**. For 56% of hiring managers, working remotely has gone better than expected, and for another 35%, it has gone as expected. For only about one in ten has it gone worse than expected.

While this survey response does not tell us whether remote work is going very well or very poorly - after all it could be better than expected, but still bad - **it does suggest that the experiment is leading hiring managers to view remote work more positively overall.** In addition, for the 25% who reported it going "much better than expected", it would be surprising if this did not equate to going very well.

How has having remote workers within your organization functioned during the crisis, compared to your expectations?



The survey also allows us to dig deeper into why remote work is going better than expected. The most common answers for what has been working well with remote working were no commute, reduction of non-essential meetings, and less distractions in the office, all of which were shared by 40% of respondents or more.

What, if anything, about remote work at your organization has worked well?	
No commute	49.0%
Reduction of non-essential meetings	46.3%
Less distractions than the office	41.2%
Increased productivity	32.2%
Greater autonomy	28.4%
Nothing has worked well	1.9%

The most popular answer for what has worked poorly was technological issues, which is shared by 36.2% of respondents. The next most popular response was increased distractions at home, for 32% of respondents. **Importantly, these two problems with remote work will be mitigated by experience.** The necessity of quickly going remote means many workers and companies are adapting to new technology they have not used before, and many will likely need to experiment before settling on what works best for their specific needs. As the technology experience improves, this will likely reduce the number who find team cohesion, communication, and organization to be a problem as well. Additionally, while distractions at home may always

be a problem to some extent, during COVID-19, the widespread closing of schools and restrictions on bringing help into the home has almost certainly exacerbated this.

What, if anything, about remote work at your organization has worked poorly?	
Technological issues	36.2%
Increased distractions at home	32.0%
Reduced team cohesion	30.5%
Difficulties in communication	30.3%
Teams are less organized	23.3%
Less productivity	22.5%
Nothing has worked poorly	14.8%

Most importantly though, is that **32.2% of hiring managers found that productivity has increased** compared to 22.5% who found that it decreased. This has positive implications for long-run adoption and the potential for remote work to increase overall productivity in the economy. Importantly, for aggregate U.S. productivity to increase from remote work it does not require every single job or even the majority to be more productive remotely, it only requires some of them to be. All else equal, over time, jobs that are more productive if done remote will go remote, and those that are less productive will not. The net effect of this selection process will be greater productivity. **That one third finds remote work increases productivity, despite the rapid pace of change and struggles with technology, is a very optimistic result for future adoption and future productivity.**

The future of remote work

Overall, the survey results reveal that the remote work experiment has proceeded better than expected from the perspective of working conditions. There have been more upsides than downsides, and there is potential for improving productivity.

These findings raise the important question; will the experiment prove sticky for some and accelerate the adoption of remote work? To shine light on this question, we can look at how survey respondents are planning changes in their workforce in the future.

Respondents were asked directly how their workforce would change as a result of COVID-19, 26.3% said significantly more remote work than before and 35.6% said somewhat more, for a total of **61.9% planning more remote work than before.**

As a result of COVID-19, my organization's workforce will be...?	
Significantly more remote than it was before	26.3%
Somewhat more remote than it was before	35.6%
About the same as it was before	32.0%
Somewhat less remote than it was before	4.5%
Significantly less remote than it was before	1.6%

We can also look into the medium-term future as well by comparing a question asked to hiring managers in the pre and post COVID survey waves: What percentage of your overall team would you estimate will fall into each remote work category in 5 years?

The results show that many hiring managers were already planning to become more remote over the next five years, however, this has increased significantly. In the pre-COVID survey, 13.2% of the represented workforce was working entirely remote and hiring managers were expecting to increase this to 17.2% over the next five years, a 30% growth rate. After COVID, hiring managers are now planning for 21.8% of their workforce to be entirely remote in five years, a 65% increase.[6] A similar acceleration in growth is seen for the share of the workforce that is significantly remote. Altogether, the expected growth of remote work has doubled compared to what was planned before COVID-19.

		Five year forecasted rates		Five year growth	
	November, 2019	Pre-COVID	Post-COVID	Pre-COVID forecast	Post-COVID forecast
Entirely remote (all of their work is done remotely)	13.2%	17.2%	21.8%	30%	65%
Significantly remote (half or more of their time)	10.2%	13.7%	17.7%	33%	73%
Some remote (up to half of their time is spent remotely)	9.5%	15.0%	18.8%	57%	98%
Not at all remote (all of their work is done on-site or in-office)	67.1%	54.2%	41.7%	-19%	-38%

[6] 21.8% plan going fully remote now, compared to 13.2% before COVID-19, an increase of (21.8 - 13.2)/13.2 = 65%.

Conclusions

COVID-19 has brought uncertainty and tragedy across the globe and has forced the economy to undergo a massive experiment. As somewhere around half of all workers take part in this trial of remote work, however, in the chaos, there are also bright spots for the future of how we work.

As the Future Workforce survey suggests, the positive results of the experiment is set to accelerate the trend of remote work even more rapidly. With that change, workers will embrace the benefits of no commutes, fewer meetings, and increased productivity. Additionally, if even a fraction of those who are experimenting with remote work embrace it, it could double the share working fully remote themselves and have positive implications on U.S. productivity.

The shift to more remote work could also eliminate many of the challenges that come with having a traditional, in-the-office workforce. As leaders in the remote workspace for nearly two decades, Upwork has seen first hand and helped companies and freelancers embrace the benefits of flexibility. For companies, remote work removes geographical barriers to hiring so that they can find the best talent regardless of location. For independent professionals, being remote opens opportunities to work with companies and clients around the world.

There will be adjustments as companies pivot to a more remote workforce, but overall, the remote work experiment will bring positive impacts to how we work. When the economy finally reopens and social distancing measures are lifted, the labor force will look back on COVID-19 as the turning point in the remote work experiment.

Methodology

The report uses data from two surveys conducted by independent research firm ClearlyRated. The first round surveyed more than 1,000 U.S. hiring managers through a third-party, independent online sample between October 31, 2019 and November 13, 2019. The second round surveyed more than 500 U.S. hiring managers through a third-party, independent online sample between April 22, 2020 and April 28, 2020.

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Weathering the Pandemic: Texas Industries and COVID-19

Texas Industries Most Affected by COVID-19

by Olga Garza, TJ Costello, Jessica Donald, Peggy Fikac, David Green, Spencer Grubbs, Shannon Halbrook and Lisa Minton

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To slow the spread of COVID-19 last spring, schools, businesses and sports venues began closing across Texas and the rest of the nation. Texans prepared as if for a hurricane rather than a year-long event that would upend businesses and their everyday lives.

After a spike in July, new cases fell dramatically in August and September only to mount again in late fall. By Jan. 11, 2021, the Texas Department of State Health Services had confirmed more than 1.7 million COVID-19 cases in the state — and nearly 30,000 deaths from the disease.

But the pandemic isn't only a health crisis; it's an economic crisis that continues to wreak havoc on both small firms and major industries. Closures, quarantines and other restrictions come with significant fiscal implications and, despite its strong and diverse economy, Texas isn't immune to the uncertainties of this unprecedented situation.

All Texas industry sectors have been affected by the pandemic to some degree, but some have struggled more than others, raising concerns over what some have called a "K-shaped recovery" — one in which different sectors, industries and employee groups fare differently, some recovering and others remaining in recession. In this special issue of *Fiscal Notes*, we take a closer look at some of the industries most affected by the pandemic: leisure and hospitality providers, restaurants and bars, retailers, passenger airlines and hospitals.

The Steepest Drop

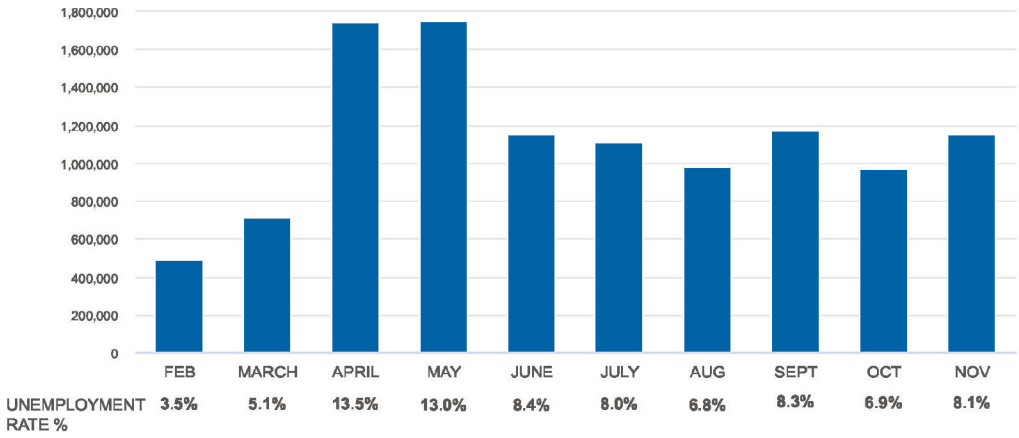
The "steepest and fastest drop in Texas economic activity in modern history" — that's the Federal Reserve Bank of Dallas' description of the pandemic's effects. This crisis is unique compared to previous downturns, adversely singling out certain sectors and making the economic effects and recovery process uneven and hard to predict. Sales tax collections, buoyed by retail sales, have declined moderately, but other affected industries have suffered much more. As of December 2020, the effects were still evident in some major taxes:

- sales tax — $2.86 billion, down 5.0 percent from December 2019
- oil production tax — $197 million, down 45.5 percent
- natural gas production tax — $86 million, down 25.0 percent
- alcoholic beverage taxes — $84 million, down 28.5 percent
- hotel occupancy tax — $26 million, down 48.5 percent

Employment Changes During the Pandemic

Initial job losses due to COVID-19 were staggering. Between February and April 2020, the U.S. lost 22.2 million jobs, more than 1.4 million of them in Texas. Texas' unemployment rate spiked at 13.5 percent in April 2020, up from 3.5 percent just two months earlier. By November, nearly 1.2 million Texans remained unemployed (**Exhibit 1**).

EXHIBIT 1: TEXAS UNEMPLOYMENT, FEBRUARY-NOVEMBER 2020 (SEASONALLY ADJUSTED)



Month	Labor Force*	No. of Unemployed	Unemployment Rate
February	14,199,564,	492,454,	3.5%,
March	14,004,479	715,827	5.1%
April	12,960,683	1,744,022	13.5%
May	13,498,250	1,753,204	13.0%
June	13,794,279	1,154,852	8.4%
July	13,834,694	1,113,605	8.0%
August	14,386,708	981,437	6.8%
September	14,219,504	1,173,813	8.3%
October	14,084,005	968,165	6.9%
November	14,181,827	1,153,252	8.1%

Source: Comptroller analysis of data from the Texas Workforce Commission

From mid-March through Jan. 2, 2021, Texans filed more than 4.1 million initial claims for unemployment insurance, 300,000 in the week ending April 4 alone. These have fallen significantly, but remain historically elevated.

The number of *continued* unemployment claims, which reflects those receiving benefits after an initial claim, peaked in Texas at 1.4 million in the week ending May 23, remained above 1 million through the week ending Aug. 29 and totaled 368,223 for the week ending Dec. 26.

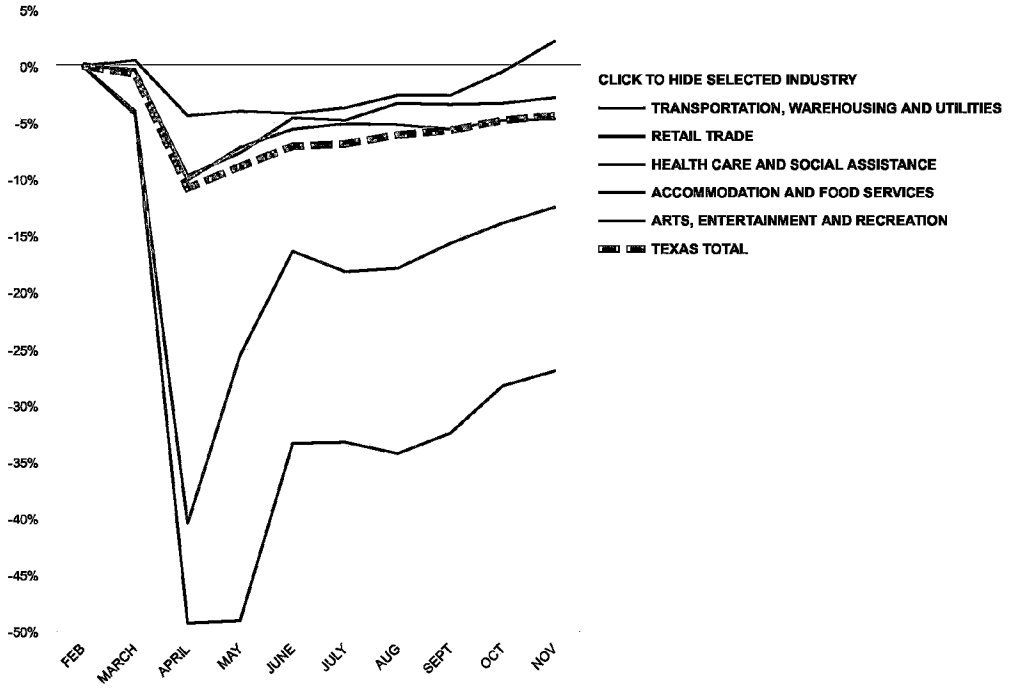
Low-wage workers, disproportionately employed in service industries, bore the brunt of job losses. Many of these workers are women and minorities; in 2019, for instance, 58.7 percent of U.S. hotel and motel employees were women and 58.6 percent were members of ethnic minorities, according to the U.S. Bureau of Labor Statistics. Opportunity Insights, a Harvard-based research and policy institute, found that employment among Texans making less than $27,000 per year fell by 17 percentExternal Link: undefined from January through Oct. 22, 2020. Employment for middle-wage workers ($27,000 to $60,000 per year)

declined by just 3.6 percent; for workers earning more than $60,000, employment actually rose, though only slightly (0.5 percent).

Hardest-Hit Industries

A September analysis of federal labor dataExternal Link: undefined by the *Washington Post* found that nine out of the 10 U.S. industries with the biggest job losses during the pandemic were service providers, including hotels, performing arts venues and restaurants. Texas Workforce Commission data indicate employment in the arts, entertainment and recreation fell by *nearly half* from February to April 2020, and remained 27 percent lower in November (**Exhibit 2**). Employment at hotels, restaurants and bars fell by 12.5 percent during this period.

EXHIBIT 2: PERCENT CHANGE IN TEXAS NONFARM EMPLOYMENT, SELECTED INDUSTRIES, FEBRUARY-NOVEMBER 2020
(SEASONALLY ADJUSTED)



Industry	Feb.	March	April	May	June	July	Aug.	Sept.	Oct	Nov.
Arts, Entertainment and Recreation	0.0%	-4.3%	49.3%	-49.1%	-33.4%	-33.3%	-34.3%	-32.5%	-28.3%	-27.0%
Accommodation and Food Services	0.0%	-4.0%	-40.5%	-25.6%	-16.4%	-18.2%	-17.9%	-15.7%	-13.9%	-12.5%

Health Care and Social Assistance	0.0%	-0.4%	-10.1%	-7.2%	-5.6%	-5.1%	-5.2%	-5.6%	-4.8%	-4.7%
Texas Total	0.0%	-0.7%	-10.8%	-8.9%	-7.1%	-6.9%	-6.1%	-5.7%	-4.8%	-4.4%
Retail Trade	0.0%	-0.3%	-9.7%	-7.7%	-4.6%	-4.8%	-3.3%	-3.4%	-3.3%	-2.8%
Transportation, Warehousing and Utilities	0.0%	0.5%	-4.4%	-4.0%	-4.2%	-3.7%	-2.6%	-2.6%	-0.5%	2.2%

Source: Comptroller analysis of data from the Texas Workforce Commission

Among these industries, the most significant shared characteristic is their inherent necessity to operate in close quarters with their customers; their profitability typically depends on face-to-face encounters or crowds, from restaurants to sports arenas. In addition, some businesses have been affected by the lack of consumer confidence and by a concern for individual health and safety. Many sectors are financially fragile, with little cash on hand to weather an economic downturn.

Leisure and Hospitality

According to the federal government's industrial classification scheme, leisure and hospitality is a "supersector," a wide-ranging category including restaurants, bars, hotels, tourism, performing arts, sporting events, amusement parks, gyms and other enterprises. The supersector includes two sectors, arts, entertainment and recreation and accommodation and food services. The latter, in turn, is divided into two subsectors, accommodation and food services and drinking places — or, in other words, restaurants and bars.

No part of the state economy was injured more deeply by the pandemic than these industries. For the past several decades, leisure and hospitality jobs have comprised an increasing share of Texas' employment base, accounting for 10.9 percent of the state's total jobs in 2019. Between 2010 and 2019, employment growth in this sector outpaced statewide gains, rising by an annual average of 3.7 percent versus 2.4 percent for all Texas jobs (**Exhibit 3**). Restaurants and bars led employment growth, adding jobs at an average 3.8 percent per year.

EXHIBIT 3: TEXAS LEISURE AND HOSPITALITY SUPERSECTOR, ANNUAL NONFARM EMPLOYMENT CHANGE, 2010-2019