

	Average Annual Percent Change
Leisure and Hospitality	3.7%
Arts, Entertainment and Recreation Sector	3.5%
Accommodation & Food Services Sector	
Food Services & Drinking Places	3.8%
Accommodation	3.1%
Texas Total	2.4%

Source: Comptroller analysis of data from the Texas Workforce Commission

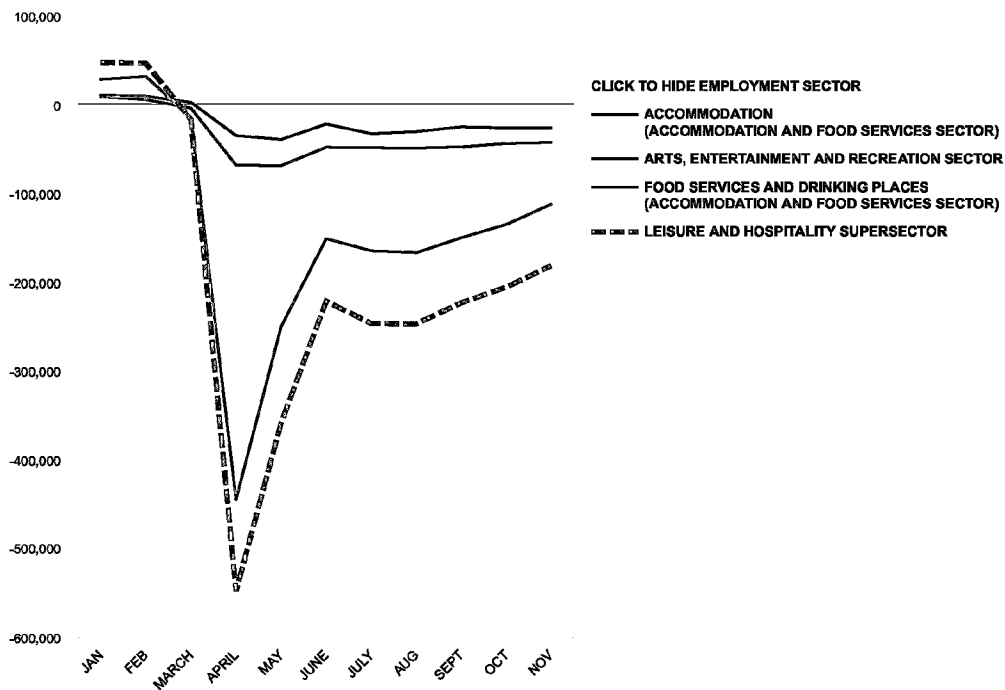
But then the pandemic arrived. In November 2020, Texas leisure and hospitality employment was down by 13 percent from the same month in the previous year, a loss of 181,800 jobs and 37.2 percent of *all* Texas job losses during this period. Restaurants and bars suffered the heaviest total losses, falling by 10.1 percent or 112,500 jobs. Employment in the arts, entertainment and recreation industries experienced the greatest percentage decline at 29.6 percent or 42,800 jobs.

After a rebound in May and June, sector employment growth had improved only modestly through November (**Exhibit 4**).

**EXHIBIT 4: TEXAS LEISURE AND HOSPITALITY INDUSTRIES  
YEAR-OVER-YEAR EMPLOYMENT CHANGE, 2019 VS. 2020  
(NOT SEASONALLY ADJUSTED)**

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Industry	Jan.	Feb.	March	April	May	June	July	Aug.	Sept.	Oct.	Nov.
Leisure and Hospitality Supersector	47,100	46,200	-17,000	-548,300	-358,700	-221,700	-246,800	-247,000	-223,400	-205,600	-181,800
Arts, Entertainment & Recreation Sector	8,600	5,500	-4,200	-68,400	-68,900	-48,300	-48,900	-49,300	-47,900	-44,000	-42,800
Accommodation & Food Services Sector:											
Food Services & Drinking Places	28,200	31,400	-15,100	-444,800	-250,300	-151,200	-164,900	-167,000	-150,200	-135,100	-112,500
Accommodation	10,300	9,300	2,300	-35,100	-39,500	-22,200	-33,000	-30,700	-25,300	-26,500	-26,500

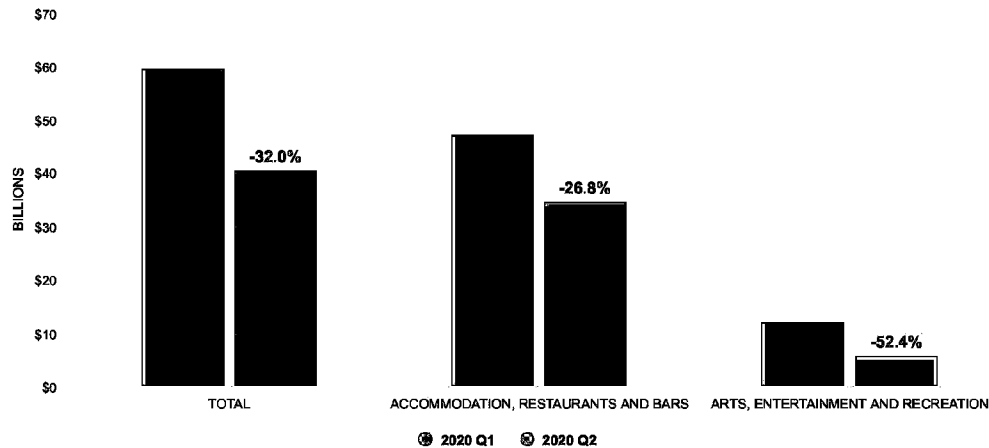
Source: Comptroller analysis of data from the Texas Workforce Commission

The contribution of the arts, entertainment, recreation, accommodation and food services — a group defined by the U.S. Bureau of Economic Analysis — to the Texas gross state product (GSP) also slumped. In 2019, these industries contributed \$63.5 billion to the Texas economy, or 3.4 percent of the state's \$1.84 trillion GSP. Between the first and second quarters of 2020, their combined Texas GSP fell by more than

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\$19 billion or 32 percent. Total output in the arts, entertainment and recreation industries declined by more than half (Exhibit 5).

**EXHIBIT 5: TEXAS ARTS, ENTERTAINMENT, RECREATION, ACCOMMODATION AND FOOD SERVICES INDUSTRIES, GROSS STATE PRODUCT BY QUARTER, 2020**



Industry	2020 Q1	2020 Q2	Total Change	Percent Change
<b>Total</b>	\$59,868	\$40,685	-\$19,183	-32.0%
<b>Accommodation, restaurants and bars</b>	\$47,570	\$34,829	-\$12,741	-26.8%
<b>Arts, entertainment and recreation</b>	\$12,298	\$5,856	-\$6,442	-52.4%

Source: Comptroller analysis of data from the U.S. Bureau of Economic Analysis

Opportunity Insights' data describe the impacts on the sector in Texas:

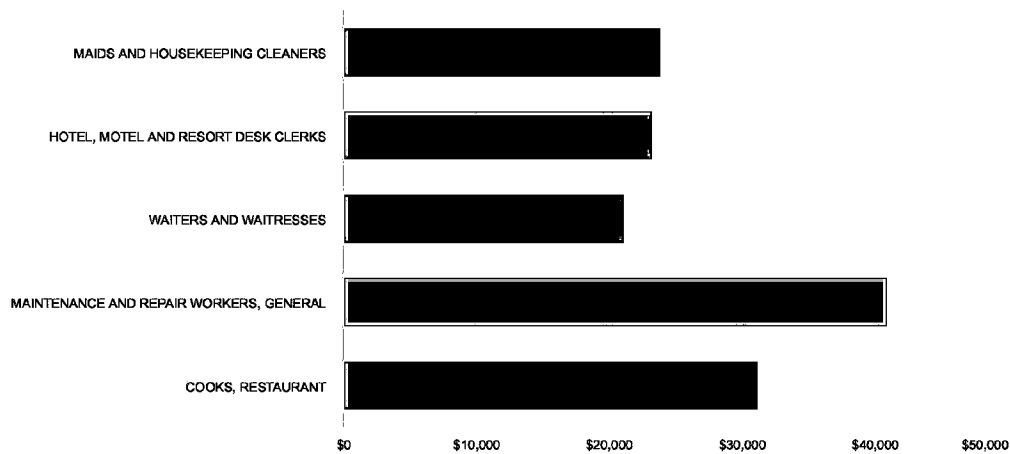
- small business revenue in leisure and hospitality fell by 74.3 percent between January and Dec. 30, 2020, versus a 39.1 percent decline for all small businesses.
- the number of small businesses open fell by 57.7 percent during this period, versus a 31.5 percent decline for all small businesses.
- compared to January 2020, consumer spending at Texas restaurants and hotels was down 11.8 percent for the week ending Dec. 6, and down 45.6 percent at entertainment and recreation sites; total consumer spending fell by just 1.0 percent in this period.

## Accommodation

The accommodation industry includes businesses that provide overnight and short-term lodging for travelers. It plays a significant role in our economy by supporting tourism and hosting meetings and events. The sharp reduction in travel caused by the pandemic has forced many businesses in the accommodation industry to consider taking drastic steps to stay above water.

In Texas, most hotel and motel employees earn considerably less than \$45,000 annually; the industry's top three occupations earn an average of less than \$25,000 a year (**Exhibit 6**). This is an economically high-risk group; among maids and housekeeping employees, nearly 55 percent are between the ages of 34 and 55 and almost 79 percent have only a high school degree or less.

**EXHIBIT 6: TOP OCCUPATIONS AND WAGES IN THE TEXAS ACCOMMODATION INDUSTRY, 2019**

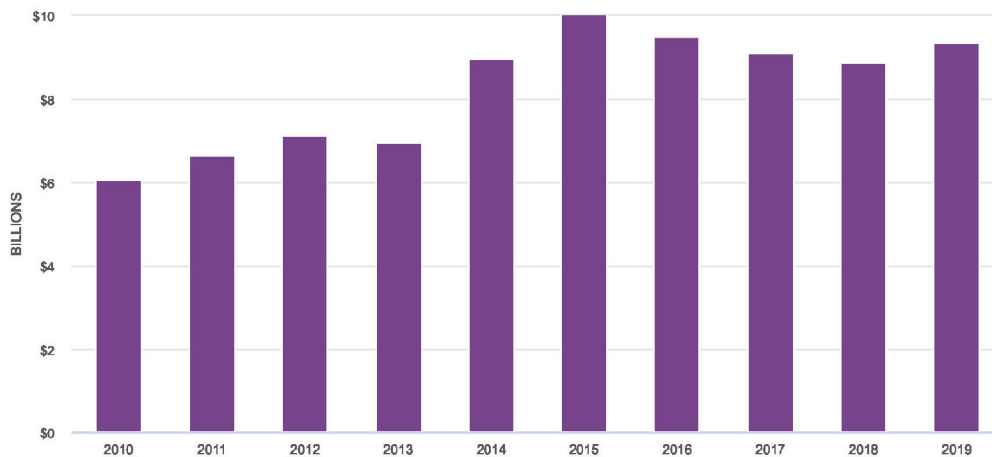


Occupation	Average Annual Wages
Maids and Housekeeping Cleaners	\$23,900
Hotel, Motel and Resort Desk Clerks	\$23,300
Waiters and Waitresses	\$21,200
Maintenance and Repair Workers, General	\$41,000
Cooks, Restaurant	\$31,300

Source: JobsEQ

In 2019, the accommodation industry contributed an estimated \$9.4 billion to Texas GSP (**Exhibit 7**); this contribution showed a 5 percent compound annual growth rate between 2010 and 2019, slightly higher than the rate for all Texas industries.

**EXHIBIT 7: TEXAS ACCOMMODATION INDUSTRY, CONTRIBUTIONS TO TEXAS GROSS STATE PRODUCT, 2010-2019**



Year	GSP (in billions of current \$)
2010	\$6.06
2011	\$6.64
2012	\$7.13
2013	\$6.95
2014	\$8.96
2015	\$10.06
2016	\$9.50
2017	\$9.10
2018	\$8.87
2019	\$9.36

Source: U.S. Bureau of Economic Analysis

As of November 2020, Texas' accommodation industry had lost 26,500 jobs in a year, a 19.5 percent decline. In April, the American Hotel and Lodging Association [estimated](#) that more than 296,000 Texas jobs directly and indirectly related to lodging were endangered by travel restrictions.

According to Justin Bragiel, general counsel for the Texas Hotel and Lodging Association, the statewide hotel occupancy rate in November 2020 was at about 36 percent, 30 percent below average for that time of year. He cites examples of hotels that have created alternative revenue streams to help relieve financial pressures, such as leasing rooms for use as office space or contracting with local governments to provide quarantine space for COVID-positive employees.

"We believe difficult economic conditions will continue through 2021, [but] we're hopeful that the development and deployment of a successful vaccine will allow more travelers to return to normal conditions in late 2021 and beyond," Bragiel says.

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## **Restaurants and Bars**

In June, the [National Restaurant Association](#) [External Link: undefined](#) estimated U.S. sales losses of \$240 billion by the end of 2020. According to Open Table, the online restaurant reservation service, reservations in Texas as of Nov. 6 were down by 25 percent from a year ago.

According to the Texas Restaurant Association (TRA), restaurants represented [51 percent](#) [External Link: undefined](#) of Texas' food spending before the pandemic. They're critical to the food supply chain, which includes farmers and ranchers, alcohol manufacturers, food distributors and trucking companies.

In the industry, the economic pain of the pandemic hasn't been distributed equally, although most have suffered. Large chain restaurants in particular are often better equipped to adjust; many employ models that fit well with pandemic restrictions, such as drive-throughs, carry-out and delivery. Dine-in restaurants, by contrast, often can't exceed 50 percent capacity due to social distancing restrictions. Large chains may also enjoy greater leverage on loan payments, royalty payments and lease terms. TRA estimates that 70 percent of Texas restaurants are independent operators that often lack access to these resources.

These advantages are reflected in recent company results. McDonald's, for instance, posted its [best September sales](#) [External Link: undefined](#) in nearly a decade. By contrast, the review site Yelp [reported](#) [External Link: undefined](#) that three-quarters of the 22,000 U.S. restaurant closures between March 1 and Sept. 10 represented companies with fewer than five locations.

During the pandemic, restaurants have found new ways to support this ecosystem — and their own bottom lines. With the state's permission and cooperation, many began selling bulk retail items directly to the public, boosting revenue while alleviating gaps in the supply chain. Restaurants also are embracing new product ideas such as family meal boxes and to-go alcohol orders, and nurturing new business models and partnerships with grocery stores, food trucks, bars, third-party delivery companies and alcohol manufacturers.

In September, TRA estimated that [15 percent](#) [External Link: undefined](#) of the state's 50,000 restaurants have closed for good, and that the share could increase to 40 percent without financial support. Most restaurants received only eight weeks of financial support through the federal Paycheck Protection Program (PPP), but had to endure months of required closures, reduced revenue and increased costs.

According to Kelsey Erickson Streufert, TRA's vice president of government relations and advocacy, about 200,000 Texans in the industry were still out of work in early December. "We do expect a full industry recovery eventually because we offer a product and a service that people want," she says. "The key questions for us are how long will the recovery take and how many restaurants — particularly the smaller, independent restaurants that are anchors to the community and local economy — can we help save in the process."

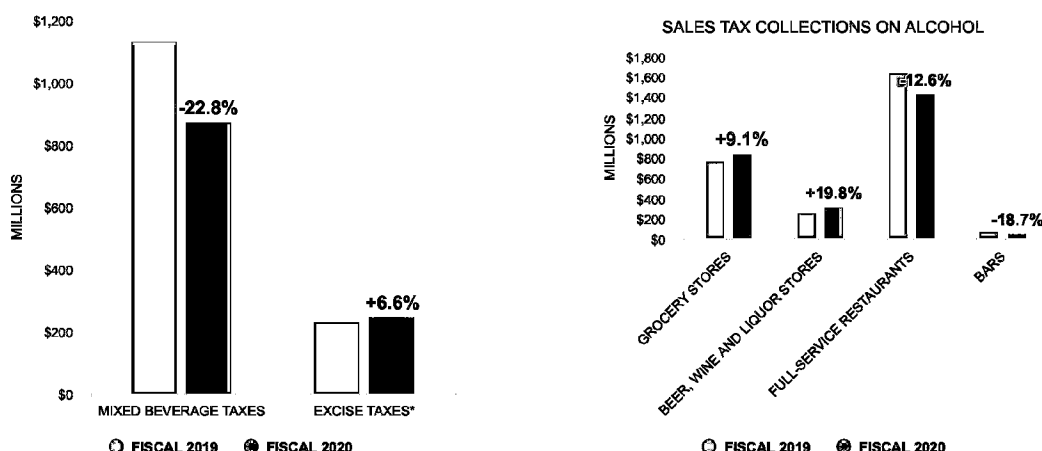
"Many of these businesses have anchored the community for decades," she says, "so we can't afford to lose them, and yet, they're often the most at risk because they're independent and local. These restaurants aren't looking for a bailout; they're simply asking for more time so they can outlast this pandemic, rebuild and continue to serve our communities."

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## **Texas Alcoholic Beverage Industry**

Large-scale beer, wine and liquor companies are showing strong year-over-year growth in the economic downturn, thanks to increased sales at grocery and liquor stores. Alcohol sales at restaurants and bars, where the mixed beverage tax is levied, have plunged due to social distancing (**Exhibit 8**). Craft breweries, distilleries and wineries, whose business models rely heavily on taprooms, tours and tasting rooms, also have seen significant sales declines.

EXHIBIT 8: RECENT TRENDS IN TEXAS ALCOHOL TAXATION



Alcohol Tax Payments	Mixed Beverage Taxes		Excise Taxes*	
FY19 (Sept. 2018 - Aug. 2019)	\$1,135,857,904		233,544,367	
FY20 (Sept. 2019 - Aug. 2020)	\$876,320,477		249,001,392	
Year-over-year change	-22.8%		6.6%	

Sales Tax Payments	Grocery Stores	Beer, Wine and Liquor Stores	Full-service Restaurants	Bars
FY19 (Sept. 2018 - Aug. 2019)	\$779,728,348	\$272,268,400	\$1,649,744,200	\$76,960,184
FY20 (Sept. 2019 - Aug. 2020)	\$850,899,432	\$326,264,865	\$1,442,257,716	\$62,552,191
Year-over-year change	9.1%	19.8%	-12.6%	-18.7%

\* State taxes levied by volume on alcoholic beverages.

Source: Texas Comptroller of Public Accounts

The Brewers Association [reports](#) that Texas ranks third in the nation for the economic impact of its craft breweries. In April, a Texas Craft Brewers Guild survey [showed](#) that its members had seen a 71 percent decline in revenue since COVID-19 restrictions began. While nearly 90 percent of these breweries have shifted at least in part to beer to go, the industry still relies heavily on in-person patronage at its taprooms.

Texas wineries also rely heavily on foot traffic; wineries in the Texas Hill Country alone claimed [more than a million visitors](#) annually before the pandemic. Pandemic restrictions on tasting

000046

rooms pose a significant hurdle for the industry.

For more on how wineries, distillers and craft brewers are coping with the pandemic, see this month's *Line Items* feature [[comptroller.texas.gov/economy/fiscal-notes/2021/jan/spirit.php](http://comptroller.texas.gov/economy/fiscal-notes/2021/jan/spirit.php)].

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## Retail Sales

Our state's retail sector is truly Texas-sized, accounting for 1.29 million jobs or about one in 10 of all Texas workers. In 2019, the sector contributed \$97 billion to Texas' GSP, \$54.8 billion in wages and about \$12 billion in sales tax revenue.

Even before the pandemic, brick and mortar retailers faced steadily increasing competition from internet sales. COVID-19 accelerated the process. Many retailers considered non-essential were forced to close in March 2020. Even essential retailers such as grocery stores were subject to extreme uncertainty, often faced with conflicting orders by state, county and city governments.

As the crisis evolved, many retailers found success by expanding their online presence and offering curbside pickup. In Texas, retail reopenings generally began in late April. Since Sept. 21, Texas retailers have been permitted to open at 75 percent capacity. Customers still are required to wear face masks; many stores also have installed plastic shielding to protect checkers and instituted strict cleaning regimens.

As a result, Texas' in-state gross retail sales totaled about \$107 billion in the second quarter of 2020, down 7.2 percent from the same quarter in the previous year. But the effects vary widely throughout the retail sector. Smaller retailers have suffered disproportionately, less able to meet payrolls and rent payments than their larger counterparts, although even some large retailers have entered bankruptcy, such as JCPenney and J.Crew. Similarly, specialty retailers have struggled more than general ones. The commercial real estate market also loses business when stores close or reduce their number of brick-and-mortar locations.

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## Year Over Year

Year-over-year (YOY) comparisons, common in discussions of finance and revenue, compare the results in one period with those of the same period in the previous year. This method removes the effect of seasonal variations (for instance, the expected spike in retail sales prior to Christmas each year) and makes it easier to spot long-term trends.

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While the federal PPP and Pandemic Unemployment Assistance program certainly helped retailers retain employees, the Texas Retailers Association and other organizations have advocated for further support to help defray some of the costs of greater safety measures, unemployment insurance and liability protection.

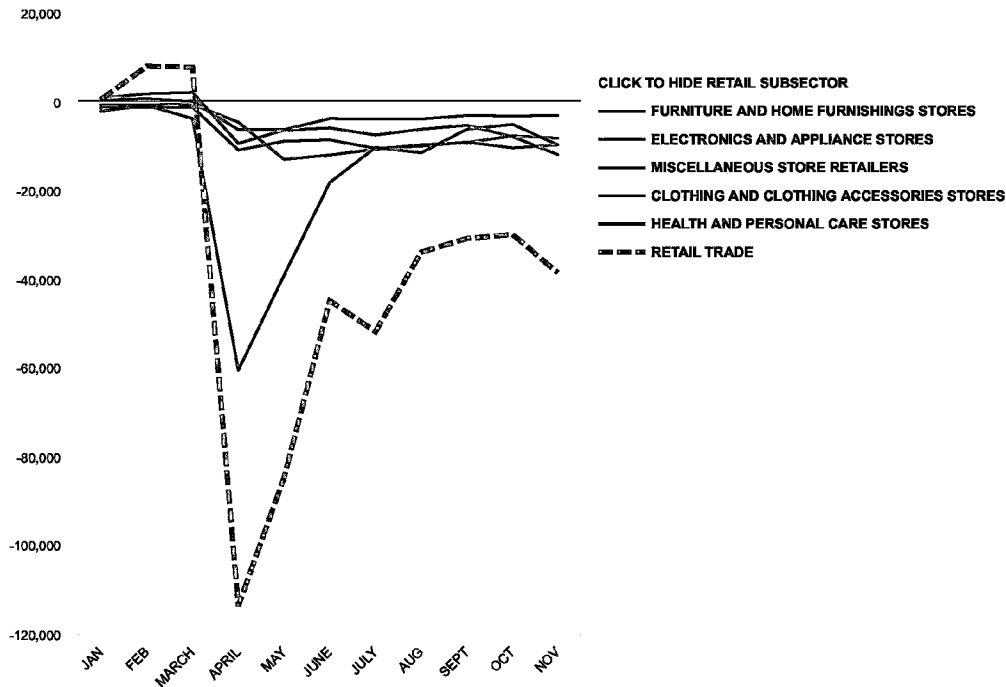
"In many cases, the large retailer is the largest [private] employer in many small towns in Texas," says Gary Huddleston, a consultant for the association. "Small and main-street retailers are doing everything possible to serve customers and find some cash flow. [They] really need state and federal help."

While long-term effects on retail employment remain to be seen, the retail sector saw a huge number of furloughs and layoffs early in the crisis. The sector had nearly 114,000 fewer workers in April 2020 than in



April 2019 (an 8.7 percent drop); as of November, the YOY gap had narrowed to 38,600 or 2.8 percent (Exhibit 9).

**EXHIBIT 9: MONTHLY YEAR-OVER-YEAR JOB CHANGES, TOP FIVE TEXAS RETAIL SUBSECTORS, JANUARY-NOVEMBER 2020  
(NOT SEASONALLY ADJUSTED)**



Industry	Jan.	Feb.	March	April	May	June	July	Aug.	Sept.	Oct.	Nov.
Retail Trade	400	7,900	7,700	-113,700	-84,800	-44,900	-51,900	-34,000	-30,900	-30,000	-38,600
Health and Personal Care Stores	700	1,700	2,000	-9,500	-6,500	-6,000	-7,600	-6,300	-5,400	-8,000	-12,000/td>
Clothing and Clothing Accessories Stores	-2,200	-900	-3,900	-60,600	-39,200	-18,300	-10,400	-11,600	-6,300	-5,200	-9,800/td>
Miscellaneous Store Retailers	-1,500	-1,300	-1,300	-11,000	-9,000	-8,700	-10,600	-10,100	-9,200	-10,500	-9,800/td>

Electronics and Appliance Stores	-800	-800	-700	-4,700	-13,100	-12,100	-10,800	-9,800	-9,300	-7,800	-8,300/td
Furniture and Home Furnishings Stores	300	600	0	-6,400	-6,400	-3,900	-4,000	-4,000	-3,200	-3,300	-3,200

Source: Texas Workforce Commission

The exhibit lists the hardest-hit retail subsectors in terms of job losses; these include health, electronics, clothing and home furnishing stores. But again, the impacts have varied widely. More essential subsectors have seen surprising growth compared to last year. Food and grocery store employment, for example, rose by around 5 percent YOY during April and May 2020 before returning close to 2019 levels. Meanwhile, building material retailers are riding a construction boom, with November's employment more than 10 percent higher YOY.

Clothing retailers have seen particularly dramatic volatility during the pandemic. In April 2020, the subsector had shed more than half its jobs compared to a year earlier — around 60,600 workers. By October, it had recovered most of those jobs on a YOY basis, but November saw another sharp decline.

After big dips in March and April retail sales, the long-term trend reflects surprisingly little damage to retail sales since the pandemic began. In September, Texas' retail sales totaled \$45.7 billion, down from a high of \$46.4 billion in January — not an insignificant decrease, but less catastrophic than some expected.

Sales tax revenue as of December was about 5 percent lower YOY, a much smaller decline than other major taxes. This was due in large part to the Supreme Court's *Wayfair* decision, which required sales taxes collection on internet sales.

And while sales taxes are down overall, *retail* sales tax revenue for the second half of fiscal 2020 is up more than 10 percent YOY, with food and beverage and building material sales largely making up the increase, as well as a 153 percent increase YOY in online shopping tax revenue.

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## The Federal CARES Act

The Coronavirus Aid, Relief, and Economic Security (CARES) Act, signed into law on March 27, 2020, was the third and largest of several federal emergency relief packages intended to address the economic fallout resulting from the COVID-19 pandemic.

A central component of the CARES Act was the U.S. Small Business Administration-administered Paycheck Protection Program, which initially expired on Aug. 8, 2020, but was revived on Dec. 21, 2020, after the passage of an additional federal stimulus bill. Under the CARES Act, the PPP provided 1 percent interest loans to small businesses to help keep their employees on payroll, with the stipulation that the federal government will forgive these loans entirely if the borrower uses the funds for payroll costs (at least 60 percent), mortgage payments, rent and utilities. Loans made under the PPP from March to August 2020 averaged about \$101,000.

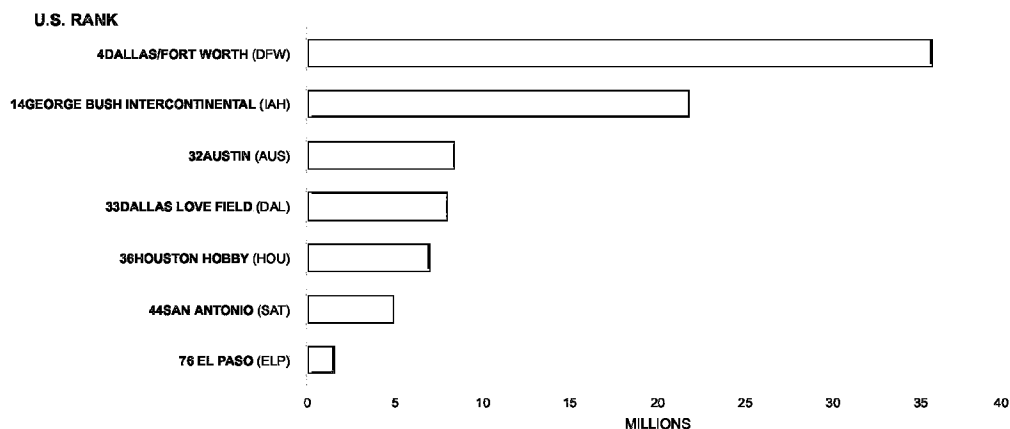
The federal stimulus bill signed into law in late December totals roughly \$900 billion and dedicates \$325 billion in small business aid through the PPP. Other major spending provisions include an 11-week extension and \$300 boost in unemployment benefits; direct payments of \$600 for eligible individuals; and grants and funding for education, health care and transportation initiatives. The December bill also makes a number of changes to the PPP, such as expanding eligible expenses for loan funds, to better assist small businesses.

Under the CARES Act, Texas small businesses received a total of \$41.3 billion in PPP loans from March to August 2020, more than any other state except California.

## Airlines

The passenger airline industry began 2020 at a high point. In 2019, U.S. airlines carried an all-time high of 1.1 billion passengers. Texas benefits greatly from air travel; it's home to 25 commercial airports and six of the nation's 50 busiest airports (**Exhibit 10**), including two of the world's busiest: Dallas-Fort Worth (DFW) and Houston's Bush Intercontinental Airport (IAH). Texas also is home base for two of the world's largest airlines, American Airlines and Southwest Airlines, both in the Dallas-Fort Worth area. A third large airline, United Airlines, has a significant presence at IAH. The passenger airline industry contributed an estimated \$20.7 billion to Texas GSP in 2019. As 2020 began, more than 105,000 Texans were employed in directly related businesses. Workers employed in Texas' passenger airline industry earn an average annual wage of about \$88,000, significantly higher than the state average of about \$59,000.

**EXHIBIT 10: TEXAS AIRPORTS' SCHEDULED ENPLANEMENTS ON U.S. AIRLINES, 2019**



U.S. Rank	Airport	Enplaned Passengers (in millions)
4	Dallas/Fort Worth (DFW)	35.8
14	Houston Bush Intercontinental (IAH)	21.9
32	Austin (AUS)	8.5
33	Dallas Love Field (DAL)	8.1

36	Houston Hobby (HOU)	7.1
44	San Antonio (SAT)	5.0
76	El Paso (ELP)	1.7

Source: U.S. Bureau of Transportation

In 2018, the Texas Department of Transportation estimated that Texas' commercial airports employed about 112,000 workers in various roles from operations to retail to cargo services, with upwards of 40,000 working at DFW and 34,000 at IAH. A 2018 report by the Airports Council International estimated that Texas' commercial airports supported \$41.8 billion in payrolls and contributed \$130.4 billion annually to the state's economy.

Air passenger traffic declined steeply and immediately with the onset of the pandemic. Previous crises, such as the 9/11 terrorist attacks, have been financially disastrous to the airline industry, but COVID-19 was even more devastating in comparison. On March 1, 2020, more than 2.3 million passengers and employees were screened at U.S. airport checkpoints. By month's end, the number was less than 150,000 and continued to drop until April 14 when less than 90,000 were screened.

For the first half of 2020, worldwide airport passenger numbers were down 58.4 percent compared to the previous year; DFW recorded a 48.2 percent decrease in this period. During summer 2020, the three largest airlines serving Texas all reported a high number of inactive aircraft and significant drops in the number of seats available on flights departing from the largest Texas airport each of them served (**Exhibit 11**).

**EXHIBIT 11: LARGEST AIRLINES OPERATING IN TEXAS AND LARGEST TEXAS AIRPORT USED BY AIRLINE, SUMMER 2020**

Airline		Total Airplanes in Company Fleet		Largest Texas Airport Used by Airline		
	Global Ranking (available seats)	Airplanes in Service	Parked Airplanes (Inactive)		Seats Available Summer 2020	Change from Summer 2019
Southwest	1	634	105	DAL	3,911,146	-13%
American	4	653	348	DFW	9,135,748	-48
United	10	393	466	IAH	2,187,712	-41

Note: OAG's "summer" classification based on data for March 29 through October 30; 2020 figures represent estimates made as of Sept. 28, 2020.

Source: OAG Aviation Worldwide Limited

International trade through Texas' airports declined by \$8 billion for the first six months of 2020 compared to the first half of 2019. This is widely attributed to the grounding of passenger jets, which normally carry nearly half of all global air cargo freight. To make up for this loss in cargo capacity, some passenger airlines began flying cargo-only flights. Prior to the pandemic, the last cargo-only flight by American Airlines was in 1984, but between March and October 2020, the airline made more than 3,000 cargo-only flights to more than 30 different destinations, many through DFW.

Both Texas-based airlines suffered from COVID-related limitations on travel. American Airlines lost more than \$2.2 billion in the first quarter of 2020 and at that time was burning through cash at a rate of \$70 million a day. The airline reported a \$2.4 billion net loss in the quarter ending in September, bringing its total losses for the first three quarters of 2020 to \$6.7 billion. Southwest Airlines saw its first quarterly loss in almost 10 years in 2020, reporting a loss of \$1.2 billion in the quarter ending in September 2020 compared to a \$659 million profit in the same quarter of 2019. Southwest's losses for the first three quarters of 2020 have been reported at more than \$2.2 billion.

In April 2020, the federal government's CARES Act included more than \$50 billion in aid (including \$25 billion in payroll support and \$25 billion in loans) for passenger airlines to support the industry through summer and into the fall. These grants and loans contained provisions to protect workers and regional airports through furlough restrictions and minimum service guarantees through Sept. 30. American Airlines and Southwest Airlines received more than \$5.8 billion and \$3.2 billion, respectively, from the CARES Act.

As the year came to a close, American Airlines employed fewer than 100,000 persons worldwide, nearly 30 percent less than at the start of the pandemic. And according to Southwest Airlines' Sherri Hull, a senior advisor for governmental affairs, the company shrank its workforce by nearly 25 percent in 2020 through concessions and voluntary leave programs; many of these jobs were located in Texas.

Yet there are some signs the worst may be over. Southwest Airlines announced that it reduced its daily cash burn to an average of \$16 million in the third quarter of 2020 and anticipates it falling to about \$12 million in the fourth quarter. American Airlines expects its fourth-quarter 2020 average daily cash burn to come in at the high end of its previously forecasted range of \$25 million to \$30 million per day.

In October 2020, the Transportation Security Administration screened more than 1 million U.S. passengers for the first time since March, although the number has fluctuated since then. During the Sunday after Thanksgiving — typically one of the busiest days for air travel — nearly 1.2 million passengers passed through U.S. airports' security, the highest figure seen in months but still down 59.2 percent YOY.

2021 will be a challenge for all carriers, according to John Grant, chief analyst at OAG, a leading air travel information consultancy. But advance bookings for May and June 2021 already appear "pretty good" versus previous years. Uncertainty keeps the industry in flux, however — ticket sales flattened as the virus spiked in late autumn 2020 and new travel restrictions were implemented. In early December, Southwest Airlines notified more than 6,800 employees of potential furloughs (mandatory but temporary leaves of absence) in early 2021. After passage of the recent federal stimulus bill, however, the company said the pending furloughs wouldn't be needed at least through the end of 2021.

## Hospitals

Texas has more than 500 hospitals, more than any other state. In 2019, the Texas hospital industry employed nearly 470,000 and accounted for about \$50.4 billion of Texas GSP.

These hospitals, like others across the country and around the world, have struggled to meet the unprecedented demand on their resources and capacity. Their financial pressures have increased significantly, and their staffs have been stretched to the limit.

They've lost significant revenue by being forced to cancel or curtail non-emergency services while at the same time having to boost pandemic-related staffing; increase supplies of personal protective equipment

000052

(PPE), pharmaceuticals and ventilators; and modify their operations and facilities to expand capacity safely. Widespread, pandemic-related job losses mean hospitals are treating more uninsured patients than ever before (see the October 2020 issue of *Fiscal Notes* [[comptroller.texas.gov/economy/fiscal-notes/2020/oct/uninsured.php](http://comptroller.texas.gov/economy/fiscal-notes/2020/oct/uninsured.php)] for more).

In August 2020, the Harris Health System reported that its Houston-area public hospitals have lost an average of \$10 million a month since the end of March. These losses reflected decreases in outpatient visits and increases in supply and labor costs.

Inpatient surgeries and emergency room visits also have decreased, not only due to state or local orders but also because many patients are postponing care to avoid the risk of contracting the virus. According to a June 2020 survey conducted by the U.S. Centers for Disease Control and Prevention, 41 percent of U.S. adults avoided medical care during the pandemic because of concerns about COVID-19, including 12 percent who didn't go in for emergency care and another 32 percent who delayed routine visits.

In addition to these diminishing revenue streams, many staff members are experiencing financial pressure, as hospitals have been forced to resort to pay cuts, reduced hours, furloughs and even layoffs to stay afloat.

As of August 2020, according to Becker's Hospital CFO Report, more than 260 hospitals and health systems in the U.S. had furloughed workers during the pandemic, and dozens of others have implemented layoffs. In June, Texas' Baylor Scott & White Health laid off about 930 employees and introduced pay cuts for 300 senior managers; in early December, the system announced it was laying off a further 102 finance and accounting employees and outsourcing their duties to India. In August, the University of Texas Medical Branch in Galveston announced it would lay off 200 employees as it faced a budget shortfall of \$174 million.

From March 1 to June 30, 2020, the American Hospital Association (AHA) studied four financial challenges U.S. hospitals face:

- the effect of COVID-19 hospitalizations on hospital costs;
- the effect of canceled and forgone services (such as elective surgeries) on hospital revenue;
- additional costs associated with purchasing PPE as well as establishing additional COVID-19 wards, testing centers, etc.; and
- the costs of the additional supports some hospitals are providing to their workers.

Using these measures, the AHA estimated a total four-month financial impact of \$202.6 billion in losses for U.S. hospitals and health systems — an average of \$50.7 billion per month. The losses were expected to increase to \$323 billion by the end of 2020.

The CARES Act and other recently enacted federal legislation allocated \$175 billion to the Provider Relief Fund for U.S. hospitals and other health care providers. Texas providers received almost \$3 billion in general funding. An additional \$602.7 million was sent to 58 Texas hospitals located in COVID-19 high-impact areas and \$1.2 billion was provided to Texas safety-net hospitals. Texas' rural health care providers (including hospitals) received another \$725.7 million.

Texas' hospitals have stepped up in heroic and unprecedented ways to save lives and minimize the virus' spread. When they resume normal operations, some of the lessons learned and strategies improvised during the pandemic — such as telehealth services — may endure. (See our May 2020 *Line Items* article on telemedicine.)

## **An Uncertain Year to Come**

The COVID-19 crisis has changed life as we knew it a year ago. It may be a long time before pre-pandemic life returns — if it ever truly returns. One bright spot in these times is the way the public, businesses, schools and others have risen to the occasion by restructuring their workplace practices and accelerating their use of technology.

When everything paused last spring, nearly all Texas businesses saw a decline in commerce. While most supply chains have resumed and many Texans are getting back to business, not all industries have bounced back. Some industries and some people have been more affected than others, and that disparity will make our recovery more challenging.

But Texans are known for their resiliency, and our businesses and industries are working hard to adapt, meeting the economic chaos with creativity, agility and ingenuity. When the crisis passes, these innovations will remain. Amid the disruption, we will grow stronger. FN

**Special note:** The \$1.9 trillion American Rescue Plan Act of 2021, signed into law on March 11, 2021, will direct billions of dollars to Texas' state and local governments as well as individual Texans. The Texas Comptroller's office has prepared *Funding Elements of the American Rescue Plan Act of 2021* [[comptroller.texas.gov/about/media-center/infographics/2021/rescue-plan-21.pdf](https://comptroller.texas.gov/about/media-center/infographics/2021/rescue-plan-21.pdf)], a detailed assessment of where the money will go and the purposes and programs it will support.

**RATE 41'S SUMMARY OF EPE EXHIBIT MC-5**

Line No.	Allocation Factor	Annual Allocation Factors for Rate 41						Yearly Comparison: Annual Increase / (Decrease) in Allocation Factors for Rate 41				
		12 Months Sep 2016	12 Months Dec 2016	12 Months Dec 2017	12 Months Dec 2018	12 Months Dec 2019	12 Months Dec 2020	YoY 12 Months Dec 2016 <sup>1</sup>	YoY 12 Months Dec 2017	YoY 12 Months Dec 2018	YoY 12 Months Dec 2019	YoY 12 Months Dec 2020
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)	(m)
1	Energy Allocator E1	5.00%	4.86%	4.70%	4.50%	4.09%	3.29%	(0.14)	(0.16)	(0.20)	(0.41)	(0.80)
2	Demand Allocator D1	6.73%	6.44%	5.46%	4.63%	3.87%	3.15%	(0.29)	(0.98)	(0.82)	(0.76)	(0.72)
3	Demand Allocator D2	6.74%	6.50%	5.46%	4.67%	3.88%	3.16%	(0.24)	(1.04)	(0.80)	(0.78)	(0.72)

<sup>1</sup> Compares 12 months ending Dec 2016 to the 12 months ending 09/30/2016. Change is for 3 months rather than for a year.



**Comparison of EPE and CEP Average Residential Energy Charge**

Line No.	Description	EPE Proposed Residential Revenues @ EPE Revenue Requirement (Capped, Exhibit MC-4)		CEP Recommended Residential Revenues @ EPE Revenue Requirement (Exhibit CJ-5)	
		( a )	( b )	( c )	
1	Base Revenue Requirement (1)	\$	310,823,371	\$	285,961,115
2	Less: DG		(529,168)		(529,168)
3	Plus: Comm Solar Credit		885,899		885,899
<b>4</b>	<b>Recovered in Base Rates</b>		<b>311,180,102</b>		<b>286,317,846</b>
5	Less: Customer Charge Recovery (2)		(37,332,811)		(37,332,811)
6	Energy Charge Target	\$	<b>273,847,290</b>	\$	<b>248,985,034</b>
7	Total kWh		2,478,851,326		2,219,081,261
<b>8</b>	<b>Average Energy Charge \$/kWh</b>	\$	<b>0.11047</b>	\$	<b>0.11220</b>
9	Increase - \$				0.00173
10	Increase - %				1.56%

- (1) Excludes revenues from EPE's proposed COVID-19 Rider.  
(2) Assumes the same monthly customer charge for EPE and CEP.

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

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

EL PASO ELECTRIC COMPANY'S RESPONSE TO  
OFFICE OF PUBLIC UTILITY COUNSEL'S FIRST REQUEST FOR INFORMATION  
QUESTION NOS. OPUC 1-1 THROUGH OPUC 1-37

OPUC 1-20:

Please provide all reports, presentations, analyses, or other documents prepared by or for EPE, Infrastructure Investment Fund, or J.P. Morgan that identifies, analyzes, or discusses the impacts of the COVID-19 pandemic on the economy, class usage levels, and patterns and EPE's 2020 sales and revenues, either in total, by jurisdiction or by customer groups or classes.

RESPONSE:

El Paso Electric Company ("EPE") did not identify or estimate COVID-19 impacts on the economy. Please refer to OPUC 1-20, Attachment 1 for the estimated COVID-19 impacts on class usage levels and EPE's 2020 total sales and revenue by customer class. Please refer to OPUC 1-20, Attachment 2 – Confidential and OPUC 1-20, Attachment 3 for a presentation that analyzes the impacts of the COVID-19 pandemic.

There were no COVID-19 impact documents and analyses provided to Infrastructure Investment Fund or J.P. Morgan by EPE.

Preparer: David Macias  
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Lisa Budtke

Title: Director – Economic and Rate Research  
Title: Director Treasury Services & Investor  
Relations

EL PASO ELECTRIC COMPANY  
 IMPACTS OF COVID-19 ON CLASS USAGE  
 TWELVE MONTHS ENDED DECEMBER 31, 2020

SOAH Docket No. 473-21-2606  
 PUC Docket No. 52195  
 OPUC's 1st, Q. No. OPUC 1-20  
 Attachment 1  
 Page 1 of 2

EPE'S 2020 COVID-19 MWh RETAIL SALES IMPACT BY CLASS					
	RESIDENTIAL	SMALL COMMERCIAL	INDUSTRIAL	OPA	TOTAL MWh ENERGY IMPACT
JAN	-	-	-	-	-
FEB	-	-	-	-	-
MAR	(3,418)	(3,095)	6,668	(316)	(161)
APR	(297)	(21,719)	(4,836)	(17,375)	(44,227)
MAY	13,029	(32,580)	(15,588)	(25,917)	(61,056)
JUN	42,221	(16,058)	(5,034)	(11,262)	9,867
JUL	31,892	(14,011)	466	(1,237)	17,110
AUG	25,387	(17,593)	(2,406)	(8,843)	(3,455)
SEP	54,010	(17,509)	158	(8,691)	27,968
OCT	23,261	(21,889)	(9,650)	(14,015)	(22,293)
NOV	32,405	(18,057)	(8,161)	(10,409)	(4,222)
DEC	4,015	(3,990)	5,133	(4,529)	629
TOTAL	222,505	(166,501)	(33,250)	(102,594)	(79,841)

**Exhibit JWD-CR-5**  
**Page 3 of 3**

EL PASO ELECTRIC COMPANY  
TWELVE MONTHS ENDED DECEMBER 31, 2020  
SALES AND REVENUE STATISTICS

SOAH Docket No. 473-21-2606  
PUC Docket No. 52195  
OPUC's 1st, Q. No. OPUC 1-20  
Attachment 1  
Page 2 of 2

<b>MWh Sales</b>	<b>2020</b>
Retail:	
Residential	3,323,039
Commercial and Industrial, Small	2,310,035
Commercial and Industrial, Large	978,758
Public Authorities	1,487,628
Total Retail Sales	8,099,460
Wholesale:	
Sales for Resale-Full Requirements Customer	63,218
Off-System Sales	2,657,421
Total Wholesale Sales	2,720,639
Total MWh Sales	10,820,099

<b>Operating Revenues (\$000's)</b>	<b>2020</b>
Base Revenues:	
Retail:	
Residential	\$ 339,602
Commercial and Industrial, Small	194,451
Commercial and Industrial, Large	36,055
Public Authorities	90,763
Total Retail Base Revenues	660,871
Wholesale:	
Sales for Resale-Full Requirements Customer	2,723
Total Base Revenues	\$ 663,594

000059

Rate 41 000114

# **RATE 41'S REVISED CLASS REVENUE DISTRIBUTION**

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 \$ <sup>4</sup>
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)
1	01	Residential Service	\$273,638,830	\$324,724,406	18.67%	\$316,381,612	15.62%	\$42,742,782
2	02	Small General Service	\$33,319,685	\$29,985,897	-10.01%	\$31,652,791 <sup>2</sup>	-5.00%	(\$1,666,894)
3	07	Outdoor Recreational Lighting	\$462,980	\$613,998	32.62%	\$544,186 <sup>3</sup>	17.54%	\$81,206
4	08	Government Street Lighting	\$4,046,620	\$3,063,775	-24.29%	\$3,189,430	-21.18%	(\$857,190)
5	09	Traffic Signals	\$95,204	\$98,208	3.16%	\$102,236	7.39%	\$7,032
6	11TOU	Municipal Pumping TOU	\$10,102,350	\$10,158,249	0.55%	\$10,574,870	4.68%	\$472,520
7	15	Electrolytic Refining Service	\$1,830,063	\$2,228,715	21.78%	\$2,320,121	26.78%	\$490,058
8	WH	Water Heating Service	\$474,582	\$804,466	69.51%	\$548,712	15.62%	\$74,130
9	22	Irrigation Service	\$423,413	\$556,623	31.46%	\$497,679 <sup>3</sup>	17.54%	\$74,266
10	24	General Service	\$125,005,740	\$113,791,588	-8.97%	\$119,398,664 <sup>2</sup>	-4.49%	(\$5,607,076)
11	25	Large Power Service	\$35,955,664	\$37,134,334	3.28%	\$38,657,330	7.51%	\$2,701,666
12	26	Petroleum Refinery Service	\$10,964,770	\$12,891,636	17.57%	\$13,420,362	22.40%	\$2,455,592
13	28	Area Lighting Service	\$2,932,614	\$2,636,450	-10.10%	\$2,744,579	-6.41%	(\$188,035)
14	30	Electric Furnace Rate	\$1,191,760	\$1,500,889	25.94%	\$1,562,445	31.10%	\$370,685
15	31	Military Reservation Service	\$13,009,892	\$14,718,900	13.14%	\$15,322,568	17.78%	\$2,312,676
16	34	Cotton Gin Service	\$132,972	\$177,564	33.53%	\$156,295 <sup>3</sup>	17.54%	\$23,323
17	41	City and County Service	\$19,126,500	\$16,924,524	-11.51%	\$14,936,339 <sup>1, 2</sup>	-21.91%	(\$4,190,161)
18	<b>TOTAL</b>		<b>\$532,713,639</b>	<b>\$572,010,221</b>	<b>7.38%</b>	<b>\$572,010,221</b>	<b>7.38%</b>	<b>\$39,296,582</b>

<sup>1</sup> 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 (Revised to 75% Floor for Rate 41 ) = -29.21% \* 0.75 = -21.91% for Rate 41.

•(Rev. Req. at Capped Floor Decrease = Base Rate Revenue @ Present Rates \$19,126,500 \* (1+-21.91%) = \$16,333,060) + (Allocation of Deficiency \$0) = \$14,936,339 Floor Cost of Service

<sup>2</sup> Capping Level 1 (50% Floor, 75% Floor for Rate 41 only) = No allocation of deficiency.

<sup>3</sup> Capping Level 4 = 1.75 x System Average

<sup>4</sup> Dollar amounts are before the COVID 19 Rider Revenue and Non-Firm Revenue increases.

RATE 41'S SUMMARY OF EPE EXHIBIT MC-5

Line No.	Allocation Factor	Annual Allocation Factors for Rate 41						Yearly Comparison: Annual Increase / (Decrease) in Allocation Factors for Rate 41				
		12 Months Sep 2016	12 Months Dec 2016	12 Months Dec 2017	12 Months Dec 2018	12 Months Dec 2019	12 Months Dec 2020	YoY 12 Months Dec 2016 <sup>1</sup>	YoY 12 Months Dec 2017	YoY 12 Months Dec 2018	YoY 12 Months Dec 2019	YoY 12 Months Dec 2020
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)	(m)
1	Energy Allocator E1	5.00%	4.86%	4.70%	4.50%	4.09%	3.29%	(0.14)	(0.16)	(0.20)	(0.41)	(0.80)
2	Demand Allocator D1	6.73%	6.44%	5.46%	4.63%	3.87%	3.15%	(0.29)	(0.98)	(0.82)	(0.76)	(0.72)
3	Demand Allocator D2	6.74%	6.50%	5.46%	4.67%	3.88%	3.16%	(0.24)	(1.04)	(0.80)	(0.78)	(0.72)

<sup>1</sup> Compares 12 months ending Dec 2016 to the 12 months ending 09/30/2016. Change is for 3 months rather than for a year.

EXHIBIT

Rate 41-2a

000001

EL PASO ELECTRIC COMPANY  
2021 TEXAS RATE CASE FILING  
HISTORICAL ALLOCATOR COMPARISON

E1

EXHIBIT MC-5  
PAGE 2 OF 4

Rate	Description	E1	E1	E1	E1	E1	E1	YoY E1	YoY E1	YoY E1	YoY E1	YoY E1
		12 Months Sep 2016	12 Months Dec 2016	12 Months Dec 2017	12 Months Dec 2018	12 Months Dec 2019	12 Months Dec 2020	12 Months Dec 2016	12 Months Dec 2017	12 Months Dec 2018	12 Months Dec 2019	12 Months Dec 2020
1 TXRT01	Residential Service	36.85%	36.84%	36.95%	37.97%	38.54%	42.25%	0.00%	0.11%	1.02%	0.57%	3.71%
2 TXRT02	Small General Service	4.80%	4.87%	5.02%	4.82%	4.57%	4.63%	0.07%	0.14%	-0.19%	-0.26%	0.06%
3 TXRT07	Outdoor Recreational Lighting Service	0.09%	0.09%	0.09%	0.10%	0.10%	0.06%	0.00%	0.00%	0.01%	0.00%	-0.03%
4 TXRT08	Street Lighting	0.58%	0.59%	0.59%	0.58%	0.60%	0.61%	0.01%	0.00%	-0.01%	0.02%	0.01%
5 TXRT09	Traffic Signals	0.03%	0.04%	0.05%	0.03%	0.04%	0.04%	0.00%	0.01%	-0.01%	0.00%	0.00%
6 TXRT11	Municipal Pumping Service	0.27%	0.27%	0.00%	0.00%	0.00%	0.00%	0.00%	-0.27%	0.00%	0.00%	0.00%
7 TXRT11TOU	Municipal Pumping Service - TOU	2.47%	2.48%	2.78%	2.73%	3.07%	2.91%	0.02%	0.30%	-0.05%	0.34%	-0.16%
8 TXRT15	Electrolytic Refining Service	0.92%	0.95%	0.93%	0.67%	0.56%	0.69%	0.03%	-0.02%	-0.28%	-0.12%	0.14%
9 TXRTWH	Off Peak Water Heating Service	0.15%	0.15%	0.13%	0.11%	0.09%	0.09%	0.00%	-0.01%	-0.02%	-0.02%	-0.01%
10 TXRT22	Irrigation Service	0.09%	0.09%	0.07%	0.08%	0.08%	0.07%	0.00%	-0.02%	0.01%	0.00%	-0.01%
11 TXRT24	General Service	26.53%	26.54%	26.41%	26.97%	26.55%	24.64%	0.01%	-0.13%	0.56%	-0.43%	-1.90%
12 TXRT25	Large Power Service	11.57%	11.53%	11.56%	10.95%	10.93%	10.30%	-0.04%	0.03%	-0.61%	-0.02%	-0.63%
13 TXRT26	Petroleum Refining Service	5.49%	5.56%	5.44%	5.32%	5.39%	5.09%	0.07%	-0.13%	-0.12%	0.07%	-0.30%
14 TXRT28	Private Area Lighting Service	0.47%	0.47%	0.47%	0.44%	0.44%	0.46%	0.00%	0.00%	-0.03%	0.00%	0.01%
15 TXRT30	Electric Furnace Rate	0.30%	0.29%	0.36%	0.35%	0.34%	0.35%	-0.02%	0.08%	-0.01%	0.00%	0.01%
16 TXRT31	Military Reservation Service	4.35%	4.34%	4.41%	4.35%	4.59%	4.51%	-0.01%	0.07%	-0.07%	0.24%	-0.09%
17 TXRT34	Cotton Gin Service	0.03%	0.03%	0.04%	0.04%	0.04%	0.03%	0.00%	0.01%	-0.01%	0.00%	-0.01%
18 TXRT41	City and County Service	5.00%	4.85%	4.70%	4.50%	4.09%	3.29%	-0.14%	-0.16%	-0.20%	-0.41%	-0.80%
Total		100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	0.00%	0.00%	0.00%	0.00%	0.00%

Rate	Description	E1	E1	E1	E1	E1	E1
		12 Months Sep 2016	12 Months Dec 2016	12 Months Dec 2017	12 Months Dec 2018	12 Months Dec 2019	12 Months Dec 2020
1 NMRT01	Residential Service	42.28%	42.47%	42.43%	43.24%	44.54%	46.58%
2 NMRT03	Small General Service	10.07%	10.15%	10.17%	9.74%	9.61%	9.67%
3 NMRT04	General Service	18.85%	18.65%	19.16%	18.79%	18.16%	17.25%
4 NMRT05	Irrigation Service	2.87%	2.83%	2.40%	2.64%	2.61%	2.45%
5 NMRT07	City and County Service	4.25%	4.19%	3.85%	3.67%	3.65%	3.06%
6 NMRT08	Municipal Pumping Service	2.00%	1.93%	2.07%	2.31%	2.27%	2.36%
7 NMRT09	Large Power Service	8.90%	9.00%	8.85%	8.98%	9.80%	9.45%
8 NMRT10	MRDS - WSMR	7.95%	8.02%	8.16%	2.97%	3.01%	2.90%
9 NMRT10-T115A	MRDS - ALA				0.69%	0.62%	0.58%
10 NMRT10-T115	MRDS - HAFB				3.96%	3.02%	3.14%
11 NMRT11	Municipal Street Lighting Service	0.19%	0.19%	0.17%	0.06%	0.11%	0.11%
12 NMRT12	Private Area Lighting Service	0.31%	0.31%	0.31%	0.31%	0.31%	0.31%
13 NMRT19	Seasonal-Agricultural Processing Service	0.36%	0.38%	0.49%	0.47%	0.47%	0.50%
14 NMRT25	Outdoor Recreational Lighting Service	0.04%	0.04%	0.04%	0.05%	0.05%	0.02%
15 NMRT28	State University Service	1.93%	1.85%	1.89%	2.13%	1.77%	1.63%
Total		100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

EL PASO ELECTRIC COMPANY  
2021 TEXAS RATE CASE FILING  
HISTORICAL ALLOCATOR COMPARISON

D1

Rate	Description	D1	D1	D1	D1	D1	D1	YoY E1	YoY E1	YoY E1	YoY E1	YoY E1
		12 Months Sep 2016	12 Months Dec 2016	12 Months Dec 2017	12 Months Dec 2018	12 Months Dec 2019	12 Months Dec 2020	12 Months Dec 2016	12 Months Dec 2017	12 Months Dec 2018	12 Months Dec 2019	12 Months Dec 2020
1 TXRT01	Residential Service	41.85%	41.90%	42.66%	44.87%	47.10%	54.51%	0.05%	0.76%	2.22%	2.22%	7.41%
2 TXRT02	Small General Service	5.57%	5.63%	6.08%	5.71%	5.32%	4.72%	0.05%	0.45%	-0.37%	-0.39%	-0.60%
3 TXRT07	Outdoor Recreational Lighting Service	0.05%	0.05%	0.04%	0.05%	0.05%	0.03%	0.00%	0.00%	0.01%	0.00%	-0.02%
4 TXRT08	Street Lighting	0.29%	0.31%	0.29%	0.31%	0.31%	0.30%	0.02%	-0.02%	0.02%	0.00%	0.00%
5 TXRT09	Traffic Signals	0.02%	0.02%	0.02%	0.02%	0.02%	0.02%	0.00%	0.00%	0.00%	0.00%	0.00%
6 TXRT11	Municipal Pumping Service	0.16%	0.16%	0.00%	0.00%	0.00%	0.00%	0.00%	-0.16%	0.00%	0.00%	0.00%
7 TXRT11TOU	Municipal Pumping Service - TOU	1.59%	1.47%	1.75%	1.66%	1.77%	1.63%	-0.12%	0.28%	-0.09%	0.11%	-0.15%
8 TXRT15	Electrolytic Refining Service	0.57%	0.58%	0.55%	0.54%	0.50%	0.52%	0.01%	-0.03%	-0.01%	-0.04%	0.02%
9 TXRTWH	Off Peak Water Heating Service	0.08%	0.08%	0.07%	0.06%	0.05%	0.04%	0.00%	-0.01%	-0.01%	-0.01%	-0.01%
10 TXRT22	Irrigation Service	0.08%	0.08%	0.04%	0.06%	0.06%	0.10%	0.00%	-0.04%	0.02%	0.00%	0.03%
11 TXRT24	General Service	28.22%	28.32%	28.33%	27.19%	26.33%	21.12%	0.10%	0.01%	-1.13%	-0.87%	-5.20%
12 TXRT25	Large Power Service	8.17%	8.18%	8.03%	7.83%	7.80%	6.94%	0.01%	-0.15%	-0.20%	-0.04%	-0.86%
13 TXRT26	Petroleum Refining Service	2.94%	3.03%	2.87%	3.04%	2.94%	2.63%	0.09%	-0.16%	0.17%	-0.10%	-0.12%
14 TXRT28	Private Area Lighting Service	0.24%	0.25%	0.23%	0.23%	0.23%	0.23%	0.01%	-0.02%	0.00%	-0.01%	0.00%
15 TXRT30	Electric Furnace Rate	0.36%	0.36%	0.37%	0.36%	0.34%	0.34%	0.00%	0.01%	0.00%	-0.02%	0.00%
16 TXRT31	Military Reservation Service	3.08%	3.13%	3.18%	3.39%	3.29%	3.51%	0.05%	0.05%	0.21%	-0.10%	0.22%
17 TXRT34	Cotton Gin Service	0.01%	0.02%	0.02%	0.02%	0.02%	0.01%	0.00%	0.01%	0.00%	0.00%	-0.01%
18 TXRT41	City and County Service	6.73%	6.44%	5.46%	4.63%	3.87%	3.15%	-0.29%	-0.98%	-0.82%	-0.76%	-0.72%
Total		100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	0.00%	0.00%	0.00%	0.00%	0.00%

Rate	Description	D1	D1	D1	D1	D1	D1
		12 Months Sep 2016	12 Months Dec 2016	12 Months Dec 2017	12 Months Dec 2018	12 Months Dec 2019	12 Months Dec 2020
1 NMRT01	Residential Service	48.56%	43.41%	43.37%	46.27%	49.03%	55.73%
2 NMRT03	Small General Service	6.77%	13.90%	13.89%	12.32%	11.83%	10.69%
3 NMRT04	General Service	19.31%	18.81%	18.42%	18.35%	17.72%	14.00%
4 NMRT05	Irrigation Service	2.82%	2.95%	2.82%	2.62%	1.90%	2.46%
5 NMRT07	City and County Service	3.96%	3.74%	4.06%	3.96%	3.54%	2.50%
6 NMRT08	Municipal Pumping Service	1.35%	1.54%	1.68%	1.54%	1.43%	1.77%
7 NMRT09	Large Power Service	6.07%	6.21%	6.04%	5.61%	6.65%	5.89%
8 NMRT10	MRDS - WSMR	7.36%	7.41%	7.44%	2.54%	2.83%	2.32%
9 NMRT10-T115A	MRDS - ALA				0.62%	0.52%	0.46%
10 NMRT10-T115	MRDS - HAFB				3.72%	2.52%	2.00%
11 NMRT11	Municipal Street Lighting Service	0.10%	0.10%	0.08%	0.03%	0.06%	0.05%
12 NMRT12	Private Area Lighting Service	0.15%	0.16%	0.15%	0.17%	0.16%	0.16%
13 NMRT19	Seasonal-Agricultural Processing Service	0.18%	0.35%	0.28%	0.29%	0.39%	0.51%
14 NMRT25	Outdoor Recreational Lighting Service	0.02%	0.02%	0.02%	0.02%	0.03%	0.01%
15 NMRT28	State University Service	1.36%	1.40%	1.75%	1.94%	1.41%	1.45%
Total		100.00%	100.00%	100.00%	100.00%	100.00%	100.00%



EL PASO ELECTRIC COMPANY  
2021 TEXAS RATE CASE FILING  
HISTORICAL ALLOCATOR COMPARISON

D2

Rate	Description	D2	D2	D2	D2	D2	D2	YoY E1	YoY E1	YoY E1	YoY E1	YoY E1
		12 Months Sep 2016	12 Months Dec 2016	12 Months Dec 2017	12 Months Dec 2018	12 Months Dec 2019	12 Months Dec 2020	12 Months Dec 2016	12 Months Dec 2017	12 Months Dec 2018	12 Months Dec 2019	12 Months Dec 2020
1 TXRT01	Residential Service	42.01%	42.23%	42.72%	45.45%	47.73%	65.23%	0.22%	0.49%	2.74%	2.28%	7.49%
2 TXRT02	Small General Service	5.59%	5.67%	6.08%	5.79%	5.38%	4.75%	0.06%	0.41%	-0.29%	-0.41%	-0.63%
3 TXRT07	Outdoor Recreational Lighting Service	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
4 TXRT08	Street Lighting	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
5 TXRT09	Traffic Signals	0.02%	0.02%	0.02%	0.01%	0.02%	0.01%	0.00%	0.00%	0.00%	0.00%	0.00%
6 TXRT11	Municipal Pumping Service	0.16%	0.16%	0.00%	0.00%	0.00%	0.00%	0.00%	-0.16%	0.00%	0.00%	0.00%
7 TXRT11TOU	Municipal Pumping Service - TOU	1.62%	1.47%	1.80%	1.63%	1.73%	1.59%	-0.15%	0.33%	-0.17%	0.11%	-0.14%
8 TXRT15	Electrolytic Refining Service	0.58%	0.58%	0.57%	0.53%	0.50%	0.52%	0.00%	-0.01%	-0.03%	-0.03%	0.02%
9 TXRTWH	Off Peak Water Heating Service	0.06%	0.07%	0.04%	0.03%	0.03%	0.03%	0.01%	-0.02%	-0.01%	-0.01%	0.00%
10 TXRT22	Irrigation Service	0.08%	0.08%	0.04%	0.06%	0.06%	0.10%	0.00%	-0.04%	0.02%	0.00%	0.04%
11 TXRT24	General Service	28.36%	28.52%	28.44%	27.37%	26.48%	21.13%	0.16%	-0.08%	-1.07%	-0.89%	-5.35%
12 TXRT25	Large Power Service	8.28%	8.18%	8.22%	7.75%	7.72%	6.87%	-0.10%	0.03%	-0.47%	-0.03%	-0.84%
13 TXRT26	Petroleum Refining Service	3.01%	3.02%	2.99%	2.96%	2.86%	2.77%	0.01%	-0.03%	-0.02%	-0.10%	-0.09%
14 TXRT28	Private Area Lighting Service	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
15 TXRT30	Electric Furnace Rate	0.36%	0.36%	0.37%	0.37%	0.34%	0.34%	0.00%	0.01%	0.00%	-0.02%	0.00%
16 TXRT31	Military Reservation Service	3.12%	3.14%	3.25%	3.37%	3.26%	3.50%	0.01%	0.11%	0.12%	-0.11%	0.24%
17 TXRT34	Cotton Gin Service	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
18 TXRT41	City and County Service	6.74%	6.50%	5.46%	4.67%	3.88%	3.16%	-0.24%	-1.04%	-0.80%	-0.78%	-0.72%
Total		100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	0.00%	0.00%	0.00%	0.00%	0.00%

Rate	Description	D2	D2	D2	D2	D2	D2
		12 Months Sep 2016	12 Months Dec 2016	12 Months Dec 2017	12 Months Dec 2018	12 Months Dec 2019	12 Months Dec 2020
1 NMRT01	Residential Service	47.43%	43.39%	43.32%	45.95%	48.52%	54.90%
2 NMRT03	Small General Service	9.07%	13.30%	13.18%	11.97%	11.54%	10.61%
3 NMRT04	General Service	19.28%	18.85%	18.62%	18.46%	17.83%	14.38%
4 NMRT05	Irrigation Service	2.84%	2.94%	2.74%	2.63%	2.00%	2.46%
5 NMRT07	City and County Service	4.03%	3.83%	4.03%	3.92%	3.56%	2.56%
6 NMRT08	Municipal Pumping Service	1.49%	1.61%	1.77%	1.66%	1.56%	1.84%
7 NMRT09	Large Power Service	6.68%	6.71%	6.63%	6.11%	7.12%	6.28%
8 NMRT10	MRDS - WSMR	7.51%	7.54%	7.61%	2.61%	2.86%	2.39%
9 NMRT10-T115A	MRDS - ALA				0.64%	0.53%	0.48%
10 NMRT10-T115	MRDS - HAFB				3.77%	2.60%	2.12%
11 NMRT11	Municipal Street Lighting Service	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
12 NMRT12	Private Area Lighting Service	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
13 NMRT19	Seasonal-Agricultural Processing Service	0.19%	0.36%	0.32%	0.32%	0.40%	0.51%
14 NMRT25	Outdoor Recreational Lighting Service	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
15 NMRT28	State University Service	1.48%	1.49%	1.78%	1.98%	1.47%	1.47%
Total		100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

**RATE 41'S REVISED CLASS REVENUE DISTRIBUTION**

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 \$ <sup>4</sup>
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)
1	01	Residential Service	\$273,638,830	\$324,724,406	18.67%	\$316,381,612	15.62%	\$42,742,782
2	02	Small General Service	\$33,319,685	\$29,985,897	-10.01%	\$31,652,791 <sup>2</sup>	-5.00%	(\$1,666,894)
3	07	Outdoor Recreational Lighting	\$462,980	\$613,998	32.62%	\$544,186 <sup>3</sup>	17.54%	\$81,206
4	08	Government Street Lighting	\$4,046,620	\$3,063,775	-24.29%	\$3,189,430	-21.18%	(\$857,190)
5	09	Traffic Signals	\$95,204	\$98,208	3.16%	\$102,236	7.39%	\$7,032
6	11TOU	Municipal Pumping TOU	\$10,102,350	\$10,158,249	0.55%	\$10,574,870	4.68%	\$472,520
7	15	Electrolytic Refining Service	\$1,830,063	\$2,228,715	21.78%	\$2,320,121	26.78%	\$490,058
8	WH	Water Heating Service	\$474,582	\$804,466	69.51%	\$548,712	15.62%	\$74,130
9	22	Irrigation Service	\$423,413	\$556,623	31.46%	\$497,679 <sup>3</sup>	17.54%	\$74,266
10	24	General Service	\$125,005,740	\$113,791,588	-8.97%	\$119,398,664 <sup>2</sup>	-4.49%	(\$5,607,076)
11	25	Large Power Service	\$35,955,664	\$37,134,334	3.28%	\$38,657,330	7.51%	\$2,701,666
12	26	Petroleum Refinery Service	\$10,964,770	\$12,891,636	17.57%	\$13,420,362	22.40%	\$2,455,592
13	28	Area Lighting Service	\$2,932,614	\$2,636,450	-10.10%	\$2,744,579	-6.41%	(\$188,035)
14	30	Electric Furnace Rate	\$1,191,760	\$1,500,889	25.94%	\$1,562,445	31.10%	\$370,685
15	31	Military Reservation Service	\$13,009,892	\$14,718,900	13.14%	\$15,322,568	17.78%	\$2,312,676
16	34	Cotton Gin Service	\$132,972	\$177,564	33.53%	\$156,295 <sup>3</sup>	17.54%	\$23,323
17	41	City and County Service	\$19,126,500	\$16,924,524	-11.51%	\$14,936,339 <sup>1, 2</sup>	-21.91%	(\$4,190,161)
18	<b>TOTAL</b>		<b>\$532,713,639</b>	<b>\$572,010,221</b>	<b>7.38%</b>	<b>\$572,010,221</b>	<b>7.38%</b>	<b>\$39,296,582</b>

<sup>1</sup> 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 (Revised to 75% Floor for Rate 41 ) = -29.21% \* 0.75 = -21.91% for Rate 41.

• (Rev. Req. at Capped Floor Decrease = Base Rate Revenue @ Present Rates \$19,126,500 \* (1+-21.91%) = \$16,333,060) + (Allocation of Deficiency \$0) = \$14,936,339 Floor Cost of Service

<sup>2</sup> Capping Level 1 (50% Floor, 75% Floor for Rate 41 only) = No allocation of deficiency.

<sup>3</sup> Capping Level 4 = 1.75 x System Average

<sup>4</sup> Dollar amounts are before the COVID 19 Rider Revenue and Non-Firm Revenue increases.

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-Img Serv	R24-Gen Serv	R25-Large Power	R26-Petroleum Ref	R28-P Area Light	R30-Elec Furnace	R31-MH Reserv	R34-Cotton Gin	R41-Cty/Cnty	RWH-Water Heating
1	DEC COMPONENTS																		
2	PRODUCTION	\$273,171,156	\$149,477,307	\$13,188,355	\$79,537	\$658,720	\$46,453	\$4,450,493	\$1,460,554	\$255,988	\$58,826,618	\$18,808,390	\$7,982,150	\$485,241	\$1,033,584	\$9,700,783	\$31,220	\$8,444,199	\$145,566
3	TRANSMISSION	60,924,311	34,149,086	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	75,927,585	6,470,601	401,535	628,075	14,634	2,615,586	0	183,199	24,889,453	7,073,623	0	471,389	0	0	114,185	\$,995,878	354,902
5	TOTAL DEMAND	\$456,295,758	\$259,653,968	\$22,811,614	\$507,503	\$1,311,060	\$70,052	\$8,040,722	\$1,792,202	\$474,703	\$93,908,834	\$29,854,460	\$9,813,402	\$976,222	\$1,286,989	\$11,883,135	\$151,150	\$14,223,970	\$595,979
6	TOTAL ENERGY	64,110,397	28,950,425	3,105,321	44,798	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	2,005,666	70,283
7	TOTAL CUSTOMER	\$4,125,262	\$8,832,481	\$,422,148	\$4,288	\$,385,953	\$,383	\$,77,148	\$,625	\$,37,734	\$,522,311	\$,437,241	\$,276	\$,333,189	\$,228	\$,1,602	\$,992	\$,80,788	\$,83,626
8	TOTAL DEC COMPONENTS	\$574,531,417	\$329,245,874	\$30,138,193	\$515,597	\$3,078,799	\$98,620	\$10,197,568	\$2,227,395	\$55,931	\$114,237,343	\$37,276,694	\$12,941,244	\$2,843,075	\$1,508,919	\$14,775,292	\$178,194	\$16,990,128	\$959,767
9	COVID19 RIDER REVENUE <sup>1</sup>	2,196,060	1,341,904	136,838	2,598	15,014	370	34,075	6,908	1,993	377,054	120,017	40,602	6,625	4,313	45,694	616	55,631	5,239
10	NON-FIRM REVENUE <sup>2</sup> INCREASE @ SYSTEM AVERAGE	325,138	179,565	15,448	0	0	42	5,183	1,684	315	68,706	22,343	9,006	0	1,118	11,269	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	\$56,623	\$113,791,588	\$37,134,334	\$12,991,636	\$2,836,450	\$1,500,889	\$14,718,900	\$177,564	\$16,924,524	\$904,466
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	\$10,904,770	\$2,932,614	\$1,191,760	\$13,009,892	\$132,972	\$19,126,500	\$474,582
13	% NON-FUEL INCREASE AT NET FULL COST	7.39%	18.67%	-10.01%	32.02%	-24.29%	3.10%	0.69%	21.78%	31.46%	-8.97%	3.28%	17.67%	-10.10%	26.94%	13.14%	33.63%	-11.61%	69.51%
14	% NON-FUEL INCREASE AT NET FULL COST (20% discount to Rate 41 Cost of Service)																	-29.21%	
15	Capping Level <sup>3</sup>		2	1	4	0	0	0	0	4	1	0	0	0	0	0	4	1	2
16	CAPPED INCREASE / FLOOR DECREASE		11.07%	-5.00%	12.91%	-24.29%	3.16%	0.55%	21.78%	12.91%	-4.49%	3.28%	17.57%	-10.10%	25.94%	13.14%	12.91%	-21.91%	11.07%
17	REV. REQ. AT CAPPED INCREASE / FLOOR DECREASE	\$ 556,014,023	\$ 303,917,022	\$ 31,652,791	\$ 522,747	\$ 3,063,775	\$ 98,208	\$ 10,158,249	\$ 2,228,715	\$ 478,072	\$ 119,398,694	\$ 37,134,334	\$ 12,991,636	\$ 2,836,450	\$ 1,500,889	\$ 14,718,900	\$ 150,138	\$ 14,936,339	\$ 527,095
18	REV. REQ. DEFICIENCY	\$ 15,996,198																	
19	REV. REQ. SUBJECT TO DEFICIENCY ALLOCATION <sup>4</sup>	\$ 390,026,229	\$ 303,917,022		\$ 522,747	\$ 3,063,775	\$ 98,208	\$ 10,158,249	\$ 2,228,715	\$ 478,072		\$ 37,134,334	\$ 12,991,636	\$ 2,836,450	\$ 1,500,889	\$ 14,718,900	\$ 150,138		\$ 527,095
20	ALLOCATION OF DEFICIENCY	\$ 15,996,198	\$ 12,484,589	\$ -	\$ 21,439	\$ 125,855	\$ 4,028	\$ 416,622	\$ 91,407	\$ 19,607	\$ -	\$ 1,522,995	\$ 528,736	\$ 108,129	\$ 81,556	\$ 603,668	\$ 6,159	\$ -	\$ 21,618
21	REV. REQ. WITH DEFICIENCY ALLOCATION	\$ 372,010,221	\$ 316,381,612	\$ 31,652,791	\$ 544,186	\$ 3,189,430	\$ 102,236	\$ 10,574,870	\$ 2,320,121	\$ 497,679	\$ 119,398,694	\$ 38,657,330	\$ 13,420,267	\$ 2,744,579	\$ 1,582,445	\$ 15,332,898	\$ 159,295	\$ 14,936,338	\$ 548,712
22	% NON-FUEL INCREASE W/ CAP OR FLOOR	7.39%	16.62%	6.00%	17.64%	-21.19%	7.39%	4.69%	26.79%	17.64%	-4.49%	7.61%	22.40%	-6.41%	31.10%	17.78%	17.64%	-21.91%	16.62%
23	BASE REVENUE INCREASE	\$ 39,296,582	\$ 42,742,782	\$ (1,666,894)	\$ 81,206	\$ (657,190)	\$ 7,032	\$ 472,520	\$ 490,058	\$ 74,266	\$ (5,607,070)	\$ 2,701,666	\$ 2,455,592	\$ (188,035)	\$ 370,685	\$ 2,312,676	\$ 23,323	\$ (4,180,161)	\$ 74,130
24	COVID19 RIDER REVENUE	2,196,060	1,341,904	136,838	2,598	15,014	370	34,075	6,908	1,993	377,054	120,017	40,602	6,625	4,313	45,694	616	55,631	5,239
25	NON-FIRM REVENUE INCREASE	325,138	179,565	15,448	0	0	42	5,183	1,684	315	68,706	22,343	9,006	0	1,118	11,269	4	10,274	83
26	BASE & NON-FIRM REVENUE INCREASE	\$ 41,817,778	\$ 44,264,250	\$ (1,514,606)	\$ 83,605	\$ (842,176)	\$ 7,444	\$ 511,778	\$ 496,650	\$ 76,575	\$ (5,160,716)	\$ 2,844,026	\$ 2,505,200	\$ (181,410)	\$ 376,114	\$ 2,389,709	\$ 23,943	\$ (4,124,256)	\$ 79,452
27	<sup>1</sup> COVID19 EXPENSES TO BE RECOVERED VIA A STANDALONE RIDER TARIFF																		
28	<sup>2</sup> NON-FIRM BASE REVENUE AT PRESENT RATES	\$ 4,174,343	\$ 2,305,368	\$ 198,330	\$ -	\$ -	\$ 542	\$ 86,539	\$ 21,822	\$ 4,047	\$ 882,099	\$ 286,854	\$ 115,622	\$ -	\$ 14,328	\$ 145,960	\$ 48	\$ 131,901	\$ 1,065
29	<sup>3</sup> Capping Level: 0 - No Cap / No Floor 1 - 50% Floor; 75% Floor to Rate 41 only  2 - 1.5 x System Average 3 - 2.0 x System Average 4 - 1.75 x System Average																		
30	<sup>4</sup> Capping Level 1 (50% Floor; 75% floor for Rate 41) = No allocation of deficiency.																		

ORIGINAL SOURCE: Manuel Carrasco's Exhibit MC-4, Tab: P-6 Capping