1		the Company's monthly revenue control summaries which are based on monthly per book					
2		billing data.					
3							
4	Q5.	ARE YOU SPONSORING ANY EXHIBITS IN THIS FILING?					
5	А.	Yes, I am sponsoring the exhibits listed in the Table of Contents.					
6							
7	Q6,	WERE THE ATTACHED EXHIBITS PREPARED BY YOU OR UNDER YOUR					
8		SUPERVISION?					
9	Α.	Yes, they were.					
10							
11	Q7.	HAVE YOU PREVIOUSLY PRESENTED TESTIMONY BEFORE UTILITY					
12		REGULATORY BODIES?					
13	А.	No.					
14							
15		II. Purpose of Testimony					
16	Q8,	WHAT IS THE PURPOSE OF YOUR DIRECT TESTIMONY?					
17	Α.	The purpose of my direct testimony is to present and support the Company's request to					
18		revise its Energy Efficiency Cost Recovery Factor ("EECRF") for 2026. In my testimony,					
19		I provide a summary of the relief sought by EPE and the costs to be included in EPE's					
20		revised EECRF pursuant to the requirements of 16 Tex. Admin. Code $\S$ 25.181 and 25.182					
21		(TAC) ("EE Rule") on energy efficiency. I also support the calculation of EPE's revised					
22		EECRF rates for the billing period January 1 through December 31, 2026, based on an					
23		allocation of energy efficiency costs among the rate classes.					
24		I discuss the impacts on EPE's filing of the cost caps provided by the EE Rule, and					
25		I present EPE's proposal to recover costs that will enable EPE to achieve demand and					
26		energy savings for 2026.					
27							
28		III. Requirement to Adjust EECRF for 2026					
29	Q9.	WHAT IS THE PURPOSE OF THE EECRF TARIFF?					
30	Α.	The purpose of the EECRF tariff is to allow EPE to recover (1) its proposed energy					
31		efficiency program costs; (2) the energy efficiency performance bonus amount, if earned,					

for the most recent complete program year; (3) any adjustment for past over- or under-recovery, including interest, of authorized energy efficiency revenues; (4) the prior year's EECRF ratemaking proceeding expenses; and (5) costs associated with Evaluation, Measurement, and Verification ("EM&V") of energy efficiency programs.

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EPE's total energy efficiency costs are currently recovered through an EECRF applicable to all non-transmission voltage level rate classes. In addition, for customers taking Interruptible Power Service, only that portion of their requirements designated as firm service is subject to the EECRF.

9 The EECRF rates are calculated for each rate class based on the aggregate amount 10 of costs allocated to the rate class divided by the projected 2026 kilowatt-hours ("kWh") at 11 the meter for the rate class. The Public Utility Regulatory Act ("PURA") § 39.905(b)(4) 12 provides that the EECRF should "ensur[e] that the costs associated with programs provided 13 under this section and any shareholder bonus awarded are borne by the rate classes that receive the services under the programs."<sup>1</sup> EPE's rate design for the EECRF ensures that 14 15 only the rate classes that are eligible to participate in the energy efficiency programs pay 16 The calculation of EPE's proposed EECRF for 2026 is shown in the EECRF. 17 Exhibit EM-01.

18

### 19 Q10. WHY IS EPE FILING THIS REQUEST TO ADJUST ITS EECRF FOR THE 202620 PROGRAM YEAR?

21 A. EPE is filing to adjust the EECRF to ensure recovery of its reasonable costs of providing 22 energy efficiency programs pursuant to 16 TAC § 25.182(d). That section of the EE Rule 23 requires that a utility with an EECRF apply each year to adjust its EECRF in order to reflect 24 changes in program and administrative costs, resulting from a true-up of the prior program 25 year's over- or under-recovery of energy efficiency costs, from any performance bonus 26 earned based on the utility's previous year's energy efficiency program performance, in 27 administrative costs, and the cost of EM&V allocated to the utility by the Commission. 28 The Rule also allows recovery through the EECRF of the prior year's EECRF proceeding 29 expenses.

<sup>&</sup>lt;sup>1</sup> Customer class is synonymous to 'rate class' in this testimony.

1		
2		IV. EPE'S Proposed 2026 EECRF
3	Q11.	WHAT ARE THE TOTAL RECOVERABLE ENERGY EFFICIENCY COSTS THAT
4		EPE IS SEEKING TO RECOVER IN THE PROPOSED 2026 EECRF?
5	А.	Based on the 2026 energy efficiency program costs described in the direct testimony of
6		EPE witness Antonio Reyes, EPE is seeking to recover \$3,869,326 through its
7		2026 EECRF. That amount includes the following:
8		• EPE's 2026 Total Proposed Energy Efficiency Program Budget of \$5,257,426.
9		• EPE's prior year (2024) EECRF proceeding expenses of \$56,580, composed of EPE's
10		expenses of \$45,192 and City of El Paso expenses of \$11,388.
11		• A true-up adjustment, by rate class, of EPE's net over-recovery for 2024 of
12		\$1,517,488, composed of \$1,374,185 net over-recovery and \$143,303 of accrued
13		interest.
14		• The PUCT assigned EM&V contractor costs for 2026 of \$72,808.
15		
16	Q12.	ARE ANY OF THOSE COSTS, OR ANY OTHER COSTS ASSOCIATED WITH EPE'S
17		ENERGY EFFICIENCY PROGRAMS, RECOVERED IN BASE RATES?
18	Α.	No. EPE recovers all costs directly associated with its energy efficiency programs
19		exclusively through the EECRF.
20		
21	Q13.	HOW DO THOSE COSTS COMPARE TO THE COSTS THAT EPE SOUGHT TO
22		RECOVER THROUGH THE EECRF DURING 2025?
23	А.	Pursuant to the Commission's Final Order in Docket No. 56572, <sup>2</sup> EPE's 2025 EECRF was
24		designed to recover \$5,631,947. EPE's request for 2026 total recoverable energy efficiency
25		costs of \$3,869,326 is therefore \$1,762,621 (31.3%) less than the amount included in 2025
26		EECRF rates.
27		
28	Q14.	WHAT ARE THE FACTORS THAT ACCOUNT FOR THE DECREASE IN TOTAL

<sup>&</sup>lt;sup>2</sup> Application of El Paso Electric Company to Revise its Energy Efficiency Cost Recovery Factor, Docket No. 56572, Order (Dec. 12, 2024).

1 2

### RECOVERABLE ENERGY EFFICIENCY COSTS FOR 2026 RELATIVE TO THOSE AUTHORIZED FOR THE 2025 EECRF?

A. Two factors contribute to the change in total energy efficiency program costs for 2026.
First, as noted in the direct testimony of EPE witness Reyes, EPE did not earn a
performance bonus for 2024. The bonus decreased to \$0 in 2024 from \$1,555,954 for
2023. Second, cost recovery increased from a net over-recovery of \$1,125,164 in 2023 to
a net over-recovery of \$1,517,488 in 2024 resulting in an overall net decrease in costs of
\$392,324.

9

### 10 Q15. WHAT ARE THE TOTAL PROJECTED ENERGY EFFICIENCY PROGRAM COSTS 11 EPE IS SEEKING TO RECOVER IN THE 2026 EECRF?

A. As contained in EPE's filed 2025 Energy Efficiency Plan and Report ("2025 EEPR"), EPE is seeking to recover total projected 2026 program costs of \$5,398,558. The final proposed program budget as reflected on Exhibit EM-01 also includes \$31,676 in trailing costs are only included in the residential service as discussed in witness Reyes' testimony. The 2025 EEPR is attached as Exhibit AR-01 to EPE witness Reyes' direct testimony, and the breakdown of individual program costs is summarized in Table 6 of that exhibit without trailing costs.

19

#### 20

21

# Q16. CAN YOU EXPLAIN HOW THE PROPOSED OVER-RECOVERY TRUE-UP WAS CALCULATED?

22 A. Yes. The 2024 over-recovery amount of \$1,374,185 is based on the difference between the 23 actual total recoverable energy efficiency costs incurred from January 1 to December 31, 24 2024, and the actual amount of revenue recovered through the 2024 EECRF for each rate 25 class for the same period. As is anticipated for correction in the errata for the 2025 EEPR 26 (Exhibit AR-01, Table 13), the total actual costs for 2024 were \$4,733,042. The total 27 revenue collected under the authorized 2024 EECRF was \$6,107,226 which results in a 28 total system over-recovery of \$1,374,185 for the 2024 program year. This year, in addition 29 to the over-recovery, annual interest has been accrued in the amount of \$143,303 for a total 30 over-recovery amount of \$1,517,488.

31

The contribution of each rate class to the total net over-collection is attributed to

1

that rate class in the proposed 2026 EECRF.

2

### Q17. HOW WERE THE PROPOSED EECRF RATES DETERMINED USING 2025 PROJECTED BILLING UNITS?

5 A. The total energy efficiency costs associated with the 2026 EECRF, consisting of the 6 proposed 2026 energy efficiency program costs, including incentives and administration, 7 EM&V costs, and the prior year's EECRF proceeding expenses are first allocated to each 8 rate class. These costs are then adjusted for the 2024 over/under-recovery for each rate 9 class. The total costs by rate class are then divided by 2026 projected kWh sales for that 10 rate class to produce the EECRF rate.

- As described in the direct testimony of EPE witness Reyes, 2026 incentive costs were allocated by program to each rate class based on EPE's actual 2024 energy efficiency incentive costs. Similarly, EM&V costs, 2026 administrative costs, and the 2024 EECRF proceeding expenses, are allocated to rate classes based on the actual incentive costs experienced in 2024.
- 16

### 17 Q18. WHAT BILLING DETERMINANTS DID EPE USE TO CALCULATE THE18 PROPOSED 2026 EECRF RATES?

- 19A.EPE utilized projected 2026 kWh sales by rate class based on EPE's 2026 Long-Term and20Budget Year Sales Forecast, as shown in Exhibit EM-01, per 16 TAC § 25.182(d)(10)(E).
- 21

Q19. HAVE YOU INCLUDED THE PRIOR YEAR BILLING DETERMINANTS IN THISFILING?

- A. Yes, the 2024 billing determinants are included in Workpaper EM-01, per 16 TAC
  § 25.182(d)(10)(E).
- 26

## Q20. DOES EPE CALCULATE OR ESTIMATE SYSTEM LOSSES FOR PURPOSES OF CALCULATING THE PROPOSED 2026 EECRF?

A. No. The forecasted 2026 kWh sales utilized in calculating the EECRF proposed herein are
 developed at the meter; therefore, no adjustment for losses is required.

31

1	Q21.	IS EPE PROPOSING TO COMBINE ANY RATE CLASSES AS ALLOWED UNDER
2		THE EE RULE?
3	Α.	Yes. Consistent with the Final Order in EPE's 2024 EECRF proceeding, Docket No. 56572
4		and prior orders, EPE requests a good cause exception to combine rate classes which
5		receive similar services under the same energy efficiency programs, as provided for in 16
6		TAC § 25.182(d)(2). For the purposes of calculating the 2026 EECRF, EPE proposes to
7		again combine Rate 34 - Cotton Gin Service rate class with the Rate 46/47 - Cogeneration
8		Service rate class.
9		There is good cause to combine these rate classes because the conditions outlined
10		in 16 TAC § 25.182(d)(2) are met and because the combination will ease administration of
11		cost recovery.
12		
13	Q22.	HAVE YOU PROVIDED A PROPOSED EECRF TARIFF?
14	A.	Yes. EPE's tariff showing the proposed 2026 EECRF is provided as Exhibit EM02 to this
15		testimony, and is included with EPE's Application as Attachment A.
16		
17	Q23.	HOW DO THE PROPOSED EECRF RATES COMPARE TO THE CURRENT EECRF
18		RATES?
19	А.	A comparison of the proposed 2026 EECRF rates and authorized 2025 program year
20		EECRF rates is included in Exhibit EM-03 and summarized in Table 1 below.
21		/
22		/
23		/
24		/
25		/
26		/
27		/
28		/
29		/
30		/
31		/

1		Table 1						
2			EECRF Compari	son (\$/kWh)				
3		Rate	Rate Class	2025 EECRF	Proposed 2026 EECRF	Change		
4		01	Residential Service	0.001062	0.000685	(0.000377)		
5		02	Small Commercial Service	0.001609	0.002894	0.001285		
6		07	Outdoor Recreational Lighting	(0.001917)	(0.001738)	0.000179		
-		08	Governmental Street Lighting Service		-	-		
7		09	Governmental Traffic Signal Service	0.000001	-	(0.000001)		
8		11-TOU	Time-Of-Use Municipal Pumping Service	81	<u></u>	-		
9		15	Electrolytic Refining Service	E.		-		
10		21	Water Heating Service	(0.000025)	(0.000012)	0.000013		
10		22	Irrigation Service	(0.000350)	(0.002628)	(0.002278)		
11		24	General Service	0.000586	0.000273	(0.000313)		
12		25	Large Power Service - Sec. Pri.	0.000134	0.000124	(0.000010)		
13		28	Private Area Lighting	-	0.001626	0.001626		
14		31	Military Reservation Service	-	-	-		
14		34	Cotton Gin Service	0.000273	(0.000059)	(0.000332)		
15		38	Interruptible Service	-	-	-		
17 18	Q24.	WHAT FACTORS CAUSED THE CHANGE IN EECRF TO VARY BY RATE CLASS?						
19	A.	As note	d above, the change in the performance bo	onus and the cha	ange in over-rec	overy, nad		
20		the mos	st significant impact on individual rate	classes, resulti	ng in decreases	s for most		
21		classes.						
22		Program costs for 2026 were assigned based on EPE's actual 2024 energy efficiency						
23		incentive costs for each class. The effects of these changes vary between rate classes and						
24		generall	generally represent an increase for most rate classes.					
25								
26	Q25.	HOW MUCH DO THE ENERGY EFFICIENCY PROGRAM COSTS, THE PRIOR						
27		YEAR	YEAR EECRF PROCEEDING EXPENSES, THE OVER- OR UNDER-RECOVERY.					
28		AND E	M&V COSTS CONTRIBUTE TO THE	EECRF AS PR	OPOSED?			
29	A.	The cor	ntribution of the individual components t	to each rate class	ss's total EECRI	F is shown		
30		in Exhit	bit EM-03, including the magnitude and p	percent contribu	tion to the total	change for		
31		each rat	e class from 2025 to 2026. This exhibit s	hows the impac	t, by rate class,	of changes		

in the amounts recovered in the EECRF and the impact of each on the total rate. The Residential rate class component breakout is shown in Table 2 below. For Residential rate class customers, the increase of the proposed program budget, proceeding expenses, and EM&V costs, net against the decrease of the allocated performance bonus and the overrecovery, result in the approximate 36.3% decrease in the amount to be collected through the EECRF. The individual factors affecting all rate classes as discussed above are the same as those observed in the residential class.

9		Table 2								
10		Residential Service - EECRF Comparison								
10 11 12		Aut	horized 2025 EECRF	Pr	oposed 2026 EECRF	Т	otal Change	Percent Change	Percent Contribution to Total Change	
13	Forecasted MWh Sales	2,	731,184,074	2	,764,278,131		33,094,057	1.2%		
14	Proposed Program Budget	\$	2,680,097	\$	2,671,481	s	(8,616)	-0.3%	0.8%	
16			0.0000010	_	0.0000010		(0.000003)			
17	Energy Efficiency Bonus	\$	886,048	s		s	(886,048)	-100.0%	82.2%	
18			0.000003		0.0000000		(0.0000268)			
19 20	Total EECRF Proceeding Expenses	\$	23,621	s	30,156	s	6,535	27.7%	-0.6%	
21	•		0.0000000		0.0000000		0.0000002			
22	(Over)/Under Recovery	\$	(652,517)	s	(843,079)	s	(190,563)	29.2%	17.7%	
23			(0.0000002)	_	(0.0000003)	_	(0.0000058)			
24	EM&V Expenses	\$	35,044	\$	35,899	\$	855	0.0%	-0.1%	
25		-	0.0000000		0.0000000	_	0.0000000			
26	Total Energy Efficiency	\$	2,972,293	\$	1,894,456	S	(1,077,838)	-36.3%	100.0%	
27	Costs to be Recovered		0.00001		0.000001		(0.0000004)			

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#### HOW DOES THE EECRF, AS PROPOSED, AFFECT A TYPICAL EPE RESIDENTIAL 28 Q26. CUSTOMER? 29

30 As presented in Table 1 above, the EECRF for Rate 01 - Residential Service as proposed for A. 31 2026 is \$0.000685 per kWh, in comparison to the current rate of \$0.001062. Based on an

1		annual average usage for 2024 of 699 kWh per month, if approved as requested, a typical
2		residential customer will pay an EECRF charge in 2026 of 0.48 per month as compared to
3		\$0.75 based on the current rate of \$0.001062. This represents an approximate 35% decrease
4		in the EECRF rate applicable to the average residential customer, a decrease of \$0.26 per
5		month, or about a 0.26% decrease in a residential customer's current average monthly bill of
6		\$98.24, as shown in Workpaper EM-01.
7		
8		V. EPE's Applicable Cost Caps
9	Q27.	DO THE COMMISSION'S RULES PROVIDE FOR A LIMITATION ON THE
10		EXPENDITURES A UTILITY MAY RECOVER FOR ENERGY EFFICIENCY
11		PROGRAMS?
12	Α.	Yes. 16 TAC § $25.182(d)(7)$ sets cost caps on the amount that can be charged to a customer
13		for recovery of costs related to energy efficiency on a per kWh basis. 16 TAC
14		§ 25.182(d)(7)(C) states:
15		[f]or the 2019 program year and thereafter, the residential and commercial
16		cost caps shall be calculated to be the prior period's cost caps increased or
17		decreased by a rate equal to the most recently available calendar year's
18		percentage change in the South urban CPI, as determined by the Federal
19		Bureau of Labor Statistics.
20		
21	Q28.	WHAT IS THE COST CAP THAT IS APPLICABLE TO EPE FOR ITS 2026 PROGRAM
22		COSTS?
23	А.	Cost caps are adjusted based on the most recently available calendar year's percentage
24		change in the CPI and are \$0.001047 and \$0.001674 for commercial and residential
25		customer groups, respectively.
26		
27	Q29.	HOW DOES THE TOTAL OF EPE'S 2026 EECRF COSTS THAT ARE SUBJECT TO
28		THE CAPS FOR THE RESIDENTIAL AND COMMERCIAL CUSTOMER GROUPS
29		COMPARE TO THE REGULATORY COST CAP?
30	А.	EPE's 2026 EECRF costs that are subject to the cost cap for the residential customer group
31		would result in an EECRF charge of \$0.000672 per kWh, which is below the cost cap for

1		2026 of \$0.001674 per kWh. The commercial customer group would also be below the
2		2026 cost cap of \$0.001047 per kWh because EPE's 2026 EECRF costs that are subject to
3		the cap would result in an EECRF charge of \$0.000538 per kWh. Calculation of the cost
4		caps and a comparison to energy efficiency costs subject to the cap are shown in
5		Exhibit EM-04.
6		
7	Q30.	IS EPE REQUESTING THAT THE COMMISSION REVISE THE COST CAP FOR THE
8		RESIDENTIAL OR COMMERCIAL CUSTOMER GROUP?
9	А.	No.
10		
11		VI. Performance Bonus
12	Q31.	IS EPE REQUESTING A PERFORMANCE BONUS IN THIS FILING?
13	A.	No. As stated in the Direct Testimony of EPE witness Reyes, EPE did not qualify for a
14		bonus for its 2024 performance because, though exceeding the demand reduction goal, it
15		did not meet the energy savings goal.
16		
17		VII. Conclusion
18	Q32.	UNDER EPE'S PROPOSAL, IS THE EECRF FOR 2026 APPROPRIATELY DESIGNED,
19		CALCULATED, AND ALLOCATED TO RATE CLASSES IN ACCORDANCE WITH
20		THE REQUIREMENTS OF PURA § 39.905 AND 16 TAC § 25.182?
21	A.	Yes. The EECRF is consistent with the requirements of the statutory goal and the
22		requirements of the EE Rule. All incentive costs are allocated to appropriate rate classes
23		based on prior year actual costs, consistent with methods previously approved. As with the
24		2024 proceeding, EPE assigned 2026 EECRF costs to rate classes based on experience and
25		historical participation rates as a reasonable approach to reduce over- or under-collections
26		of program costs in subsequent proceedings.
27		
28	Q33.	DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?
29	А.	Yes, it does.

#### EL PASO ELECTRIC COMPANY

#### SCHEDULE NO. 97 ENERGY EFFICIENCY COST RECOVERY FACTOR

#### **APPLICABILITY**

Electric service billed under rate schedules having an Energy Efficiency Cost Recovery Factor Clause shall be subject to an Energy Efficiency Cost Recovery Factor ("EECRF"). The EECRF is not applicable to service billed at transmission voltage rates.

Pursuant to Section 25.182(d) of Title 16 of the Texas Administration Code, the EECRF allows the Company to recover the cost of energy efficiency programs from the customer classes that receive services under such programs.

#### **TERRITORY**

Texas Service Area

#### MONTHLY RATE

		Energy Efficiency	
Rate		Cost Recovery Factor	
No.	Description	(\$/kWh)	
01	Residential Service Rate	\$0.000685	(R)
EVC	Electric Vehicle Charging Rate	0.000000	
02	Small Commercial Service Rate	0.002894	(1)
07	Outdoor Recreational Lighting Service Rate	-0.001738	(1)
08	Governmental Street Lighting Service Rate	0.000000	
09	Governmental Traffic Signal Service	0.000000	(R)
11-TOU	Time-Of-Use Municipal Pumping Service Rate	0.000000	
WH	Water Heating	-0.000012	(1)
22	Irrigation Service Rate	-0.002628	(R)
24	General Service Rate	0.000273	(R)
25	Large Power Service Rate (excludes transmission)	0.000124	(R)
28	Private Area Lighting	0.001626	(N)
34	Cotton Gin Service Rate	-0.000059	(R)
41	City and County Service Rate	0.000995	(R)
46	Maintenance Power Service For Cogeneration And		
	Small Power Production Facilities	-0.000059	(R)
47	Backup Power Service For Cogeneration And Small		
	Power Production Facilities	-0.000059	(R)

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Effective	with bills	issued	on or
	after Jar	<u>uary 1,</u>	2026