



## **Filing Receipt**

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SOAH DOCKET NO. 473-25-05084  
PUC DOCKET NO. 57149

APPLICATION OF EL PASO	§	BEFORE THE STATE OFFICE
ELECTRIC COMPANY FOR AUTHORITY	§	
TO RECONCILE FUEL COSTS	§	OF
	§	
	§	ADMINISTRATIVE HEARINGS

EL PASO ELECTRIC COMPANY'S RESPONSE TO  
COMMISSION STAFF'S CORRECTED THIRD REQUESTS FOR INFORMATION  
QUESTION NOS. STAFF 3-1 THROUGH STAFF 3-3

TABLE OF CONTENTS  
  
FEBRUARY 25, 2025

STAFF 3-1 .....	2
STAFF 3-2 .....	3
STAFF 3-3 .....	4

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ELECTRIC COMPANY TO	§	OF
RECONCILE FUEL COSTS	§	ADMINISTRATIVE HEARINGS

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COMMISSION STAFF'S CORRECTED THIRD REQUEST FOR INFORMATION  
QUESTION NOS. STAFF 3-1 THROUGH STAFF 3-3

STAFF 3-1:

Please provide documentation and explain in detail if and how EPE took advantage of opportunities in the fuel markets to reduce costs, mitigate price volatility, and enhance reliability?

RESPONSE:

EPE does, and did during the Reconciliation Period, take advantage of opportunities in the fuel markets to reduce costs, mitigate price volatility, and enhance reliability. EPE actively participates in the competitive market for natural gas and purchased power, both long and short. Furthermore, EPE's requests for proposals for long-term resources typically considers long term purchased power agreements. Please refer to the Direct Testimony of Mr. Martinez, Sections E & F, as well as Schedules FR-7, FR-15 and Workpaper 16.3 for more detail and documentation regarding EPE's fuel marketing functions to reduce costs, mitigate price volatility, and enhance reliability.

Preparer: Daniel Holguin

Title: Forward Marketer

Sponsor: Victor Martinez

Title: Director – Energy Resources

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QUESTION NOS. STAFF 3-1 THROUGH STAFF 3-3

STAFF 3-2:

Please provide documentation and explain in detail if and how EPE took advantage of opportunities in the purchased-power markets to reduce costs, mitigate price volatility, and enhance reliability?

RESPONSE:

EPE does, and did during the Reconciliation Period, take advantage of opportunities in the purchased power markets to reduce costs, mitigate price volatility, and enhance reliability. EPE actively participates in the competitive market for natural gas and purchased power, both long and short. Furthermore, EPE's requests for proposals for long-term resources typically considers long term purchased power agreements. Please refer to the Direct Testimony of Mr. Martinez, Sections H, I & J, as well as Schedules FR-7 and FR-15 for more detail and documentation regarding EPE's purchased power marketing functions to reduce costs, mitigate price volatility, and enhance reliability.

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Title: Forward Marketer

Sponsor: Victor Martinez

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COMMISSION STAFF'S CORRECTED THIRD REQUEST FOR INFORMATION  
QUESTION NOS. STAFF 3-1 THROUGH STAFF 3-3

STAFF 3-3:

Please explain in detail if EPE prudently participated in wholesale energy markets during the reconciliation period.

- a. Please explain in detail what benefits related to fuel has EPE received through its purchases in wholesale energy markets?
  - i. How do these benefits compare to the benefits that a reasonably prudent utility would have achieved through its operations within the wholesale energy markets?
- b. Please explain in detail what benefits related to purchased power has EPE received through its purchases in wholesale energy markets?
  - i. How do these benefits compare to the benefits that a reasonably prudent utility would have achieved through its operations within the wholesale energy markets?
- c. Please explain in detail if EPE's are costs associated with its participation in energy and ancillary service markets and properly included in its fuel expense.

RESPONSE:

EPE prudently participated in whole-sale energy markets during the Reconciliation Period.

- a. Please refer to EPE's response to STAFF 3-1.
  - i. Please refer to Exhibit VM-9 and the Direct Testimony of Victor Martinez, page 15 line 29 through page 16 line 8, for a comparison of EPE's natural gas costs with neighboring utilities.
- b. Please refer to EPE's response to STAFF 3-2.
  - i. Please refer to Exhibit VM-10 and the Direct Testimony of Victor Martinez, page 16 line 10 through line 17, for a comparison of EPE's purchased power costs with neighboring utilities.

- c. EPE's costs associated with its participation in ancillary service markets are not included in its fuel expense. The administrative costs incurred by EPE for its participation in the Energy Imbalance Market are prudently included in fuel expense because those fees reimburse CAISO for its optimization of EPE's transactions, which result in significant fuel savings for customers.

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