



300 Galisteo Street, Suite 206  
Santa Fe, New Mexico 87501  
(505) 982-7391

**HAND-DELIVERED**  
October 1, 2019

FILED IN OFFICE OF  
OCT -1 2019  
NM PUBLIC REGULATION COMM  
RECORDS MANAGEMENT BUREAU

Ms. Melanie Sandoval  
Records Bureau  
New Mexico Public Regulation Commission  
1120 Paseo de Peralta  
Santa Fe, NM 87501

Re: Case No. 19-00099-UT  
El Paso Electric Company's 2019 Annual Renewable Energy Plan Application, 2<sup>nd</sup>  
Revised Rate No. 38 – RPS Cost Rider Advice Notice No. 264, and Testimony in  
Support Thereof Pursuant to the Renewable Energy Act and Rule 17.9.572 NMAC

Dear Ms. Sandoval:

Enclosed please find the original and five (5) copies of El Paso Electric Company's 2019 Annual Renewable Energy Plan Application, 2<sup>nd</sup> Revised Rate No. 38 – RPS Cost Rider Advice Notice No. 264 (Attachment B to Application) and the supporting Direct Testimonies of James Schichtl, Omar Gallegos and Rene F. Gonzalez.

Also enclosed please find the required \$1 filing fee for the advice notice. Please conform and return two (2) copies to our messenger.

Thank you for your assistance in this matter.

Very truly yours,

A handwritten signature in blue ink, appearing to read "Nancy B. Burns".

Nancy B. Burns  
Senior Attorney  
El Paso Electric Company

Enclosures  
cc: Service List

BEFORE THE NEW MEXICO PUBLIC REGULATION COMMISSION

APPLICATION FOR APPROVAL OF )  
EL PASO ELECTRIC COMPANY'S )  
2019 RENEWABLE ENERGY PLAN )  
PURSUANT TO THE RENEWABLE )  
ENERGY ACT AND 17.9.572 NMAC, )  
AND REVISED RATE NO. 38 – RPS )  
COST RIDER )  
)  
)  
EL PASO ELECTRIC COMPANY, )  
Applicant. )  
\_\_\_\_\_ )

CASE NO. 19-00099-UT

FILED IN OFFICE OF  
OCT - 1 2019  
NM PUBLIC REGULATION COMM  
RECORDS MANAGEMENT BUREAU

**EL PASO ELECTRIC COMPANY'S APPLICATION  
FOR APPROVAL OF ITS 2019 ANNUAL RENEWABLE ENERGY PLAN AND  
2<sup>nd</sup> REVISED RATE NO. 38 - RPS COST RIDER**

El Paso Electric Company ("EPE" or "Company"), pursuant to the Order Granting EPE's Verified Motion to Vacate May 1, 2019 Filing Date, at Ordering ¶ A (April 24, 2019), hereby files its Application for Approval of its 2019 Annual Renewable Energy Plan ("2019 Plan") (the "Application"). This Application sets forth EPE's plan for compliance with the New Mexico Renewable Energy Act ("REA" or "Act"), including the recent amendments to the REA (effective June 14, 2019), and the New Mexico Public Regulation Commission's ("NMPRC" or "Commission") Rule 17.9.572 NMAC ("Rule 572" or "Rule"). EPE's 2019 Plan includes procurements approved in EPE's most recent Renewable Energy Plan, Case No. 18-00109-UT, and describes the procurement actions EPE is taking to meet the Renewable Portfolio Standard ("RPS") requirements of recent amendments to the REA. EPE's 2019 Plan covers the 2020 Plan Year, and presents 2021 Plan Year data for informational purposes. The 2019 Plan reconciles RPS costs and rider revenues for the 2018 Plan Year and proposes revisions to Rate No. 38 – Renewable Portfolio Standard Cost Rider ("RPS Cost Rider") to reflect RPS procurement costs

for the 2020 Plan Year, including 2018 reconciliation amounts and the removal of the statutory cap on billing for certain large customers. EPE's 2019 Plan is supported by the testimonies of EPE Witnesses James Schichtl, Omar Gallegos, and Rene Gonzalez. EPE's Advice Notice No. 264, requesting approval of its 2<sup>nd</sup> Revised Rate No 38 effective January 1, 2020, is being filed concurrently with this Application.

EPE serves multiple jurisdictions. As described in more detail below, the amendments to the REA present unique challenges as EPE adjusts to the changing requirements. In the 2019 Plan, EPE proposes to, among other things, procure renewable energy toward meeting the 20 percent 2020 RPS by obtaining NMPRC authorization to seek Public Utility Commission of Texas ("PUCT") approval to reallocate energy produced by the Macho Springs Solar Facility ("Macho Springs") from Texas to New Mexico customers. If approved by the PUCT and this Commission, EPE will retire the associated WREGIS-registered renewable energy certificates ("RECs") for RPS compliance until EPE can procure new resources through an ongoing competitive procurement process. On May 29, 2019, EPE solicited bids in its 2019 Request for Proposal for Renewable Energy for New Mexico ("2019 RFP") to meet EPE's New Mexico RPS requirement.<sup>1</sup> Because EPE was not able to solicit responsive bids that would allow EPE to fully meet its 2020 RPS, EPE continues to seek short term renewable energy purchases. If EPE is able to procure a new resource through its ongoing procurement efforts which allows EPE to meet the RPS in 2020 and beyond, EPE will file an appropriate application for procurement approval.

Specifically, EPE requests the following authorizations in this Application:

- Approval of the 2019 Plan;

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<sup>1</sup> EPE issued the 2019 RFP, in part, to address the impacts of amendments to the REA, which eliminated the large customer cap adjustment to the RPS as well as the 3 percent reasonable cost threshold ("RCT") set in Rule 572. Although the 2019 RFP has not yet been awarded, EPE solicited no responsive bids that would allow EPE to fully meet its 2020 RPS.

- Authorization to seek approval from the PUCT to reallocate solar energy from Macho Springs to New Mexico customers from Texas, and retire the associated RECs for RPS purposes, until EPE can procure new resources for New Mexico;
- Approval to reconcile RPS Rider costs and rider revenue collections for the 2018 Plan Year; and
- Approval to revise the RPS Cost Rider Rate No. 38 from \$0.010154 per kWh to \$0.011578, to recover approved 2019 Plan costs for the 2020 Plan Year adjusted for the 2018 reconciliation amount, and to eliminate the statutory cap for billing for certain large customers from Rate No. 38.

In addition, but only to the extent such approval may be required, EPE requests:

- Approval of a variance(s) from all Rule 572 requirements omitted from the 2019 Plan based on EPE's understanding that they are inconsistent with the 2019 amendments to the REA and therefore no longer required;
- Approval of a variance from the 2020 RPS under Section 10 of Rule 572; and
- Approval of a variance from the data filing requirements of 17.9.530 NMAC.

EPE submits that the 2019 Plan is lawful, in the public interest, and, in connection with requested variances, satisfies all requirements of the REA and Rule 572. In further support of this Application, EPE states as follows:

**I. DESCRIPTION OF EPE**

1. EPE is certified and authorized to conduct the business of providing public utility service within the State of New Mexico and is a public utility subject to the jurisdiction of the NMPRC under the New Mexico Public Utility Act ("PUA").



2. EPE generates, transmits, and distributes electricity through an interconnected system to customers in southern New Mexico and Texas. EPE owns, operates, leases, or controls the plant, property, and facilities used by it for the generation, transmission, distribution, sale, or furnishing of electricity to or for the public within both states.

3. EPE has obtained certificates of public convenience and necessity required for the ownership, operation, leasing, or controlling of such plant, property and facilities.

4. EPE's principal business address and telephone number for its New Mexico service area are:

El Paso Electric Company  
100 N. Stanton Street  
El Paso, Texas 79901  
(915) 543-5711.

## **II. RPS COMPLIANCE FILING REQUIREMENTS**

5. The REA has three purposes:

- prescribe the amounts of renewable energy resources that public utilities shall include in their electric energy supply portfolios for sales to retail customers in New Mexico by prescribed dates;
- allow public utilities to recover costs through the rate-making process incurred for procuring or generating renewable energy used to comply with the prescribed amounts; and
- protect the public utilities and their ratepayers from renewable energy costs that are above a reasonable cost threshold.

NMSA 1978, § 62-16-2(B).

6. RPS requirements are identified in Section 62-16-4 of the REA. The REA increases RPS requirements from no less than twenty percent RPS by January 1, 2020, to forty percent by 2025, fifty percent by 2030, eighty percent by 2040, and requires 100 percent zero carbon resources by 2045.

7. The REA requires EPE to file an annual Renewable Energy Plan detailing the means by which it will meet the prescribed RPS.

8. The REA requires that the annual filing include a report to the Commission on procurement and generation of renewable energy during the prior calendar year, as well as a procurement plan for the following calendar year that identifies cost of procurement for any new renewable energy resource required to comply with the RPS. It further requires that the annual filing be supported by testimony and exhibits demonstrating that “the proposed procurement is reasonable as to its terms and conditions considering price, availability, reliability, any renewable energy certificate values and diversity of the renewable energy resource or ... is otherwise in the public interest.” Section 62-16-4(F).

9. The Commission provides further guidance for the procurement plan through Rule 572.

10. EPE’s most recent RPS plan cases were Case Nos. 14-00121-UT, 15-00117-UT, 16-00109-UT, 17-00090-UT, and 18-00109-UT. The Commission has also established standards for procurement plan filings in these previous EPE procurement plan cases.

11. SB 489, effective June 14, 2019, made several significant changes to the REA. Relevant to annual RPS Plan filings, SB 489:

- a. Amended the definition of reasonable cost threshold ("RCT") in Section 62-16-2(E) from “the cost established by the commission” to “an average annual levelized cost of sixty dollars (\$60.00) per megawatt-hour at the point of interconnection of the renewable energy resource with the transmission system, adjusted for inflation after 2020;”
- b. Deleted Section 62-16-4(C) directing the commission to establish a RCT;

- c. Deleted Section 62-16-4(A)(2) addressing a large customer adjustment;
- d. Deleted Section 62-16-4(A)(4) requiring diversification of the type of renewable energy resource in the renewable portfolio; and
- e. Added a requirement under Section 62-16-4(G)(3) to demonstrate the proposed procurement for new renewable energy required to comply with the RPS was “the result of competitive procurement that included opportunities for bidders to propose purchased power, facility self-build or facility build-transfer options.”

12. EPE’s prior RPS filings were made under the previous version of the REA. Since the recent adoption of the amendments, EPE has been working diligently to develop a plan for satisfying the amended RPS requirements. As part of this Application, EPE seeks guidance from the Commission as it makes the transition.

### **III. EPE’s 2019 PLAN**

#### **A. Annual Report**

13. Pursuant to REA and Rule 572, EPE separately filed its Rule 572 Annual Report documenting the procurement of renewable energy resources through RECs on May 1, 2019 with the Commission’s Records Management Bureau.

#### **B. 2019 Procurement Plan**

14. On April 24, 2019, the Commission granted EPE a variance from Rule 17.9.572.A and allowed the annual procurement plan to be filed on October 1, 2019. As such, this filing is timely.

15. EPE’s 2019 Plan includes Plan Year 2020 data for approval and Plan Year 2021 data for informational purposes. The 2019 Plan is attached as Exhibit OG-2 to Mr. Gallegos’ direct testimony filed in support of this Application. Mr. Gallegos describes the 2019 Plan and

the procurement actions EPE is proposing to comply with the RPS in light of the recent and significant changes to the REA.

16. To the extent possible, the 2019 Plan complies with both the REA and Rule 572. Because the Commission has not yet updated Rule 572 to address the 2019 amendments to the REA, EPE complies with the REA rather than the Rule where inconsistencies exist.

17. Specifically, EPE identifies the following areas where EPE's 2019 Plan departs from Rule 572:

- a. The 2019 Plan relies on the amended definitions of RCT and REC set forth in the REA;
- b. In particular, the 2019 Plan relies on the statutory RCT in place of the prior 3 percent RCT established by the Commission under the previous version of the statute;
- c. The 2019 Plan does not calculate a large customer adjustment or cap costs for certain large customers;
- d. The 2019 Plan does not address Rule 572 diversification requirements or otherwise provide a plan for achieving a diversified portfolio; and
- e. The 2019 Plan does not use stand-alone RECs for RPS compliance.

EPE requests variances from the Rule 572 sections which have been superseded by the amended REA, and additionally requests a variance from the 2020 RPS under Section 10 of the Rule.

18. As explained by Mr. Schichtl in his direct testimony, the statutory changes to the RCT methodology significantly impacted the 2019 Plan. Under the prior definition of RCT, it was not practically possible for EPE to achieve RPS targets after Plan Year 2015 because EPE's previously approved procurement costs exceeded 3 percent of the respective plan year total

revenues, the RCT set by the Commission pursuant to the former statutory provision. While EPE sought and was granted conditional waivers from total RPS requirements since the 2012 Plan Application, EPE was able to rely on existing resources, banked RECs, and in one case RECs provided at no cost to meet total RPS requirements through 2015. EPE was reliant on RCT waivers from total RPS requirements every year since the 2016 plan year.

19. Under the new RCT definition there is no longer the same limitation on the addition of new resources to the EPE RPS portfolio. *See* § 62-16-3(E). However, the short time between adoption of the amendments to the REA and the filing date for this Application did not allow sufficient time to procure new resources.

20. The statutory amendments also impacted RPS calculations in the 2019 Plan. RPS costs for EPE's four (4) qualifying large customers will no longer be capped at 2 percent of billed revenue under the RPS Cost Rider. Each of these customers will be impacted with an increase in their total annual bill in the future due to the elimination of this cap.

21. In response to these changes, EPE proactively took steps to procure new renewable energy resources for New Mexico. More precisely, on May 29, 2019, EPE issued the 2019 RFP to solicit, evaluate, and select additional renewable resources needed to comply with the RPS utilizing the competitive procurement process contemplated in the REA. The 2019 RFP provided for a 60-day solicitation process (with a possible 30-day extension upon request by bidders). Bids were required and received by August 28, 2019. Because bidders exercised the option to extend the initial 60-day solicitation period, EPE has not to date had sufficient time to evaluate and select any new resources since the passage of SB 489 in April 2019. EPE expects to complete the process and finalize a selection by the end of October 2019.

22. EPE is therefore seeking authorization to take alternative action to achieve compliance by the statutory deadline while EPE completes the procurement process for new resources.

23. Specifically, EPE is proposing to satisfy New Mexico RPS requirements through a temporary arrangement to purchase additional energy, and associated RECs, from Macho Springs, approved as a system resource by Commission Final Order in Case No. 12-00386-UT. This renewable energy and associated RECs is currently allocated and assigned to EPE's Texas customers.

24. If the procurement of Texas' solar energy and RECs from Macho Springs is approved by this Commission, EPE will request approval from the PUCT to temporarily transfer allocation of approximately 111,183 MWh of renewable energy and REC's to New Mexico from Texas under the terms proposed in the 2019 Plan.

25. The bundled cost of the energy and RECs from Macho Springs has been previously approved at a rate of \$57.90 per MWh by Commission Final Order in Case No. 12-00386-UT. In addition, there may be incremental costs to New Mexico customers based on a replacement source of energy for Texas customers.

26. EPE will simultaneously continue to pursue existing short-term resources which can contribute to or meet the twenty percent RPS in 2020. To this end, EPE issued a second RFP on September 27, 2019 for targeted one-year renewable market purchases from existing facilities. If EPE is able to identify such a resource, it will present the resource selection to the Commission for approval.

27. To the extent Macho Springs energy is not sufficient to increase EPE's RPS to 20 percent in 2020, or that EPE's proposal to utilize energy and RECs from Macho Springs is not



approved by the Commission or the PUCT, EPE requests a variance from the 2020 RPS requirement in the 2019 Plan.

28. Furthermore, EPE has taken and continues to take substantial steps to support renewable resource additions outside the RPS process. New Mexico's system allocation of Macho Springs and EPE's Holloman Air Force Base Solar Project continue to provide energy and RECs to supplement EPE's RPS compliance at no additional procurement cost to New Mexico customers. EPE also plans to seek Commission approval in 2019 of system resource purchases of 200 MW of additional solar and 100 MW of battery storage, which if approved, would supplement EPE's RPS compliance at no additional procurement cost. In short, EPE continues to consider renewable resources when it evaluates its system needs and resources to meet future load growth.

### **C. Rate Rider**

29. EPE's 2019 Plan also reconciles RPS costs and rider revenues for the 2018 Plan Year and proposes revisions to Rate No. 38 RPS Cost Rider to reflect RPS procurement costs for the 2020 Plan Year and 2018 reconciliation amounts.

30. In Case No. 17-00090-UT, the Commission approved the RPS Cost Rider and approved recovery of specified 2018 Plan Year costs, and in Case No. 18-00109-UT, the Commission approved recovery of specified 2019 Plan Year Costs and revised RPS Cost Rider rates.

31. Concurrent with this Application, EPE is filing Advice Notice No. 264 which contains a 2nd Revised Rate No. 38 – Renewable Portfolio Standard Cost Rider.

### **D. Testimony and Exhibits**

32. EPE's 2019 Plan is detailed in the Direct Testimonies and Exhibits of James Schichtl, Omar Gallegos and Rene Gonzalez.

- a. EPE Witness Schichtl's testimony introduces EPE's witnesses and discusses RPS issues from a regulatory policy perspective, including issues addressed in the Final Order in Case No. 18-00109-UT ("2018 Plan") that impact EPE's current plan filing. Mr. Schichtl also explains the significance of the amendments to the REA, including how those amendments impacted EPE's RPS compliance and the steps EPE is taking to now comply with the RPS by the statutory deadline of January 1, 2020. Finally, Mr. Schichtl presents updated information on EPE's REC purchase programs for customer-installed Distributed Generation (DG) systems.
- b. EPE Witness Gallegos's testimony presents the 2019 Plan and calculations of the RPS requirements, and forecasted generation and costs for the 2020 and 2021 Plan Years. Mr. Gallegos also supports EPE's ongoing initiatives to investigate and evaluate procurement of additional renewable resources for compliance with RPS in 2020.
- c. EPE Witness Gonzalez's testimony presents EPE's reconciliation of the 2018 rider revenues and costs and supports EPE's calculation of its revised 2020 RPS Cost Rider.

#### **IV. SERVICE AND NOTICE**

33. Service of all notices, pleadings and other documents related to this Application should be made as follows:

Judith M. Parsons  
El Paso Electric Company  
100 N. Stanton Street  
El Paso, Texas 79901-1442  
Post Office Box 982  
El Paso, Texas 79960-0982  
Telephone (915) 543-5777

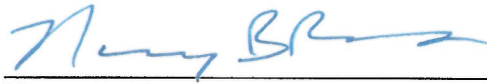
Nancy B. Burns  
Senior Attorney  
New Mexico Bar No. 7538  
El Paso Electric Company  
300 Galisteo Street, Suite 206  
Santa Fe, New Mexico 87501  
Telephone (505) 982-7391

In addition to service on the above, EPE requests electronic service of all pleadings and documents as follows:

[judith.parsons@epelectric.com](mailto:judith.parsons@epelectric.com);  
[nancy.burns@epelectric.com](mailto:nancy.burns@epelectric.com);  
[patricia.griego@epelectric.com](mailto:patricia.griego@epelectric.com);  
[jwechsler@montand.com](mailto:jwechsler@montand.com); and  
[kolson@montand.com](mailto:kolson@montand.com).

34. A Proposed Form of Notice to Customers is attached as Attachment A.
35. EPE's Advice Notice No. 264, Table of Contents, and 2<sup>nd</sup> Revised Rate No. 38 – Renewable Portfolio Standard ("RPS") Cost Rider is attached hereto as Attachment B.
36. WHEREFORE, EPE respectfully requests a Commission Order approving the relief requested in this Application and 2019 Plan in accordance with the REA and granting such other approvals, authorizations and actions required under the REA, Rule 572, and Commission rules and orders to implement the 2019 Plan and revisions to the RPS Cost Rider.

Respectfully submitted,



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Nancy B. Burns  
Senior Attorney  
New Mexico Bar No. 7538  
El Paso Electric Company  
300 Galisteo Street, Suite 206  
Santa Fe, New Mexico 87501  
Telephone (505) 982-7391  
[nancy.burns@epelectric.com](mailto:nancy.burns@epelectric.com)

MONTGOMERY & ANDREWS, P.A.

Jeffrey J. Wechsler  
Kari E. Olson  
Post Office Box 2307  
Santa Fe, New Mexico 87504-2307  
(505) 982-3873  
[jwechsler@montand.com](mailto:jwechsler@montand.com)  
[kolson@montand.com](mailto:kolson@montand.com)

**ATTORNEYS FOR EL PASO  
ELECTRIC COMPANY**

**BEFORE THE NEW MEXICO PUBLIC REGULATION COMMISSION**

APPLICATION FOR APPROVAL OF )  
EL PASO ELECTRIC COMPANY'S )  
2019 RENEWABLE ENERGY PLAN )  
PURSUANT TO THE RENEWABLE )  
ENERGY ACT AND 17.9.572 NMAC, )  
AND REVISED RATE NO. 38 – RPS )  
COST RIDER )  
)  
EL PASO ELECTRIC COMPANY, )  
Applicant. )  
\_\_\_\_\_ )

CASE NO. 19-00099-UT

**NOTICE TO EPE CUSTOMERS**

NOTICE is hereby given of the following matters pertaining to the above captioned case pending before the New Mexico Public Regulation Commission ("Commission" or "NMPRC"):

On October 1, 2019, El Paso Electric Company ("EPE" or "Company") filed its 2019 Annual Renewable Energy Plan ("2019 Plan") for its renewable energy compliance with the New Mexico Renewable Energy Act ("REA" or "Act") and the Commission's Rule 17.9.572 NMAC, Renewable Energy as a Source of Electricity ("Rule 572" or "Rule"). EPE's 2019 Plan covers the years 2020 and 2021. EPE states that its 2019 Plan details the previously approved actions and estimated costs for Plan Years 2020 and 2021 to meet the applicable Renewable Energy Portfolio Standard ("RPS") requirements of the Act. EPE additionally states that its 2019 Plan requests NMPRC authorization to seek Public Utility Commission of Texas ("PUCT") approval to reallocate energy produced by the Macho Springs Solar Facility ("Macho Springs") from Texas to New Mexico customers. If approved by the PUCT and this Commission, EPE will retire the associated WREGIS-registered renewable energy certificates ("RECs") for RPS compliance until EPE can procure new resources through an ongoing competitive procurement process.

EPE requests that the Commission approve its 2019 Plan and additionally seeks the following:

(A) Authorization to seek approval from the PUCT to reallocate solar energy from Macho Springs to New Mexico customers from Texas, and retire the associated RECs for RPS purposes, until EPE can procure new resources for New Mexico.

(B) Approval to reconcile RPS Rider costs and rider revenue collections for the 2018 Plan Year; and

(C) Revisions to Rate No. 38 - Renewable Portfolio Standard ("RPS") Cost Rider that was approved in Case No. 18-00109-UT to recover Commission-approved, procurement plan costs for 2020, adjusted for 2018 reconciliation amounts.

1. EPE proposes revisions to recover \$19,813,961 million of authorized RPS costs in 2020 through the RPS Cost Rider, at a rate of \$0.011578 per kWh except as indicated below. This represents an increase of 25% in RPS costs over the authorized amount of \$15,904,686 million in 2019. This rate is applicable for retail service to all customers served under the following rate schedules; Residential Service, Small Commercial Service, General Service, Irrigation Service, City and County Service, Water and Sewage Pumping Service, Large Power Service, Military Research and Development, Street Lighting Service, Private Area Lighting Service, Seasonal Agricultural Processing Service, Outdoor Recreational Lighting Service, State University Service and Interruptible Service.
2. Large non-governmental customers with energy purchases exceeding 10 million kWh annually will no longer be billed 2 percent (%) of pre-tax retail charges. These customers will now pay the RPS Rider rate applicable to all other customers.
3. The following Table shows typical bill impacts resulting from the increase in the



RPS Rider for the Residential rate class. These impacts are subject to change by the Commission based upon its findings in this case.

kWh	Current Base & Fuel Rates			Proposed Base & Fuel Rates			Percent Impact		
	Base Plus	RPS Rider	Total	Base Plus	RPS Rider	Total	Base Plus	RPS Rider	Total
	Fuel			Fuel			Fuel		
0	6.73	-	6.73	6.73	-	6.73	0.0%	0.0%	0.0%
100	15.36	1.02	16.37	15.36	1.16	16.52	0.0%	14.0%	0.9%
250	28.30	2.54	30.84	28.30	2.89	31.20	0.0%	14.0%	1.2%
500	49.88	5.08	54.96	49.88	5.79	55.67	0.0%	14.0%	1.3%
750	74.07	7.62	81.68	74.07	8.68	82.75	0.0%	14.0%	1.3%
1000	99.99	10.15	110.14	99.99	11.58	111.57	0.0%	14.0%	1.3%
2000	203.69	20.31	224.00	203.69	23.16	226.85	0.0%	14.0%	1.3%

kWh	Current Base & Fuel Rates			Proposed Base & Fuel Rates			Percent Impact		
	Base Plus	RPS Rider	Total	Base Plus	RPS Rider	Total	Base Plus	RPS Rider	Total
	Fuel			Fuel			Fuel		
0	6.73	-	6.73	6.73	-	6.73	0.0%	0.0%	0.0%
100	14.45	1.02	15.47	14.45	1.16	15.61	0.0%	14.0%	0.9%
250	26.03	2.54	28.57	26.03	2.89	28.93	0.0%	14.0%	1.2%
500	45.33	5.08	50.41	45.33	5.79	51.12	0.0%	14.0%	1.4%
750	64.64	7.62	72.25	64.64	8.68	73.32	0.0%	14.0%	1.5%
1000	83.94	10.15	94.09	83.94	11.58	95.52	0.0%	14.0%	1.5%
2000	161.15	20.31	181.45	161.15	23.16	184.30	0.0%	14.0%	1.6%

This case has been docketed as Case No. 19-00099-UT, and any inquiries should be referred to that number.

(D) Approval of a variance(s) from (i) all Rule 572 requirements superseded by the 2019 amendments to the REA; (ii) the 2020 RPS under Section 10 of Rule 572; and (iii) the data filing requirements of 17.9.530 NMAC.

Any interested person may inspect EPE's Application through the *Case Lookup EdoCKET* on the Commission's Website at <http://164.64.85.108/> and in person at the following places:

El Paso Electric Company  
201 N. Water Street  
Las Cruces, NM 88001

Phone (575) 526-5551

Public Regulation Commission  
Records Department  
1120 Paseo de Peralta, Room 406  
Santa Fe, NM 87504

The procedural schedule for this case is as follows:

1. Any person desiring to intervene in the proceeding must file a Motion to Intervene pursuant to 1.2.2.23 NMAC on or before November \_\_, 2019.
2. The Commission's Utility Division Staff shall, and any intervenor may, file direct testimony on or before November \_\_, 2019.
3. Any rebuttal testimony shall be filed on or before December \_\_, 2019.
4. Any person whose testimony has been filed shall attend the hearing and submit to examination under oath.
5. A public hearing to hear and receive testimony, exhibits, arguments, and any other appropriate matters relevant to this proceeding is set to commence at 9:30 a.m. on December \_\_, 2019 and continue if necessary through December \_\_, 2019. The Hearing will be held in the Ground Floor Board Room of the P.E.R.A. Building at 1120 Paseo de Peralta in Santa Fe, New Mexico. The hearing may be vacated if deemed not required under NMSA 1978, § 62-9-1(C) (2005); in such case, the Commission will take public comment and dispose of the Application at an Open Meeting.

Any interested person should contact the Commission for confirmation of the hearing date, time, and place since hearings are occasionally rescheduled.

Any interested person may appear at the public hearing and give a written or oral comment pursuant to the Commission's Utility Division Rules of Procedure 1.2.2.23(F) NMAC without becoming an intervenor. Comments will not be considered as evidence in this case. Interested persons may also file written comments, which shall make reference to NMPRC Case No. 19-00099-UT, at the following address:

New Mexico Public Regulation Commission  
Records Department  
1120 Paseo de Peralta  
PO Box 1269  
Santa Fe, New Mexico 87501-1269

The Commission's Utility Division Procedures 1.2.2 NMAC apply to this case, except as modified by Order of the Commission or the Hearing Examiner, and they are available at the Commission's Website at <http://164.64.110.239/nmac/titles.htm>.

Anyone filing pleadings, documents, or testimony in this case shall serve copies thereof on all parties of record and Staff via email. Any such filings shall also be sent to the Hearing Examiner by email at \_\_\_\_\_. All pleadings shall be emailed on the date they are filed with the Commission.

Any person with a disability requiring special assistance to participate in this proceeding should contact the Commission at 1-888-427-5772 at least 24 hours prior to the hearing.

The procedural dates and requirements provided herein are subject to further order of the Commission or Hearing Examiner.

**I S S U E D** at Santa Fe, New Mexico this \_\_\_ day of October, 2019.

**NEW MEXICO PUBLIC REGULATION COMMISSION**

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**Hearing Examiner**

**EL PASO ELECTRIC COMPANY**

**ADVICE NOTICE NO. 264**

PAGE 1 OF 1

**NEW MEXICO PUBLIC REGULATION COMMISSION  
OF THE STATE OF NEW MEXICO**

El Paso Electric Company (EPE) hereby gives notice to the public and the Commission of the filing and publishing of the following changes in its Rates, which are attached hereto:

**RATES**

<b>Rate Number</b>	<b>Title of Rate</b>	<b>Cancelling Rate Number</b>	<b>Date Effective</b>
2 <sup>nd</sup> Revised Rate No. 38	Renewable Portfolio Standard (RPS) Cost Rider	1 <sup>st</sup> Revised Rate No. 38	01/01/2020

Advice Notice No. 264

Signature/Title   
James Schichtl  
Vice President-Regulatory Affairs

## EL PASO ELECTRIC COMPANY

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## RATE SCHEDULES

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<u>Rate Schedule Number</u>	<u>Title</u>
11 <sup>th</sup> Revised Rate 1	Residential Service Rate
13 <sup>th</sup> Revised Rate 3	Small General Service Rate
13 <sup>th</sup> Revised Rate 4	General Service Rate
14 <sup>th</sup> Revised Rate 5	Irrigation Service Rate
10 <sup>th</sup> Revised Rate 7	City and County Service Rate
11 <sup>th</sup> Revised Rate 8	Water, Sewage, Storm Sewage Pumping or Sewage Disposal Rate
11 <sup>th</sup> Revised Rate 9	Large Power Service Rate
13 <sup>th</sup> Revised Rate 10	Military Research and Development Power Rate
12 <sup>th</sup> Revised Rate 11	Street Lighting Service Rate
12 <sup>th</sup> Revised Rate 12	Private Area Lighting Rate
8 <sup>th</sup> Revised Rate 15	Miscellaneous Service Charges
38 <sup>th</sup> Revised Rate 16	Purchased Power Service
10 <sup>th</sup> Revised Rate 17	Efficient Use of Energy Recovery Factor (EUERF)
19 <sup>th</sup> Revised Rate 18	FPPCAC
10 <sup>th</sup> Revised Rate 19	Seasonal Agriculture Processing Service Rate
10 <sup>th</sup> Revised Rate 21	Supplementary Power Service Cogeneration and Small Power Production Facilities
10 <sup>th</sup> Revised Rate 22	Backup Power Service Cogeneration and Small Power Production Facilities

Advice Notice No. 264

Signature/Title

*James Schichtl*  
James Schichtl

Vice President – Regulatory Affairs

## EL PASO ELECTRIC COMPANY

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7 <sup>th</sup> Revised Rate 26	State University Service Rate	
5 <sup>th</sup> Revised Rate 29	Noticed Interruptible Service for Rate Large Power Service	
6 <sup>th</sup> Revised Rate 30	Load Retention Rate	
3 <sup>rd</sup> Revised Rate 32	Voluntary Renewable Energy Rate	
5 <sup>th</sup> Revised Rate 33	Small System Renewable Energy Certificate Purchase	
4 <sup>th</sup> Revised Rate 34	Medium System Renewable Energy Certificate Purchase	
2 <sup>nd</sup> Revised Rate 35	Large System Renewable Energy Certificate Purchase	
Original Rate 37	eSmart Thermostat Program Rate	
2 <sup>nd</sup> Revised Rate 38	Renewable Portfolio Standard (RPS) Cost Rider	X
Original Rate 39	Economic Development Rate	
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Advice Notice No. 264

Signature/Title

*James Schichtl*  
 James Schichtl  
 Vice President – Regulatory Affairs



EL PASO ELECTRIC COMPANY

2<sup>nd</sup> REVISED RATE NO. 38

X

RENEWABLE PORTFOLIO STANDARD (RPS) COST RIDER

APPLICABILITY:

This Rider is applicable to bills for electric service provided under all of EPE's retail rate schedules. This Rider is established to recover Renewable Portfolio Standard ("RPS") costs. This Rider is not applicable to customers exempt from charges for renewable energy procurements pursuant to NMSA 1978, Section 62-16-4(C).

X  
X  
X  
X

TERRITORY:

Areas served by the Company in Doña Ana, Sierra, Otero and Luna Counties.

X

MONTHLY RATES:

	Rate
All Retail Rate Schedules, per kWh	\$0.011578

X  
X  
X  
  
X  
  
X  
X  
X

RECONCILIATION FILING:

This Rider shall be adjusted to reconcile a prior plan year's RPS Cost Rider revenues with actual RPS costs. Any over-recovery of the previously approved RPS costs will represent a credit to and reduction of the approved Rider in a subsequent plan year and any under-recovery of the previously approved renewable energy costs will represent a charge in addition to the approved Rider in a subsequent plan year.

X  
  
  
X  
X

Advice Notice No. 264

Signature/Title James Schichtl  
James Schichtl  
Vice President – Regulatory Affairs

**BEFORE THE NEW MEXICO PUBLIC REGULATION COMMISSION**

APPLICATION FOR APPROVAL OF )  
EL PASO ELECTRIC COMPANY'S )  
2019 RENEWABLE ENERGY PLAN )  
PURSUANT TO THE RENEWABLE )  
ENERGY ACT AND 17.9.572 NMAC, )  
AND REVISED RATE NO. 38 – RPS )  
COST RIDER )  
EL PASO ELECTRIC COMPANY, )  
Applicant. )  
\_\_\_\_\_ )

CASE NO. 19-00099-UT

FILED IN OFFICE OF

OCT -1 2019

NM PUBLIC REGULATION COMM  
RECORDS MANAGEMENT BUREAU

**CERTIFICATE OF SERVICE**

I HEREBY CERTIFY that El Paso Electric Company's Application for Approval of its 2019 Annual Renewable Energy Plan and 2<sup>nd</sup> Revised Rate No. 38-RPS Cost Rider Advice Notice No. 264, and Supporting Direct Testimonies of Schichtl, Gallegos, and Gonzalez were emailed on October 1, 2019 to each of the following:

Nancy Burns	<a href="mailto:nancy.burns@epelectric.com">nancy.burns@epelectric.com</a> ;	Cholla Khoury	<a href="mailto:ckhoury@nmag.gov">ckhoury@nmag.gov</a> ;
Jeffrey J. Wechsler	<a href="mailto:jwechsler@montand.com">jwechsler@montand.com</a> ;	Elaine Heltman	<a href="mailto:eheltman@nmag.gov">eheltman@nmag.gov</a> ;
Kari E. Olson	<a href="mailto:kolson@montand.com">kolson@montand.com</a> ;	Andrea Crane	<a href="mailto:ctcolumbia@aol.com">ctcolumbia@aol.com</a> ;
Patricia Griego	<a href="mailto:patricia.griego@epelectric.com">patricia.griego@epelectric.com</a> ;	Doug Gegax	<a href="mailto:dgegax@nmsu.edu">dgegax@nmsu.edu</a> ;
Judith Parsons	<a href="mailto:judith.parsons@epelectric.com">judith.parsons@epelectric.com</a> ;	Merrie Lee Soules	<a href="mailto:mlsoules@hotmail.com">mlsoules@hotmail.com</a> ;
Anastasia S. Stevens	<a href="mailto:astevens.law@gmail.com">astevens.law@gmail.com</a> ;	Nann M. Winter	<a href="mailto:nwinter@stelznerlaw.com">nwinter@stelznerlaw.com</a> ;
Jorge A. Garcia	<a href="mailto:jag@las-cruces.org">jag@las-cruces.org</a> ;	Keith Herrmann	<a href="mailto:kherrmann@stelznerlaw.com">kherrmann@stelznerlaw.com</a> ;
Lisa LaRoque	<a href="mailto:llarocque@las-cruces.org">llarocque@las-cruces.org</a> ;	Nelson Goodin	<a href="mailto:nelsong@donaanacounty.org">nelsong@donaanacounty.org</a> ;
Jose F. Provencio	<a href="mailto:jprovencio@las-cruces.org">jprovencio@las-cruces.org</a> ;	Fred Kennon	<a href="mailto:fred@donaanacouny.org">fred@donaanacouny.org</a> ;
Jennifer Vega-Brown	<a href="mailto:jvega-brown@las-cruces.org">jvega-brown@las-cruces.org</a> ;	Jack Sidler	<a href="mailto:jack.sidler@state.nm.us">jack.sidler@state.nm.us</a> ;
Marcia B. Driggers	<a href="mailto:marcyd@las-cruces.org">marcyd@las-cruces.org</a> ;	Joan Drake	<a href="mailto:jdrake@modrall.com">jdrake@modrall.com</a> ;
Charles F. Noble	<a href="mailto:Noble.ccae@gmail.com">Noble.ccae@gmail.com</a> ;	Steve Michel	<a href="mailto:smichel@westernresources.org">smichel@westernresources.org</a> ;
Ramona Blaber	<a href="mailto:ramona.blaber@sierraclub.org">ramona.blaber@sierraclub.org</a> ;	Dahl Harris	<a href="mailto:dahlharris@hotmail.com">dahlharris@hotmail.com</a> ;
Anne Minard	<a href="mailto:aminard@nmag.gov">aminard@nmag.gov</a> ;	Jim Dittmer	<a href="mailto:jdittmer@utilitech.net">jdittmer@utilitech.net</a> ;
Kyle J. Smith	<a href="mailto:kyle.j.smith124.civ@mail.mil">kyle.j.smith124.civ@mail.mil</a> ;	Joe Herz	<a href="mailto:jaherz@sawvel.com">jaherz@sawvel.com</a> ;
Jason Marks	<a href="mailto:lawoffice@jasonmarks.com">lawoffice@jasonmarks.com</a> ;	Andrew Harriger	<a href="mailto:akharriger@sawvel.com">akharriger@sawvel.com</a> ;
Joshua L. Smith	<a href="mailto:jsmith.watsonlawlc@gmail.com">jsmith.watsonlawlc@gmail.com</a> ;	Russell Fisk	<a href="mailto:russell.fisk@state.nm.us">russell.fisk@state.nm.us</a> ;
Bruce Throne	<a href="mailto:bthroneatty@newmexico.com">bthroneatty@newmexico.com</a> ;		
Rick Gilliam	<a href="mailto:rick@votesolar.org">rick@votesolar.org</a> ;		

**Hand-Delivered & Emailed**

Robert Lundin  
Office of the Attorney General  
P.O. Drawer 1508  
Santa Fe, M 87504-1508  
[rlundin@nmag.gov](mailto:rlundin@nmag.gov);

**Hand-Delivered & Emailed**

Bradford Borman  
NMPRC Legal Division  
1120 Paseo de Peralta  
Santa Fe, NM 87501  
[bradford.borman@state.nm.us](mailto:bradford.borman@state.nm.us);

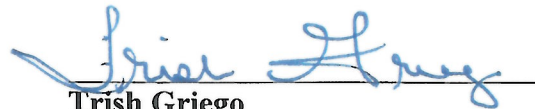
**Hand-Delivered & Emailed**

John Reynolds  
NMPRC Utility Division  
1120 Paseo de Peralta  
Santa Fe, NM 87501  
[john.reynolds@state.nm.us](mailto:john.reynolds@state.nm.us);

**Hand-Delivered & Emailed**

Milo Chavez  
NMPRC Acting Utility Division Director  
1120 Paseo de Peralta  
Santa Fe, NM 87501  
[milo.chavez@state.nm.us](mailto:milo.chavez@state.nm.us);

DATED this 1<sup>st</sup> day of October, 2019.



**Trish Griego  
Legal Assistant**

**BEFORE THE NEW MEXICO PUBLIC REGULATION COMMISSION**

APPLICATION FOR APPROVAL OF )  
EL PASO ELECTRIC COMPANY'S )  
2019 RENEWABLE ENERGY PLAN )  
PURSUANT TO THE RENEWABLE )  
ENERGY ACT AND 17.9.572 NMAC, )  
AND REVISED RATE NO. 38 – RPS )  
COST RIDER )

**CASE NO. 19-00099-UT**

EL PASO ELECTRIC COMPANY, )  
Applicant. )  
\_\_\_\_\_ )

**DIRECT TESTIMONY**

**OF**

**JAMES SCHICHTL**

**OCTOBER 1, 2019**

**EL PASO ELECTRIC COMPANY  
DIRECT TESTIMONY OF  
JAMES SCHICHTL**

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**EXHIBITS**

- Exhibit JS-1 Rate Schedule No. 38 - Renewable Portfolio Standard (RPS) Cost Rider
- Exhibit JS-2 Historical Procurement Costs and Reasonable Cost Threshold

**EL PASO ELECTRIC COMPANY  
DIRECT TESTIMONY OF  
JAMES SCHICHTL**

1                   **I.     INTRODUCTION AND QUALIFICATIONS**

2   **Q.     PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

3   **A.**    My name is James Schichtl, and my business address is 100 North Stanton Street,  
4            El Paso, Texas, 79901.

5

6   **Q.     HOW ARE YOU EMPLOYED?**

7   **A.**    I am employed by El Paso Electric Company ("EPE") as Vice President of  
8            Regulatory Affairs.

9

10   **Q.    PLEASE SUMMARIZE YOUR EDUCATIONAL AND BUSINESS**  
11           **BACKGROUND.**

12   **A.**    I have been employed by EPE since February 2012. In June 2016, I was  
13            promoted from Director of Regulatory Affairs to Vice President. Prior to  
14            becoming Director, I was manager of EPE's Economic & Rate Research group,  
15            responsible for EPE's jurisdictional cost of service, rate design analysis, and  
16            developing EPE's retail rate schedules and charges. Prior to that, I was a Senior  
17            Regulatory Case Manager, responsible for the production, filing, and execution of  
18            regulatory applications before both the Public Utility Commission of Texas  
19            ("PUCT") and the New Mexico Public Regulation Commission ("NMPRC" or  
20            "Commission").



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1           Prior to joining EPE in February 2012, I spent 18 years in various  
2 regulatory functions at Southern California Edison Company ("SCE"), 12 of those  
3 in a managerial capacity. As Manager of Pricing Design and Research, I was  
4 responsible for SCE's rates and tariffs during deregulation and changes required in  
5 following the California power crisis in 2001. I was subsequently promoted to  
6 Manager of Tariffs and Advice Letters, with broad responsibility within  
7 regulatory for evaluating California statute, rules, and regulations and managing  
8 regulatory efforts at the California Public Utilities Commission ("CPUC").

9           I graduated with a Bachelor of Science in Mechanical Engineering in 1987  
10 from the University of Texas at El Paso, where I also studied graduate level  
11 finance, economics, and econometrics. Throughout my career at EPE, I have  
12 attended and presented material for numerous seminars and workshops related to  
13 cost of service, rate and program design, and regulation.

14  
15 **Q. PLEASE DESCRIBE YOUR CURRENT RESPONSIBILITIES WITH EPE.**

16 **A.** As Vice President of Regulatory Affairs, I am responsible for the oversight and  
17 direction of EPE's Economic Research, Rate Research, and Regulatory  
18 Accounting groups, as well as EPE's Regulatory Case Management group.  
19 Economic Research performs load research and analysis and forecasting  
20 functions. Rate Research encompasses EPE's rate research function, jurisdictional

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1 and class cost of service studies, rate design analysis, and the development of  
2 retail rate schedules and charges. The Regulatory Accounting group is  
3 responsible for the scheduling, preparation, and review of jurisdictional regulatory  
4 accounting and reporting. The Regulatory Case Management group coordinates  
5 and oversees regulatory filings made by EPE with the PUCT, NMPRC, the  
6 Federal Energy Regulatory Commission ("FERC"), and local municipal  
7 regulators. My job duties require knowledge of the statutory and regulatory  
8 requirements of each jurisdiction.

9  
10 **Q. ARE YOU SPONSORING ANY EXHIBITS IN THIS FILING?**

11 **A.** Yes, I am sponsoring Exhibit JS-1 which provides EPE's Rate Schedule No. 38 -  
12 Renewable Portfolio Standard Cost Rider ("RPS Rider") revised to reflect RPS  
13 procurement costs for the 2020 Plan Year and the required reconciliation of  
14 historical RPS costs and rider revenues. EPE is filing an advice notice concurrent  
15 with this Application containing the proposed rider tariff for Commission  
16 approval and billing beginning in 2020. I also sponsor Exhibit JS-2, which shows  
17 EPE's historical RPS procurement costs and reasonable cost threshold ("RCT")  
18 comparison based on the definition previously applied under the Renewable  
19 Energy Act ("REA").

20

**EL PASO ELECTRIC COMPANY  
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JAMES SCHICHTL**

1 **Q. HAVE YOU PREVIOUSLY PRESENTED TESTIMONY BEFORE**  
2 **UTILITY REGULATORY BODIES?**

3 **A.** Yes, I have previously filed testimony with and testified before the NMPRC,  
4 PUCT, FERC, and the CPUC.

5

6 **II. PURPOSE OF TESTIMONY**

7 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

8 **A.** The purpose of my testimony is to present and support EPE's Application for  
9 Approval of its 2019 Annual Renewable Energy Plan ("2019 Plan") and Revised  
10 Rate No. 38-RPS Cost Rider ("Application") for the 2020 Plan Year.

11

12 **Q. PLEASE SUMMARIZE YOUR TESTIMONY.**

13 **A.** I start with a summary of the 2019 Plan, introduction of the other EPE witnesses  
14 in this case, and description of the approvals and authorizations sought by EPE. I  
15 provide a brief description of EPE and then address the following:

16 • Amendments to the REA since EPE filed its 2018 procurement plan in  
17 Case No. 18-00109-UT ("2018 Plan") and explanation of how those  
18 amendments impact Rule 572, the requirements from the Final Order that  
19 approved the 2018 Plan, and the 2019 Plan;

20 • EPE's historic Total RPS compliance;

**EL PASO ELECTRIC COMPANY  
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- 1           • EPE's 2019 Plan for RPS compliance under the revised RCT;
- 2           • Variances EPE is requesting from Rule 572;
- 3           • EPE's proposed RPS Rider for recovery of EPE's Commission-approved
- 4           RPS procurement costs in 2020, including a proposed adjustment for
- 5           reconciliation of actual RPS costs and rider revenues for 2018; and
- 6           • EPE's existing Renewable Energy Credit ("REC") purchase program,
- 7           which was closed to new customers by Commission Final Order in Case
- 8           No. 17-00090-UT.

9

10 **Q. PLEASE SUMMARIZE THE 2019 PLAN.**

11 **A.** EPE sought and was granted a Commission variance to file this procurement plan  
12 Application on October 1, 2019 to allow EPE to address the significant changes  
13 the forthcoming amendments to the REA would have on the 2019 Renewable  
14 Energy Act Plan. Notable changes to the REA that impacted the 2019 Plan  
15 include the change to the statutory definition of RCT which in effect replaced the  
16 3 percent of plan year total revenues threshold set by the Commission; deletion of  
17 specific resource diversity requirements; and deletion of the large customer  
18 adjustment provision by which RPS costs for EPE's four (4) qualifying large  
19 customers was previously capped at 2 percent of billed revenue under the RPS  
20 Rider.

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1           EPE’s 2019 Plan, submitted in accord with the REA and, to the extent  
2 possible, Rule 572 and prior Commission Orders, identifies the procurement  
3 actions EPE is taking for Plan Year 2020 to achieve the twenty percent RPS  
4 requirement by January 1, 2020 and presents 2021 Plan Year data for  
5 informational purposes. The Plan also reconciles RPS costs and rider revenues  
6 for the 2018 Plan Year and proposes revisions to Rate No. 38 – Renewable  
7 Portfolio Standard Cost Rider (“RPS Cost Rider”) to reflect RPS procurement  
8 costs for the 2020 Plan Year and 2018 reconciliation amounts.

9           The 2019 Plan and revised RPS Rider, with requested variances, satisfy  
10 requirements of the REA and Rule 572.

11

12 **Q.   WHAT COMMISSION APPROVALS IS EPE SEEKING IN THIS**  
13 **APPLICATION?**

14 **A.**   EPE requests the following authorizations in this Application:

- 15           • Approval of the 2019 Plan;
- 16           • Authorization to seek approval from the PUCT to reallocate solar  
17 energy from EPE’s existing Macho Springs Solar Facility (“Macho  
18 Springs”) from Texas to New Mexico, and retire the associated REC’s  
19 for RPS purposes, until EPE can procure new resources;

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- 1           • Approval to reconcile RPS rider costs and rider revenue collections for  
2           calendar year 2018; and
- 3           • Approval to revise the RPS Cost Rider Rate No. 38 from \$0.010154 per  
4           kWh to \$0.011578, to recover approved 2019 Plan costs adjusted for  
5           2018 reconciliation amounts in the 2020 Plan Year, and to eliminate the  
6           statutory cap for billing for certain large customers from Rate No. 38.

7           In addition, but only to the extent such approval may be required, EPE  
8           requests:

- 9           • Approval of a variance from all Rule 572 provisions that are now  
10          inconsistent with the REA;
- 11          • Approval of a variance from the 2020 RPS under Section 10 of Rule  
12          572; and
- 13          • Approval of a variance from the data filing requirements of 17.9.530  
14          NMAC.

15          Finally, to the extent Macho Springs energy is not sufficient to increase  
16          EPE's RPS energy to 20 percent in 2020, or that EPE's proposal to utilize energy  
17          and RECs from Macho Springs is not approved by the Commission or the PUCT,  
18          EPE requests approval of a variance from the 2020 RPS under Section 10 of Rule  
19          572 to the extent necessary.

20

**EL PASO ELECTRIC COMPANY  
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JAMES SCHICHTL**

1   **Q.   WHO ARE THE OTHER WITNESSES TESTIFYING FOR EPE IN THIS**  
2   **CASE?**

3   **A.**   EPE employees Omar Gallegos and Rene Gonzalez also provide testimony in  
4   support of EPE's Application. EPE witness Gallegos presents EPE's 2019 Plan  
5   for 2020 plan year approval, and he presents 2021 plan year data for informational  
6   purposes. For both plan years Mr. Gallegos presents RPS calculations and  
7   forecasted generation and costs for the portfolio of generation resources. Mr.  
8   Gallegos also provides a 5-year trajectory for EPE's planned compliance with the  
9   requirements of the REA through dedicated and system renewable resources.

10           EPE witness Gonzalez calculates EPE's proposed RPS Rider rate for  
11   recovery of 2019 Plan costs for the 2020 plan year, including EPE's reconciliation  
12   of calendar year 2018 actual RPS costs and rider revenues.

13

14

**III.   OVERVIEW OF EPE**

15   **Q.   PLEASE PROVIDE A BRIEF DESCRIPTION OF EPE.**

16   **A.**   EPE is a vertically integrated investor-owned utility providing bundled electric  
17   service to approximately 429,000 retail and wholesale customers in a 10,000  
18   square mile area of the Rio Grande Valley in west Texas and southern New  
19   Mexico. Its service territory extends from Hatch, New Mexico south to Van  
20   Horn, Texas. EPE's principal industrial and large customers include a steel

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1 production facility, an oil refinery, several medical centers, two large universities,  
2 and U.S. military installations, including White Sands Missile Range and  
3 Holloman Air Force Base in New Mexico and the U.S. Army at Fort Bliss in  
4 Texas. EPE directly employs approximately 1,100 people and is one of the  
5 largest companies headquartered in the City of El Paso, Texas.

6  
7 **Q. WHAT ARE SOME OF THE CHALLENGES TO EPE IN PROVIDING**  
8 **ELECTRICITY TO MULTIPLE JURISDICTIONS WITH DIFFERING**  
9 **RENEWABLE ENERGY REQUIREMENTS?**

10 **A.** EPE provides retail service across two jurisdictions with differing statutory  
11 requirements related to the provision of renewable energy to customers. In  
12 addition, EPE generally pursues generation to serve customer load on a total  
13 company basis through least-cost planning. EPE customers benefit from this total  
14 Company approach because increased diversity and size of load reduces the cost  
15 of the resource portfolio. Differing requirements for renewable resources across  
16 jurisdictions limits this total Company approach because, in EPE's case, dedicated  
17 renewable generation is procured for New Mexico customers outside the normal  
18 procurement process.

19  
20 **IV. AMENDMENTS TO THE REA AND IMPACT ON RULE 572, PRIOR**  
21 **ORDERS, AND THE 2019 PLAN**



**EL PASO ELECTRIC COMPANY  
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1 **Q. WERE THERE RECENT STATUTORY CHANGES THAT IMPACT THIS**  
2 **APPLICATION?**

3 **A.** Yes. Recent amendments to the REA became effective in June of this year.  
4 These amendments significantly changed the applicable requirements.  
5

6 **Q. PLEASE PROVIDE AN OVERVIEW OF RELEVANT AMENDMENTS**  
7 **TO THE REA.**

8 **A.** The substantive amendments to the REA relevant to this filing are as follows:

9 a. Extended and increased RPS requirements from no less than twenty  
10 percent RPS by January 1, 2020, forty percent by 2025, fifty percent by  
11 2030, eighty percent by 2040, and zero carbon resources by 2045. Section  
12 62-16-4(A).

13 b. Redefined RCT as “an average annual levelized cost of sixty dollars  
14 (\$60.00) per megawatt-hour at the point of interconnection of the  
15 renewable energy resource with the transmission system, adjusted for  
16 inflation after 2020.” Section 62-16-3(E).

17 c. Deleted Section 62-16-4(C) directing commission to establish a RCT.

18 d. Deleted Section 62-16-4(A)(2) addressing large customer adjustment;

19 e. Deleted Section 62-16-4(A)(4) requiring diversification of the type of  
20 renewable energy resource in the renewable portfolio; and

**EL PASO ELECTRIC COMPANY  
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1           f. Added a new requirement under Section 62-16-4(G)(3) to demonstrate the  
2           proposed procurement for new renewable energy required to comply with  
3           the RPS was “the result of competitive procurement that included  
4           opportunities for bidders to propose purchased power, facility self-build or  
5           facility build-transfer options.”

6           These amendments to the REA went into effect on June 14, 2019.

7

8   **Q.   HAS THE COMMISSION REVISED RULE 572 TO ACCOUNT FOR THE**  
9   **AMENDMENTS TO THE REA?**

10  **A.**   No. The Rule has not been amended to account for the amendments to the REA  
11       changing the 3 percent RCT and deleting the large customer adjustment and the  
12       diversity of resources requirements. It thus follows that these Rule provisions are  
13       now inconsistent with the statute making it practically impossible for EPE’s to  
14       submit a Plan that fully complies with both the REA and the Rule.

15

16  **Q.   HOW IS EPE ADDRESSING INCONSISTENCIES BETWEEN THE REA**  
17  **AND THE RULE IN ITS 2019 PLAN FILING?**

18       To the extent possible, the 2019 Plan complies with both the REA and Rule 572.  
19       However, where inconsistencies exist, EPE complies with the REA rather than the  
20       Rule. First, the 2019 Plan does not follow Rule provisions related to “large

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1 customers” (17.9.572.7.L and .M) which cap cost recovery for RPS procurement  
2 from certain, qualifying large customers, as defined, at the minimum of a total  
3 dollar amount or fixed percentage of the customers’ billed revenue and reduce  
4 EPE’s total RPS energy requirement consistent with the reduced procurement  
5 attributable to the large customer cap. One effect of the large customer  
6 adjustment is to increase the RPS Rider rate applicable to other (uncapped)  
7 customers. In the 2019 Plan, EPE’s proposed RPS Rider tariff presented in  
8 Exhibit JS-1 includes a rate applicable to all customers.

9 Second, the 2019 Plan does not follow the Rule diversification  
10 requirements (17.9.572.11).

11 Finally, the 2019 Plan does not apply the three percent RCT limitation  
12 established by the Commission in Rule 572 (17.9.572.12). The three percent RCT  
13 limited EPE’s ability to add renewable resources to its portfolio that were needed  
14 to meet the statutory RPS because, as further discussed below, the compliance  
15 cost of EPE’s existing portfolio exceeded the 3 percent RCT. EPE was thus  
16 reliant on partial waivers from total RPS requirements in the last several years.  
17 With the statutory change in definition of RCT, there is no longer the same  
18 limitation on the addition of new resources to the RPS portfolio.

19  
20 **V. EPE’S RPS COMPLIANCE**

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1   **Q.    IS THE COMMISSION’S FINAL ORDER APPROVING EPE’S 2018 PLAN**  
2           **IN CASE NO 18-00109-UT, INCONSISTENT WITH THE AMENDMENTS**  
3           **TO THE REA?**

4   **A.**    In two instances, yes. The Commission Final Order approving the 2018 Plan in  
5           Case No. 18-00109-UT determined that the “large customer adjustment” to the  
6           RPS requirement should be calculated based on procurement costs, based on  
7           recent Commission policy and precedent. Additionally, that final order accepted  
8           EPE’s Direct Comparison methodology for RCT determination, which was  
9           originally approved by Commission final order in Case No. 15-00117-UT. As the  
10          result of the changes embodied in the REA amendments, these provisions are no  
11          longer applicable for EPE’s RPS plan.

12                 The final order in Case No. 18-00109-UT also approved a 10-year  
13                 extension of the REC procurement agreement with the Camino Real Landfill  
14                 Energy Facility. EPE is including the RECs, and their associated costs, procured  
15                 from this facility in the 2020 Plan, as discussed by EPE witness Gallegos.

16

17   **Q.    HOW DOES EPE’S 2019 RPS PLAN APPLICATION ADDRESS**  
18           **INCONSISTENCIES BETWEEN THE REA AND THESE COMMISSION**  
19           **ORDERS?**

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1    **A.**    The 2019 Plan is consistent with the Commission’s order for the 2018 RPS Plan,  
2           except to the extent the relevant issues have been rendered moot by the ETA as I  
3           discussed above. With respect to the approved 10-year extension of the REC  
4           procurement agreement with CRLEF, EPE has included the cost of the resource  
5           and RECs produced in its plan for 2020 and 2021. EPE is no longer weighting  
6           RECs from CRLEF.

7

8    **Q.    HAS EPE MET ITS TOTAL RPS REQUIREMENTS IN PRIOR**  
9           **COMMISSION APPROVED RPS PLANS?**

10   **A.**    EPE met 100 percent of its total RPS requirements from the inception of the RPS  
11           as reflected in the REA through 2015, as demonstrated through EPE's annual RPS  
12           reports on file with the Commission. In 2016 and 2017, EPE met 13.9 percent  
13           and 11.3 percent of EPE's total RPS requirements, respectively. The 2018 RPS  
14           Report, filed on May 1, 2019, shows that EPE was required to use a Commission-  
15           approved partial waiver from total RPS for the 2018 Plan Year. The 2018 Report  
16           shows that EPE retired RECs representing 11.0 percent of its New Mexico  
17           adjusted energy requirements in 2018, or 76.6 percent of required RECs absent  
18           any waiver. EPE was also required to use approved variances from 2018 Wind  
19           and Biomass/other diversity targets in the 2018 Plan Year. The Commission

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1 approved the partial waiver and variances for 2018 in EPE's 2016 Plan  
2 proceeding, Case No. 16-00109-UT.

3

4 **Q. PLEASE EXPLAIN WHY EPE HAS HAD TO SEEK WAIVERS FROM**  
5 **TOTAL RPS REQUIREMENTS FOR PAST PLAN YEAR APPLICATION**  
6 **PROCEEDINGS.**

7 **A.** Under the Commission's RCT, EPE's previously approved procurement costs  
8 included in EPE's recent RPS plan applications were in excess of the RCT.  
9 Specifically, and as an example, in the 2018 Plan Final Order in Case No. 18-  
10 00109-UT the Commission found that EPE will exceed the 3 percent RCT for  
11 2019 Plan Year and in 2020. As calculated in the direct testimony of EPE witness  
12 Carrasco in that case, the ratio of EPE's compliance cost, or revenue requirements  
13 to plan year total revenues, was projected at 7.95 percent in 2019 and 7.52 percent  
14 in 2020, exceeding the RCT of 3 percent.

15

16 **Q. WHY DID EPE'S PREVIOUSLY APPROVED PROCUREMENT COSTS**  
17 **EXCEED THE RCT?**

18 **A.** In 2013 and 2014, the Commission amended Rule 572 to modify the methodology  
19 by which the RCT is evaluated so that plan year costs are calculated as revenue  
20 requirements that reflect how a procurement plan will impact customer bills in the

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1 plan year. To do so, the Commission amended its RCT methodology to require  
2 utilities to calculate the actual annual revenue requirement of the procurement  
3 plan, net of actual avoided costs, to determine compliance costs under the RCT.  
4 The result was that EPE's compliance cost as a percentage of plan year revenues  
5 (the RCT metric) increased in one year, even though EPE's total procurement cost  
6 decreased in the same period. In short, the Rule change caused EPE's compliance  
7 cost under the RCT to increase while EPE's actual procurement costs decreased.

8 Exhibit JS-2 summarizes the procurement and compliance costs for RCT  
9 purposes for the 2010 Plan Year filing through EPE's most recent filing in 2018.  
10 It demonstrates that although EPE's total procurement plan costs have actually  
11 decreased from the 2013 to 2014 Plan Years, RPS compliance cost (as defined by  
12 the Rule) increased significantly as a percentage of annual revenues. The  
13 significant increase in the compliance costs in 2014 resulted almost entirely from  
14 the removal of over \$20 million in avoided capacity costs from the RCT analysis,  
15 which was necessitated by the change in the RPS rule.

16  
17 **Q. DOES THE NEW DEFINITION OF RCT IMPACT EPE'S ABILITY TO**  
18 **COMPLY WITH RPS REQUIREMENTS FOR 2020?**

19 **A.** Yes. The new definition of RCT does not provide the same limitation on the  
20 addition of new resources to the RPS portfolio, except as now may be applied to

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1 new resources. As I noted previously, the Commission has not yet promulgated  
2 rules implementing the recent changes to the REA.

3

4 **Q. HAS EPE TAKEN STEPS TO PROCURE ADDITIONAL RESOURCES**  
5 **NECESSARY TO MEET THE RPS REQUIREMENTS?**

6 **A.** Yes. After SB 489 introducing the amendments to the REA was passed, EPE  
7 proactively took steps to procure new renewable energy by issuing its 2019  
8 Request for Proposal for Renewable Energy for New Mexico (March 29, 2019)  
9 (“2019 RFP”) to solicit, evaluate, and select the additional renewable resources  
10 needed to comply with the RPS. However, because bidders exercised an option to  
11 extend the initial 60-day solicitation period an additional 30 days, EPE has not  
12 had sufficient time to evaluate and select any new resources. Additionally,  
13 although the 2019 RFP has not yet been awarded, EPE solicited no responsive  
14 bids that would allow EPE to fully meet its 2020 RPS.

15 On September 27, 2019, EPE also issued a second RFP for a targeted one-  
16 year renewable energy market purchase from existing facilities.

17 **Q. WHILE THE 2019 RFP IS BEING COMPLETED, HOW DOES EPE**  
18 **PROPOSE TO MEET THE 2020 RPS REQUIREMENT?**

19 **A.** As discussed in more detail by Mr. Gallegos, EPE proposes to supplement  
20 existing resources towards satisfying the 20 percent requirement in 2020 by



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1 entering into a temporary arrangement to purchase additional energy and  
2 associated RECs from Macho Springs that are currently allocated and assigned to  
3 Texas. If the procurement of Texas' solar energy and RECs from Macho Springs  
4 is approved by this Commission, EPE will request approval from the PUCT to  
5 temporarily reallocate solar energy generated from EPE's existing purchase  
6 power agreement with the Macho Springs from Texas to New Mexico; and, if  
7 approved by the PUCT, retire the WREGIS registered RECs associated with that  
8 solar generation, until EPE can procure new resources through its ongoing  
9 competitive procurement process.

10

11 **Q. IS MACHO SPRINGS AN APPROVED EPE SYSTEM RESOURCE?**

12 **A.** Yes. Macho Springs was approved as a system resource by Commission Final  
13 Order in Case No. 12-00386-UT, and by the PUCT by Final Order in Docket No.  
14 48631. Macho Springs energy is allocated pro rata between jurisdictions based on  
15 monthly energy consumption, with the associated costs recovered through the  
16 Fuel and Purchased Power Cost Adjustment Clause ("FPPCAC") in New Mexico  
17 and a combination of reconcilable fuel cost and base rates in Texas.

18

19 **Q. WHAT IS THE PROPOSED COST OF ENERGY AND RECS FROM**  
20 **MACHO SPRINGS?**

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1    **A.**    The bundled cost of the energy and RECs generated at Macho Springs has been  
2           previously approved at a rate of \$57.90 per MWh by Commission Final Order in  
3           Case No. 12-00386-UT. There may also be additional costs to New Mexico  
4           customers depending on the cost of a replacement source of energy for Texas  
5           customers or other conditions on the temporary reallocation required for approval  
6           by the PUCT.

7

8    **Q.    WILL THE PROCUREMENT COST EXCEED THE RCT?**

9    **A.**    The reasonable cost threshold for RPS resources was revised in the REA to \$60  
10           per MWh, which is lower than the authorized rate of \$57.90 per MWh for Macho  
11           Springs. As I explained previously, the Commission has not yet modified Rule  
12           572 to determine how exactly the new RCT would apply for RPS procurement.

13

14   **Q.    IS EPE TAKING ANY OTHER ACTION TO ACHIEVE RPS  
15           COMPLIANCE?**

16   **A.**    Yes. EPE will continue its ongoing effort to procure a new resource which can  
17           contribute to meeting the 20 percent RPS. Once identified, EPE will present the  
18           resource selection to the Commission in an appropriate filing for procurement  
19           approval. EPE will also pursue existing short-term resources which can  
20           contribute immediately towards the twenty percent RPS requirement in 2020,

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1           potentially at a lower price to New Mexico customers than the \$57.90 MW paid  
2           for energy and RECs from Macho Springs. If EPE is able to identify such a  
3           resource, it will present the resource selection to the Commission for approval.

4                     EPE is also planning significant increases in renewable system resource  
5           procurement by 2023 and is taking steps to ensure that these increases will enable  
6           it to comply with the Amended REA's requirement of 40% by 2025. Mr.  
7           Gallegos shows the impact of these system resources on EPE's annual RPS  
8           energy over the through 2025.

9

10   **Q.   WHAT STEPS HAS EPE TAKEN TO SUPPORT RENEWABLE**  
11   **RESOURCE ADDITIONS OUTSIDE THE RPS PROCESS?**

12   A.   EPE has taken substantial steps to support renewable resource additions outside  
13   the RPS process. Macho Springs and EPE's Holloman Air Force Base Solar  
14   Project continue to supplement EPE's RPS compliance at no additional  
15   procurement cost to New Mexico customers under the RCT. EPE additionally  
16   plans to seek Commission approval in 2019 of system resource purchases of 200  
17   MW of additional solar and 100 MW of battery storage, which if approved, would  
18   supplement EPE's RPS compliance at no additional procurement cost under the  
19   RCT. In short, EPE continues to consider renewable resources when it evaluates  
20   its system needs and resources to meet future load growth.

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**VI. REQUESTED VARIANCES**

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**Q. PLEASE IDENTIFY SECTIONS OF RULE 572 FROM WHICH EPE SEEKS A VARIANCE IN THIS CASE SO THAT THE 2019 PLAN CONFORMS TO THE REA?**

**A.** To the extent required, EPE seeks rule variances from the following sections which have been superseded by the REA: 17.9.572.7.L and .M because the 2019 Plan does not calculate a large customer adjustment; 17.9.572.11 because the Plan does not include diversification requirements or otherwise provide a plan for achieving a diversified portfolio; and 17.9/572.12 because the 2019 Plan relies on the amended definitions of RTC and REC set forth in the REA and relies on the statutory RTC in place of the prior 3% RCT established by the Commission.

**Q. DOES EPE SEEK ANY OTHER RULE VARIANCES?**

**A.** EPE seeks a variance from the minimum data requirements for Commission Rule 17.9.530 to the extent required to review and approve its revised RPS Cost Rider.

Additionally, to the extent Macho Springs energy is not sufficient to increase EPE's RPS to 20 percent in 2020, or that EPE's proposal to utilize energy and RECs from Macho Springs is not approved by the Commission or the PUCT, EPE requests a variance from the 2020 RPS requirement in the 2019 Plan.

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1   **Q.   DOES EPE SEEK ANY VARIANCES FROM COMMISSION FINAL**  
2       **ORDERS IN PRIOR PROCUREMENT PLAN CASES?**

3   **A.**   To the extent required, yes. EPE also seeks variances from applicable provisions  
4       of Commission Final Orders in prior EPE procurement plans cases, including  
5       Case No. 18-00109-UT pertaining to RCT and large customer calculations which  
6       are now inconsistent with REA. As noted previously, because EPE is no longer  
7       calculating and applying a large customer adjustment to its annual RPS  
8       requirement, the related ordering paragraph in the Final Order in Case No. 18-  
9       00109-UT is no longer applicable. Prior orders in EPE's RPS plan application  
10      cases have addressed the calculation of the RCT, which are likewise no longer  
11      relevant to EPE's 2019 Plan application.

12

13                           **VII.   EPE'S RPS COST RIDER**

14   **Q.   DOES EPE CURRENTLY HAVE A RATE RIDER FOR PURPOSES OF**  
15       **RECOVERING COSTS ASSOCIATED WITH THE RPS?**

16   **A.**   Yes. Rate No. 38 - Renewable Portfolio Standard (RPS) Cost Rider was  
17       originally approved by the Commission's Final Order in Case No. 17-00090-UT  
18       and implemented effective January 1, 2018. The RPS Cost Rider was revised and  
19       approved by the Commission's Final Order in Case No. 18-00109-UT and  
20       implemented effective January 1, 2019.

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1 **Q. WHAT COSTS DOES EPE CURRENTLY RECOVER THROUGH THE**  
2 **RPS RIDER?**

3 A. EPE recovers the cost of renewable energy and associated REC through the RPS  
4 Rider. Prior to implementation of the RPS Rider, EPE recovered these costs  
5 through its monthly FPPCAC.

6  
7 **Q. DID THE COMMISSION AUTHORIZE EPE TO RECOVER ANY**  
8 **OTHER RPS COSTS THROUGH THE RPS RIDER?**

9 A. Yes. The Final Order in EPE's 2017 RPS case authorizing the RPS Rider also  
10 approved recovery of Western Renewable Energy Generation Information System  
11 ("WREGIS")-related costs through the rider. Estimated WREGIS costs were  
12 included in the RPS Rider rates approved by Commission for 2018 and 2019.  
13 Prior to implementation of the RPS Rider, EPE would defer these costs as well as  
14 costs for stand-alone RECs for recovery through its base rates.

15  
16 **Q. ARE ANY OF EPE'S RPS COSTS CURRENTLY RECOVERED**  
17 **THROUGH ITS BASE RATES?**

18 A. Yes. Stand-alone REC costs (without associated energy) and WREGIS costs  
19 previously deferred pursuant to RPS-related Final Orders through the end of the  
20 2014 test year in EPE's most recent rate case are currently recovered through base

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1 rates. In the Final Order in EPE's 2015 rate case (Case No. 15-00127-UT), the  
2 Commission authorized recovery of \$1.115 million of deferred stand-alone REC  
3 and WREGIS costs through base rates annually for five years.

4

5 **Q. DOES EPE CONTINUE TO DEFER ANY APPROVED RPS COSTS FOR**  
6 **RECOVERY IN BASE RATES?**

7 A. Yes. RPS costs of \$800,000 for stand-alone REC purchases (without associated  
8 energy), which have been deferred since the 2014 test year in EPE's 2015 rate  
9 case, are deferred and not included in the rider. Recovery of these costs will  
10 continue to be deferred, with carrying charges, until approved in EPE's next rate  
11 case, planned for 2020.

12

13 **Q. IS EPE PROPOSING TO IMPOSE RATE CAPS ON ITS LARGE**  
14 **CUSTOMERS THROUGH ITS PROPOSED RPS COST?**

15 A. No. As I addressed above, doing so is now inconsistent with the REA. EPE will  
16 not reflect a large customer cap in the calculation of the 2020 RPS or the  
17 proposed Rate No. 38 tariff. Formerly capped customers will now pay the same  
18 RPS Rider rate as all other customers.

19

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1 **Q. DOES EPE'S PROPOSED RPS RIDER RATE INCLUDE**  
2 **RECONCILIATION FOR PRIOR YEARS?**

3 **A.** Yes. As calculated by EPE witness Gonzalez, in addition to the allowed projected  
4 costs for the 2020 plan portfolio, EPE is also including a reconciliation amount  
5 for over-recovery of actual RPS-related costs for the 2018 Plan Year. EPE  
6 compared billed and projected revenues recovered through the RPS Rider  
7 (including from capped large customers) to the actual cost of the RPS portfolio  
8 for 2018. This over-recovery is applied against eligible projected RPS costs for  
9 2020 when determining the RPS Rider rates. EPE is not including a  
10 reconciliation component with the 2021 RPS Rider rate, which is only presented  
11 in this application for informational purposes.

12

13 **Q. IS EPE INCLUDING A PROPOSED RATE RIDER TARIFF IN THIS**  
14 **APPLICATION FOR THE 2019 PLAN YEAR?**

15 **A.** Yes. Rate No. 38 - Renewable Portfolio Standard (RPS) Cost Rider is included  
16 with my testimony as Exhibit JS-1. EPE is filing an advice notice concurrent with  
17 this application containing the proposed rider for billing in 2020.

18



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1    **Q.    WHAT IS THE CHANGE IN THE PROPOSED RPS RIDER IN 2020**  
2           **COMPARED TO THE CURRENT RATE AND HOW DOES IT IMPACT**  
3           **CUSTOMERS?**

4    **A.**    The net effect of the increase in annual RPS procurement costs (which includes  
5           EPE’s proposed temporary reallocation of Macho Springs energy), the forecasted  
6           increase in New Mexico retail energy sales, and the reconciliation adjustment for  
7           RPS costs for 2018, is an increase in the RPS Rider charge of \$0.011578 per kWh  
8           over the current rate of \$0.010154. EPE witness Gonzalez provides seasonal  
9           impacts for Residential monthly bills for the change in the RPS Rider.

10

11   **Q.    ARE THERE CHANGES IN OTHER COST ALLOCATION THAT WILL**  
12           **OFFSET THE ADDITIONAL PORTFOLIO COSTS REFLECTED IN THE**  
13           **RPS RIDER?**

14

15   **A.**    Yes. The additional energy provided to New Mexico from Macho Springs will  
16           replace energy that would otherwise be supplied by other system resources. This  
17           will have the effect of reducing the monthly FPPCAC for New Mexico customers.

18

19   **VIII.   DISTRIBUTED GENERATION ("DG") REC PURCHASE PROGRAMS**

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1 **Q. PLEASE DESCRIBE EPE'S EXISTING SYSTEM REC PURCHASE**  
2 **PROGRAMS.**

3 **A.** Pursuant to previous Commission approvals, EPE established a Small System  
4 REC Program (Rate No. 33 - Small System Renewable Energy Certificate  
5 Purchase) to purchase RECs from customers' solar and wind DG facilities with  
6 maximum rated capacity of 10 kilowatts ("kW") or less, and a Medium System  
7 REC Program (Rate No. 34 - Medium System Renewable Energy Certificate  
8 Purchase) to purchase RECs from customers' solar and wind DG facilities with  
9 maximum rated capacity greater than 10 kW and up to 100 kW. In NMPRC Case  
10 No. 11-00263-UT, the Commission adopted the tiered pricing system for REC  
11 purchases through calendar year 2020 shown in Table I below. The Tier 5 price  
12 established in that case, effective January 1, 2014, was to continue thereafter, and  
13 the Commission established a common termination date of December 31, 2020  
14 for all new Small and Medium REC Program contracts ("REC Agreements")  
15 beginning January 21, 2012.

16 /

17 /

18 /

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Table I

Tier	Period	Small System		Medium System	
		Solar	Wind	Solar	Wind
Tier 1	1/12/2012 – 6/30/2012	\$0.10	\$0.06	\$0.12	\$0.024
Tier 2	7/1/2012 – 12/31/2012	\$0.08	\$0.05	\$0.09	\$0.022
Tier 3	1/1/2013 – 6/30/2013	\$0.06	\$0.04	\$0.06	\$0.02
Tier 4	7/1/2013 – 12/31/2013	\$0.04	\$0.03	\$0.04	\$0.02
Tier 5	1/12/2014 – 12/31/16	\$0.02	\$0.02	\$0.02	\$0.02

EPE offered these programs through the Commission-approved Small and Medium System Renewable Energy Certificate Purchase rates for REC purchase program applications submitted prior to January 1, 2017. Customers were also required to interconnect their facilities in accordance with the DG interconnection rules and agreements established by the Commission.

EPE also currently has an authorized Large System REC Program (Rate No. 35 - Large System Renewable Energy Certificate Purchase) for systems with capacity greater than 100 kW and less than 1 megawatt ("MW"). The REC prices paid under the Large System REC Program are established under individual contracts and are limited by a cap tied to the Medium System REC Program prices. This program was initiated in 2011 pursuant to the Commission's Final Order in Case No. 11-00263-UT.

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1   **Q.    ARE THE REC PURCHASE PROGRAMS CURRENTLY OPEN TO NEW**  
2       **CUSTOMERS WITH RENEWABLE GENERATION?**

3   **A.**   No. In its Final Order in Case No. 16-00109-UT adopting EPE's 2016 RPS Plan,  
4       the Commission approved EPE's proposal to close the REC purchase programs to  
5       new customers effective January 1, 2017. Customers who submitted to EPE an  
6       application to participate in a REC purchase program as set forth in EPE's tariffs  
7       prior to January 1, 2017, remain eligible to participate in the REC purchase  
8       programs and receive the applicable REC credit once their system becomes  
9       operational until, with some exceptions, the common termination date of 2020.<sup>1</sup>  
10      Customers with interconnection agreements for renewable generation installations  
11      submitted after that date are not eligible for the REC purchase programs.

12  
13   **Q.    HOW DID THE PROGRAM CLOSURE IMPACT EXISTING PROGRAM**  
14       **PARTICIPANTS?**

15   **A.**   There is no impact of the Commission-approved closure on existing customers.  
16       Participating customers with DG systems interconnected and operating prior to  
17       January 1, 2017, will continue to participate under the tariffs and continue to  
18       receive their designated REC credit, based on the date they originated service  
19       under the applicable schedule, at the Commission-approved REC price.

---

<sup>1</sup> The 2020 common termination date does not apply to REC purchase agreements entered into prior to the January 1, 2012 implementation of the tiered pricing system for REC purchases described above in my testimony.

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1 **Q. WHEN DO EPE'S REC PURCHASE PROGRAMS TERMINATE?**

2 A. As noted above, the Commission established a common termination date of  
3 December 31, 2020, for all REC contracts that were initiated January 1, 2012 or  
4 later under the REC purchase programs. Purchase contracts that were entered into  
5 prior to January 1, 2012, had their own identified termination dates, some of  
6 which extend into 2023. Table II provides a calendar of planned termination  
7 dates and the number of customers impacted for DG systems currently  
8 participating in the REC purchase programs.

9 Table II

10

Termination Year of REC Purchases	Number of Customers
2020	1,925
2021	112
2022	182
2023	341

11  
12  
13

14 Of all customers currently participating in EPE's REC purchase programs, the  
15 contracts of approximately 75% of those customers will terminate on December  
16 31, 2020, and all contracts in the REC purchase programs will terminate by the  
17 end of 2023.

18

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1   **Q.   DO THE PROJECTED COSTS FOR EPE’S 2021 PORTFOLIO IN THIS**  
2       **APPLICATION REFLECT THE EXPIRATION OF REC PURCHASE**  
3       **PROGRAMS BEGINNING ON DECEMBER 31, 2020?**

4   **A.**   Yes. As can be seen in Exhibit OG-3 to the direct testimony of witness Gallegos,  
5       DG REC costs drop in 2021 as the result of the expiration of contracts at the end  
6       of 2020. The number of RECs procured remains constant and even increases  
7       however, because DG penetration continues to grow and EPE continues to retain  
8       ownership of DG RECs as I discuss below.

9  
10   **Q.   DOES CLOSURE OF THE REC PURCHASE SCHEDULES IMPACT THE**  
11       **ABILITY OF NEW DG CUSTOMERS TO INTERCONNECT WITH EPE**  
12       **OR PARTICIPATE IN NET ENERGY METERING?**

13   **A.**   No. New customers continue to be allowed to interconnect their generating  
14       facilities and participate under the existing tariff provisions for metering options  
15       and sell exported energy to EPE.

16  
17   **Q.   HOW MANY SMALL RENEWABLE DG FACILITIES ARE**  
18       **PARTICIPATING IN EPE'S CURRENT SMALL SYSTEM REC**  
19       **PROGRAM?**

**EL PASO ELECTRIC COMPANY  
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1   **A.**    As of July 31, 2019, 3,957 solar DG facilities and six wind DG facilities are  
2           participating and receiving REC payments in the program. The total capacity for  
3           all the REC program eligible small DG systems (the sum of nameplate rated  
4           capacity) is 18.4 MW.

5

6   **Q.**    **WHAT IS EPE'S CURRENT PARTICIPATION IN THE MEDIUM**  
7           **SYSTEM REC PROGRAM?**

8   **A.**    As of July 31, 2019, 174 customer-owned medium renewable DG facilities were  
9           connected to or had submitted applications to connect to EPE's system in New  
10          Mexico. All of these facilities are solar PV. The total capacity for all the REC  
11          program eligible medium DG systems (the sum of nameplate rated capacity) is  
12          3.7 MW.

13

14   **Q.**    **DOES EPE HAVE CUSTOMERS PARTICIPATING IN THE LARGE**  
15          **SYSTEM REC PROGRAM?**

16   **A.**    Yes. EPE currently has 6 systems participating in the large REC purchase  
17          program. These systems receive payments based on contractual arrangements  
18          with EPE pursuant to the large system REC purchase tariff. The total capacity of  
19          these six solar systems is 1.4 MW.

20

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1   **Q.   WHAT ARE THE EXPECTED ANNUAL COSTS OF THE SMALL,**  
2       **MEDIUM, AND LARGE SYSTEM REC PURCHASE PROGRAMS IN**  
3       **THE 2020 AND 2021 PLAN YEARS?**

4   **A.**   Exhibit OG-3 lists the total expected cost for the REC Purchase Programs to be  
5       approximately \$1.7 million in 2020 and \$0.8 million in 2021. Prices paid for  
6       RECs by EPE have varied over time and are a function of when a DG system  
7       began operation (see Table II). The annual costs reflect rates ranging from \$0.155  
8       to \$0.02 per kWh. With REC program tariffs closed to new customers the cost of  
9       the combined programs is projected to remain fairly level for 2020, although  
10      normal variations in DG system energy output would likely result in some  
11      differences as would any approved expansions. The lower expected 2021 costs  
12      reflect the expiration of most REC contracts at the common termination date of  
13      programs in 2020 (see Table III), for customers who applied for interconnection  
14      after January 1, 2012.

15

16   **Q.   WITH THE DG REC PROGRAMS CLOSED, DID THE NUMBER OF DG**  
17      **RECS ACQUIRED BY EPE FROM DG CUSTOMERS STABILIZE AS**  
18      **WELL?**

19   **A.**   No. Because the number of DG systems interconnecting to EPE's system in  
20      New Mexico continues to grow, at an average of 393 per year (for the period of



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1           2015 through 2018), the number of RECs produced by these customers and  
2           acquired by EPE continues to increase. The REC purchase programs represented  
3           payments to DG system owners for the RECs generated by their systems, but EPE  
4           remains the owner of DG RECs from all interconnected systems, because EPE  
5           purchases the energy produced by these qualifying facility systems. The  
6           Company expects the total quantity of DG RECs produced and registered for RPS  
7           compliance in New Mexico will continue to increase as new systems interconnect  
8           and commence operation, to the benefit of all customers.

9

10   **Q.   HOW MANY DG RECS DOES EPE FORECAST WILL BE GENERATED**  
11   **AND ACQUIRED BY EPE IN THE 2020 AND 2021 PLAN YEARS?**

12   **A.**   The total capacity for all the DG systems currently operating or under  
13           construction (the sum of nameplate rated capacity) is 27.1 MW. As shown in  
14           Exhibit OG-3, EPE forecasts generation of 43,847 DG RECs in 2020 and  
15           48,300 DG RECs in 2021. These RECs will be registered with WREGIS and will  
16           be eligible for retirement to satisfy the DG diversity requirement and contribute  
17           toward satisfaction of the total RPS requirements in those plan years.

18

19

**IX.   CONCLUSION**

**EL PASO ELECTRIC COMPANY  
DIRECT TESTIMONY OF  
JAMES SCHICHTL**

1   **Q.    CAN YOU PLEASE SUMMARIZE YOUR TESTIMONY AND EPE'S**  
2       **PROPOSALS IN ITS 2019 PLAN FILING?**

3   **A.**    As EPE witness Gallegos describes in his direct testimony, EPE's 2019 Plan filing  
4       is in full compliance with REA and the Rule and should be approved with the  
5       necessary variances. As I have demonstrated in my testimony, EPE's progress  
6       toward meeting the 20 percent RPS requirement in 2020 was clearly limited by  
7       the RCT restriction previously applicable under the REA. With that restriction  
8       lifted in June of this year, EPE has worked rapidly to develop a plan to move to  
9       annual RPS compliance as quickly as possible without adversely impacting  
10      customers. EPE's plan to utilize renewable energy and RECs from existing  
11      resources while simultaneously working to procure additional long-term resources  
12      is a reasonable and prudent approach which, when combined with increasing  
13      renewable generation from system resources, will allow EPE to meet RPS  
14      requirements now and into the future.

15                EPE implemented its RPS Rider (Rate No. 38 – Renewable Portfolio  
16      Standard Cost Rider) effective January 1, 2018, pursuant to the Commission's  
17      Final Order in Case No. 17-00090, and updated the rate on January 1, 2019, based  
18      on the Commission's Final Order approving EPE's 2018 Plan in Case No. 18-  
19      00109-UT. EPE proposes to revise the existing rates in the RPS Rider for billing  
20      in 2020 in order to recover its projected procurement costs and to include

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1 reconciliation of actual 2018 costs and revenue. The revised tariff is shown in  
2 Exhibit JS-1 and included with an advice notice filed concurrent with this  
3 application and should be approved for billing beginning January 1, 2020.

4

5 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

6 **A.** Yes.

**EL PASO ELECTRIC COMPANY**

**2<sup>nd</sup> REVISED RATE NO. 38**

X

**RENEWABLE PORTFOLIO STANDARD (RPS) COST RIDER**

Page 1 of 1

**APPLICABILITY:**

This Rider is applicable to bills for electric service provided under all of EPE's retail rate schedules. This Rider is established to recover Renewable Portfolio Standard ("RPS") costs. This Rider is not applicable to customers exempt from charges for renewable energy procurements pursuant to NMSA 1978, Section 62-16-4(C).

X  
X  
X  
X

**TERRITORY:**

Areas served by the Company in Doña Ana, Sierra, Otero and Luna Counties.

X

**MONTHLY RATES:**

	Rate
All Retail Rate Schedules, per kWh	\$0.011578

X  
X  
X  
  
X  
  
X  
X  
X

**RECONCILIATION FILING:**

This Rider shall be adjusted to reconcile a prior plan year's RPS Cost Rider revenues with actual RPS costs. Any over-recovery of the previously approved RPS costs will represent a credit to and reduction of the approved Rider in a subsequent plan year and any under-recovery of the previously approved renewable energy costs will represent a charge in addition to the approved Rider in a subsequent plan year.

X  
  
X  
X

Advice Notice No. 264

Signature/Title *James Schichtl*  
James Schichtl  
Vice President – Regulatory Affairs

**EPE Historical Compliance and Procurement Costs**

Case No. for Plan Year	10-00200-UT 2011	11-00263-UT 2012	12-00217-UT 2013	13-00223-UT 2014	14-00121-UT 2015	15-00117-UT 2016	16-00109-UT 2017	17-00090-UT 2018	18-00109-UT 2019
	[1]	[2]	[3]	[4]	[5]	[6]	[7]	[8]	[9]
Proposed RPS Portfolio Cost	\$ 3,475,586	\$ 14,222,679	\$ 20,230,170	\$ 16,193,126	\$ 16,421,659	\$ 15,238,697	\$ 14,793,319	\$ 14,207,571	\$ 14,062,913
Compliance Cost	\$ 1,320,885	\$ (4,242,974)	\$ (1,904,997)	\$ 13,466,047	\$ 13,141,484	\$ 10,212,666	\$ 11,928,966	\$ 12,189,304	\$ 13,165,294
Plan Year Revenue Requirement	\$ 193,639,820	\$ 199,147,476	\$ 204,289,639	\$ 199,026,438	\$ 201,966,796	\$ 191,221,136	\$ 190,973,497	\$ 186,280,474	\$ 165,526,570
RPS Cost Percentage	0.68%	-2.13%	-0.93%	6.77%	6.51%	5.34%	6.25%	6.54%	7.95%

**Analysis:**

RPS portfolio costs increased from 2011 through 2013 as EPE added several large PPA's for solar resources. Until the 2013 Plan Year, the capacity added by these resources and others in the portfolio were credited for avoided costs based on the cost of a combined cycle combustion turbine, which actually resulted in a net credit compliance cost in 2013. Avoided capacity cost of \$20.1 million was credited against RPS Portfolio costs in the 2013 Plan Year. Following the change in the RPS Rule, this avoided cost credit was not longer included in the RCT analysis, resulting in a substantial increase in compliance cost expressed as a percentage of Plan Year revenue requirement even though the total RPS Portfolio cost decreased for the 2014 Plan Year. EPE's RPS Portfolio costs for 2019 are roughly equal to costs for 2012.

[1] See 2011 Plan Year data provided in Exhibit RA-3, Exhibit EDE-1, and Exhibit EDE-2.

[2] See 2012 Plan Year data provided in Exhibit RA-4, Exhibit EDE-1, and Exhibit EDE-2.

[3] See 2013 Plan Year data provided in Exhibit RA-5, Exhibit CH-1, and Exhibit CH-4.

[4] See 2014 Plan Year data provided in Exhibit JS-1.

[5] See 2015 Plan Year data provided in Exhibit JS-1.

[6] See 2016 Plan Year data provided in Exhibit RA-1 and Exhibit JS-1.

[7] See 2017 Plan Year data provided in Exhibit OG-2 and Exhibit MC-1.

[8] See 2018 Plan Year data provided in Exhibit MC-1.

[9] See 2019 Plan Year data provided in Exhibit MC-1.

BEFORE THE NEW MEXICO PUBLIC REGULATION COMMISSION

APPLICATION FOR APPROVAL OF )  
EL PASO ELECTRIC COMPANY'S )  
2019 RENEWABLE ENERGY PLAN )  
PURSUANT TO THE RENEWABLE )  
ENERGY ACT AND 17.9.572 NMAC, )  
AND REVISED RATE NO. 38 – RPS )  
COST RIDER )  
)  
EL PASO ELECTRIC COMPANY, )  
Applicant. )  
\_\_\_\_\_ )

CASE NO. 19-00099-UT

AFFIDAVIT

STATE OF TEXAS )  
) ) ss.  
COUNTY OF EL PASO )

I, **James A. Schichtl**, hereby depose and state under oath that the information contained in the foregoing Direct Testimony of James A. Schichtl, together with all exhibits sponsored therein and attached thereto, is true and accurate based on my knowledge and belief.

SIGNED this 27<sup>th</sup> day of September, 2019.

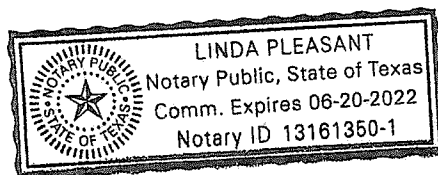
  
JAMES A. SCHICHTL

SIGNED AND SWORN to before me on 27<sup>th</sup> day of September, 2019 by James A. Schichtl.

  
NOTARY PUBLIC

My commission expires:

June 20, 2022



**BEFORE THE NEW MEXICO PUBLIC REGULATION COMMISSION**

APPLICATION FOR APPROVAL OF )  
EL PASO ELECTRIC COMPANY'S )  
2019 RENEWABLE ENERGY PLAN )  
PURSUANT TO THE RENEWABLE )  
ENERGY ACT AND 17.9.572 NMAC, )  
AND REVISED RATE NO. 38 – RPS )  
COST RIDER )  
)  
EL PASO ELECTRIC COMPANY, )  
Applicant. )  
\_\_\_\_\_ )

CASE NO. 19-00099-UT

**DIRECT TESTIMONY**

**OF**

**OMAR GALLEGOS**

**OCTOBER 1, 2019**

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**EXHIBITS**

Exhibit OG-1	EPE's New Mexico Renewable Portfolio Standard Requirement
Exhibit OG-2	EPE’s 2019 Renewable Energy Act Procurement Plan
Exhibit OG-3	Applied Renewable Energy by Technology
Exhibit OG-4	Procurement Plan Year RECs and Costs



**EL PASO ELECTRIC COMPANY  
DIRECT TESTIMONY OF  
OMAR GALLEGOS**

1                   **I. INTRODUCTION AND QUALIFICATIONS**

2   **Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

3   **A.** My name is Omar Gallegos, and my business address is 100 N. Stanton Street,  
4       El Paso, Texas 79901.

5  
6   **Q. HOW ARE YOU EMPLOYED?**

7   **A.** I am employed by El Paso Electric Company ("EPE" or "the Company") as  
8       Director of the Resource Planning and Management Department.

9  
10   **Q. PLEASE SUMMARIZE YOUR EDUCATIONAL AND BUSINESS**  
11       **BACKGROUND.**

12   **A.** In 1995, I graduated from the University of Texas at El Paso with a Bachelor of  
13       Science degree in Mechanical Engineering and a Master of Business  
14       Administration degree in 2006. In 2014, I completed a Graduate Certificate in  
15       Public Utility Regulation and Economics from New Mexico State University.

16               From 1995 to May 2009, I was employed by Delphi Corporation in  
17       product engineering. During my final eight years at Delphi Corporation, I was  
18       Supervisor for Product Engineering, where my responsibilities included design  
19       development, product validation, cost estimating, and project management.

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1           In May 2009, I accepted a position with EPE as a Real-Time Scheduler.  
2           In that capacity, I was responsible for managing energy transfer schedules over  
3           the Company's transmission lines in accordance with Federal Energy Regulatory  
4           Commission requirements and North American Electric Reliability Corporation  
5           reliability standards. From September 2010 to May 2013, I was an Associate -  
6           Business Development as a Project Manager for renewable energy projects and  
7           new generation projects. My responsibilities in that position included financial  
8           analysis, business process flows, and evaluation of emerging technologies. In  
9           May 2013, I was promoted to System Operations Outage Coordinator where I  
10          coordinated EPE's transmission, generation, and system outages in adherence with  
11          reliability requirements. In March 2014, I was promoted to Manager-Asset  
12          Management Services. During that time, I was responsible for Transmission and  
13          Distribution project management initiatives, budgeting, asset management, and  
14          support of regulatory permitting for transmission assets. In February 2016, I was  
15          promoted to Director of the Resource Planning Department. In July 2016, I  
16          assumed responsibility of EPE's Resource Management Department.

17  
18   **Q.   PLEASE DESCRIBE YOUR CURRENT RESPONSIBILITIES WITH EPE.**

19   **A.**   As Director of EPE's Resource Planning and Management Department, I manage  
20          and supervise the Company's generation and resource planning, renewable energy

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1 procurement, long-term planning/acquisition of interstate gas pipeline transport  
2 capacity, intrastate gas pipeline transport/storage, fuel oil supply/transport,  
3 wholesale power transactions, fuel supply planning and procurement, and real-  
4 time market operations. In this capacity I supervise and confirm the input and  
5 analysis of the Company's PROMOD, STRATEGIST, and AURORA modeling.

6  
7 **Q. HAVE YOU PRESENTED TESTIMONY BEFORE UTILITY**  
8 **REGULATORY BODIES?**

9 **A.** Yes, I have filed testimony and testified before the New Mexico Public  
10 Regulation Commission ("NMPRC" or "Commission"), and I have filed  
11 testimony with the Public Utility Commission of Texas ("PUCT").

12  
13 **II. PURPOSE OF TESTIMONY**

14 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

15 **A.** The purpose of my testimony is to present and support EPE's 2019 Renewable  
16 Energy Act ("REA") Plan ("2019 Plan"). The 2019 Plan presents 2020 data for  
17 approval and 2021 data for informational purposes. EPE's 2019 Plan relies on  
18 renewable resources previously approved by the Commission, as well as the  
19 proposed procurement of solar energy and RECS generated from EPE's existing  
20 Macho Springs facility that are currently allocated to EPE's Texas jurisdiction.

**EL PASO ELECTRIC COMPANY  
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1 Specifically, my testimony will:

- 2           • Provide an overview of EPE’s RPS Plan filing requirements under the  
3 REA and the Renewable Energy Rule, 17.9.572 NMAC ("Rule 572"  
4 or the "Rule");
- 5           • Acknowledge EPE’s 2018 Annual Renewable Energy Portfolio  
6 ("2018 RPS Report") filed on May 1, 2019 in accordance with Rule  
7 572.19;
- 8           • Present EPE’s 2019 RPS Plan which includes calculation of EPE’s  
9 estimated renewable portfolio standard ("RPS") requirements for Plan  
10 Years 2020 and 2021, presents the plan for compliance with overall  
11 RPS requirements for Plan Years 2020 and 2021, and projected  
12 procurement RECs and costs for Plan Year 2020 and 2021;
- 13           • Demonstrate that EPE's proposed 2019 Plan is reasonable, consistent  
14 with EPE’s integrated resource plan, in the public interest, and that it  
15 should be approved by the Commission.

16

17 **Q. ARE YOU SPONSORING ANY EXHIBITS IN THIS FILING?**

18 A. Yes, I am sponsoring the following Exhibits:

19 Exhibit OG-1 EPE's New Mexico Renewable Portfolio Standard

20 Requirement

**EL PASO ELECTRIC COMPANY  
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- 1           Exhibit OG-2           EPE’s 2019 Renewable Energy Act Procurement Plan  
2           Exhibit OG-3           Applied Renewable Energy by Technology  
3           Exhibit OG-4           Procurement Plan Year RECs and Costs  
4

5    **III.   OVERVIEW OF ANNUAL REA AND RULE PLAN REQUIREMENTS**

6    **Q.    WHAT INFORMATION IS REQUIRED TO BE INCLUDED IN EPE'S**  
7    **2019 PLAN?**

8    **A.**    The REA requires that the procurement plan for 2019 include the “cost of  
9           procurement for any new renewable energy resource” and “testimony and exhibits  
10          that demonstrate the proposed procurement is reasonable as to terms, and  
11          conditions considering price, availability, reliability, any renewable energy  
12          certificate values and diversity of the renewable energy resource; or  
13          demonstration that the plan is otherwise in the public interest.”

14                The Commission, through Rule 572, provides additional guidance on what  
15                should be included in the 2019 Plan.   Specifically, 17.9.572.14.B NMAC  
16                identifies the following:

- 17                1)   testimony and exhibits providing a full explanation of the utility's  
18                determination of the plan year and next plan year renewable portfolio  
19                standard and reasonable cost threshold;

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- 1           2)   the cost of procurement in the plan year and the next plan year for all new  
2                   renewable energy resources required to comply with the renewable portfolio  
3                   standard selected by the utility;
- 4           3)   the amount of renewable energy the public utility plans to provide in the  
5                   plan year and the next plan year required to comply with the renewable  
6                   portfolio standard;
- 7           4)   testimony and exhibits demonstrating how the cost and amount specified in  
8                   Paragraphs (2) and (3) of this subsection were determined;
- 9           5)   testimony and exhibits demonstrating the plan year and next plan year  
10                  procurement amounts and costs based on revenue requirements expected to  
11                  be recovered by the utility;
- 12          6)   testimony and exhibits demonstrating the plan year and next plan year  
13                  procurement amounts and costs if complying with a fully diversified  
14                  renewable portfolio standard is limited by the reasonable cost threshold;
- 15          7)   testimony and exhibits demonstrating the plan year and next plan year  
16                  procurement amounts and costs based on revenue requirements expected to  
17                  be recovered by the utility if limited by the reasonable cost threshold;
- 18          8)   testimony and exhibits that demonstrate that the proposed procurement is  
19                  reasonable as to its terms and conditions considering price, costs of

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- 1 interconnection and transmission, availability, dispatchability, renewable  
2 energy certificate values and portfolio diversification requirements;
- 3 9) testimony and exhibits regarding the amount and impact of renewable  
4 energy that can be added in any given year without adding generating  
5 resources for load following or system regulation purposes;
- 6 10) testimony and exhibits demonstrating that the portfolio procurement plan is  
7 consistent with the integrated resource plan and explaining any material  
8 differences; and
- 9 11) demonstration that the plan is otherwise in the public interest.

10

11 **Q. PLEASE IDENTIFY FILING REQUIREMENT CHANGES SINCE EPE'S**  
12 **2018 PLAN FILE WAS APPROVED BY THE COMMISSION IN CASE**  
13 **NO. 18-00090-UT AND HOW THESE CHANGES IMPACT EPE'S 2019**  
14 **PLAN FILING?**

15 **A.** The Commission has not yet updated its Rule, including the above guidance for  
16 the 2019 Plan, to reflect recent changes to the REA. The Rule is therefore now  
17 inconsistent with the REA in three important respects: 1) the REA no longer  
18 authorizes the rate caps for qualifying large customers stated in the Rule; 2) the  
19 REA no longer includes the portfolio diversification requirements stated in the  
20 Rule; and 3) the REA revoked the Commission's authority to establish the

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1 reasonable cost threshold ("RCT"). The 2019 Plan resolves these inconsistencies  
2 by following the REA and not the Rule. Accordingly, the 2019 Plan does not  
3 address Rule requirements pertaining to resource diversity requirements, does not  
4 include an RPS adjustment for large customer usage, and does not calculate the  
5 RCT under the Rule 572 methodology. These changes to the REA, the resulting  
6 impact on this filing, and related request for variances are discussed in detail in  
7 the direct testimony of EPE witness James Schichtl.

8  
9 **Q. DID EPE COMPLY WITH ANNUAL RPS REPORTING**  
10 **REQUIREMENTS?**

11 **A.** Yes. EPE separately filed its Annual RPS Report for calendar year 2018 on May  
12 1, 2019. The RPS report shows how EPE complied with its Commission-  
13 approved REA plan for calendar year 2018. Such compliance included a waiver  
14 from the 2018 total RPS requirement, and variances from the diversity  
15 requirements of "Wind" and "Other" due to the RCT limitations, which were  
16 granted by Commission Final Order in EPE's 2016 Plan proceeding, Case No. 16-  
17 00109-UT. EPE retired 187,406 RECs toward the 2018 RPS, which is  
18 approximately 76 percent of the total RPS required value of 244,585 RECs (or  
19 approximately 11 percent of New Mexico retail energy sales).

20



**EL PASO ELECTRIC COMPANY  
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1   **Q.   HOW DO THE 2018 ACTUAL REC AMOUNTS COMPARE TO THE**  
2       **AMOUNTS FORECASTED IN EPE’S 2017 PLAN FILING, AND WHAT**  
3       **IMPACT DOES THE DIFFERENCE HAVE FOR THE 2019 PLAN?**

4   **A.**   The retired REC total of approximately 11 percent of New Mexico retail energy  
5       sales is slightly lower than the 12 percent amount projected in EPE filing 17-  
6       00090-UT due to two factors: 1) New Mexico retail energy sales in 2018 were  
7       higher than projected, and 2) solar production by the facilities was lower than  
8       projected. These differences, which contributed to the RPS Cost Rider  
9       overcollections for the 2018 plan year, are addressed and reconciled in the direct  
10      testimony of EPE witness Rene Gonzalez.

11

12   **Q.   WHAT CONTRIBUTED TO THE LOWER SOLAR PRODUCTION IN**  
13      **2018?**

14   **A.**   The lower solar production is attributable to the following three explanations:

15           1.     Possible lower production due to lower solar irradiance and  
16       weather. Solar production by facilities may be significantly impacted by weather  
17       and actual solar irradiance.

18           2.     Reduced solar production of two facilities during a change in  
19       ownership transition.

**EL PASO ELECTRIC COMPANY  
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1           3.     Delayed commercial operation date of the 5 MW Holloman Air  
2 Force Base Solar facility.

3  
4                           **IV.    EPE'S 2019 PLAN**

5   **Q.    PLEASE DESCRIBE EPE'S 2019 PLAN ATTACHED TO YOUR DIRECT**  
6   **TESTIMONY AS EXHIBIT OG-2.**

7   **A.**   The 2019 Plan provides EPE's determination of Plan Year and Next Plan year  
8   RPS and RCT calculations, describes EPE's existing renewable energy resources  
9   and proposed new procurements including respective RECs to be applied toward  
10   RPS and applicable RPS procurements for Plan Year and Next Plan Year, and  
11   provides EPE's proposed mechanism for cost recovery of its 2019 renewable  
12   energy and other RPS-related costs.

13  
14   **Q.    WHAT ARE EPE'S RPS REQUIREMENTS FOR 2020 AND 2021?**

15   **A.**   The RPS requirement for both Plan Years is that 20 percent of the energy supplied  
16   to New Mexico customers be generated by eligible renewable resources. § 62-16-  
17   4(A); 17.9.572.10 NMAC. In accord with recent amendments to the REA, RPS  
18   for 2020 and 2021 is calculated without an adjustment for large customers.

19

**EL PASO ELECTRIC COMPANY  
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1 **Q. DOES EPE HAVE ANY EXEMPTED CUSTOMERS UNDER**  
2 **SECTION 62-16-4(A)(3) OF THE REA?**

3 **A.** No.  
4

5 **Q. HOW IS EPE'S RPS COMPLIANCE DOCUMENTED?**

6 **A.** EPE uses RECs which correspond to either renewable energy that is procured or  
7 generated from EPE owned renewable resources to document RPS compliance as  
8 required by the REA. The RECs are registered and retired with the regional tracking  
9 system known as Western Renewable Energy Generation Information System  
10 ("WREGIS") within four years of their creation. The RECs acquired by EPE are  
11 normally expressed in megawatt-hour ("MWh") units. One MWh is equal to 1,000  
12 kilowatt-hours ("kWh") or one REC. The energy associated with the acquired RECs  
13 is received by EPE for delivery to New Mexico customers.  
14

15 **Q. CAN YOU EXPLAIN EPE'S METHODOLOGY OF CALCULATING ITS**  
16 **RPS REQUIREMENT FOR 2020?**

17 **A.** Yes. EPE's calculation is outlined in Exhibit OG-1. EPE begins with the  
18 forecasted New Mexico jurisdictional energy sales (which is adjusted for weather,  
19 projected energy efficiency, and load management reductions), and is reduced for  
20 energy sales related to EPE voluntary renewable energy resulting in net New

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1 Mexico jurisdictional kWh sales. Then, EPE applies the RPS percentage required  
2 by the Act to the net New Mexico Jurisdictional kWh sales to calculate the RPS  
3 requirement.

4

5 **Q. WHAT ARE THE RESULTS OF EPE'S CALCULATED RPS**  
6 **REQUIREMENTS FOR 2020 AND 2021?**

7 A. Exhibit OG-1 shows the calculation of EPE's estimated RPS requirements for the  
8 2020 and 2021 plan years. The Plan year total RPS requirement is projected to be  
9 342,260,811 kWh (342,261 RECs) and the Next Plan Year total RPS requirement  
10 is projected to be 344,801,237 kWh (344,801 RECs).

11

12 **Q. PLEASE DESCRIBE EPE'S RPS PROCUREMENTS.**

13 A. EPE categorizes RPS procurements as renewable energy resources and RECs  
14 procured by EPE for RPS compliance pursuant to Commission-approved  
15 procurement plans. The procurements may be for energy with RECs or RECs  
16 only<sup>1</sup>. As shown in the 2019 Plan, EPE's existing renewable resources and RECs  
17 are procured through purchased power agreements ("PPAs") and existing  
18 distributed generation ("DG") customers. EPE also has two renewable resources,  
19 Macho Springs and Holloman Air Force Base (HAFB), that were secured for

---

<sup>1</sup> The procurement costs for CRLEF and DG Programs are for RECs only.

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1 purposes other than RPS compliance. These projects are further described in  
2 Exhibit OG-2. By Commission Final Order, EPE is authorized to apply RECs  
3 from these resources to its RPS at no cost towards the RPS portfolio.

4

5 **Q. DOES EPE OWN RENEWABLE GENERATING RESOURCES THAT**  
6 **ARE NOT UTILIZED TO MEET ITS NEW MEXICO RPS**  
7 **REQUIREMENTS?**

8 **A.** Yes. EPE owns and operates small, demonstration-scale, solar photovoltaic  
9 facilities. Currently, EPE uses those renewable energy resources to supply its  
10 Voluntary Renewable Energy customer program in New Mexico and Texas RPS,  
11 but not for NM RPS purposes. Additionally, EPE has a community solar project  
12 in Texas.

13

14 **Q. HAS EPE PLANNED ANY ADDITIONAL RENEWABLE RESOURCE**  
15 **OPTIONS AVAILABLE TO MEET ITS RPS REQUIREMENTS?**

16 **A.** Yes. As result of EPE's 2017 All Source Request for Proposal, EPE is procuring  
17 additional renewable resources that will contribute to the RPS requirement, which  
18 includes 200 MW of solar nameplate as system resources. The energy and cost of  
19 this new generation is planned to be jurisdictionally allocated. The New Mexico  
20 allocated portion of these resources will provide New Mexico RPS RECs at no

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1 additional procurement cost for RPS purposes. However, the commercial  
2 operation dates for these resources are in 2022 and would not provide any  
3 renewable energy in 2020 and 2021.

4  
5 **Q. DOES EPE HAVE SUFFICIENT, PREVIOUSLY APPROVED RPS**  
6 **PROCUREMENTS TO COMPLY WITH THE 20 PERCENT**  
7 **REQUIREMENT IN 2020 and 2021?**

8 **A.** No. As demonstrated in Table 1 below, the previously approved RPS  
9 procurements would result in RECs of 12.3 and 12.4 percent of retail energy  
10 sales, respectively in 2020 and 2021. It is noted that the planned additions in  
11 2022 described above would result in RECs of 19.4 percent of retail energy sales  
12 in 2023.

**TABLE 1**

<b>Year</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>
RPS Requirement	20%	20%	20%	20%	20%	40%
RPS Energy Approved Resources	211,009	214,442	224,042	226,974	229,893	232,802
Planned 2022 All-Source Resources	-	-	56,064	112,128	111,567	111,010
Projected RPS Percent	12.3%	12.4%	16.2%	19.4%	19.5%	19.5%
Cummulative Deficiency/Margin	(131,252)	(261,612)	(328,163)	(337,845)	(347,173)	(709,677)

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1   **Q.   PLEASE SUMMARIZE EPE'S PROCUREMENT PLAN TO SECURE**  
2           **RENEWABLE ENERGY TO MEET THE 20 PERCENT RPS**  
3           **REQUIREMENT?**

4   **A.**   EPE's Procurement Plan proposes the following:

- 5           1.    Apply existing renewable resources and RECs previously approved by the  
6                    Commission to satisfy the RPS (except SWEC);
- 7           2.    Procure solar energy and RECs generated from EPE's existing Macho  
8                    Springs Solar Facility that is currently jurisdictionally allocated to Texas;
- 9           3.    Continue ongoing competitive procurement activities, including the  
10                   pursuit of a short-term renewable energy purchase in 2020 as well as the  
11                   pursuit of a long-term renewable energy resource for future years. Once  
12                   EPE selects additional resources, EPE will make an appropriate filing for  
13                   NMPRC procurement approval.

14  
15   **Q.   WHY IS THE SWEC RESOURCE NO LONGER LISTED AS A RPS**  
16           **RESOURCE?**

17   **A.**   EPE was recently informed that SWEC has relocated offices and the 6-kW solar  
18           facility is no longer operational.

19

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1   **Q.   PLEASE SUMMARIZE THE NEW PROCUREMENT AND ASSOCIATED**  
2       **COST EPE PROPOSES FOR APPROVAL IN THE 2019 PLAN?**

3   **A.**   EPE is proposing the reallocation to New Mexico retail customers of  
4       approximately 80 percent of the renewable energy generated by the existing 50  
5       MW Macho Springs facility. This renewable energy is currently allocated to  
6       EPE's Texas retail customers at the PPA price of \$57.90/MWh. New Mexico  
7       customers are currently allocated the remaining 20 percent of renewable energy at  
8       the same price.

9

10   **Q.   CAN YOU SUMMARIZE EPE'S ON-GOING RPS PROCUREMENT**  
11       **EFFORTS?**

12   **A.**   Yes. EPE is actively pursuing existing renewable energy resources and proposals  
13       for new renewable energy resources to comply with the 20 percent RPS  
14       requirement. EPE issued a request for proposal ("RFP") on May 29, 2019 for  
15       short-term and long-term procurements ("2019 RFP") and is currently in the  
16       process of reviewing proposals and making a selection recommendation. No  
17       proposals for existing facilities that could provide adequate energy to meet the 20  
18       percent requirement by January 1, 2020 were received. Even projects that  
19       propose commercial operation dates in fourth quarter of 2020 would not provide  
20       sufficient output in 2020 to meet the requirement, but they would provide



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1 sufficient energy for future years. The capacity being proposed for these facilities  
2 may be sufficient to meet RPS on an annualized basis for 2020.

3 EPE also issued a solicitation for a one-year renewable energy purchase in  
4 an attempt to attain compliance in 2020 and bridge the shortfall until the next  
5 renewable resources may be selected, approved, and constructed. While the 2019  
6 RFP that was issued in May was open for utilities and existing facilities to offer a  
7 short-term PPA, none were received. This subsequent RFP with a targeted energy  
8 amount for one year may identify resources available by other utilities or  
9 independent power producers to offer a one-year market sale. EPE may  
10 supplement this filing upon selection or identification of and additional resources.

11

12 **Q. WILL EPE ATTAIN 20 PERCENT RPS BY JANUARY 1, 2020 UNDER**  
13 **THE PROPOSED PLAN?**

14 A. As shown in the following table and in Exhibit OG-3, with the proposed Macho  
15 Springs procurement EPE estimates falling slightly short of the 20 percent RPS in  
16 2020. EPE would need an additional procurement to reach the 2020 RPS.

17 /

18 /

19 /

20 /

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**TABLE 2**

<b>Year</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>
RPS Requirement	20%	20%	20%	20%	20%	40%
RPS Energy Approved Resources	211,009	214,442	224,042	226,974	229,893	232,802
Planned 2022 All-Source Resources	-	-	56,064	112,128	111,567	111,010
Macho Springs TX Purchase	111,183	79,955	-	-	-	-
New NM RPS Resource	-	70,500	141,000	140,295	139,594	138,896
Projected RPS Percent	18.8%	21.2%	24.3%	27.5%	27.4%	27.3%
Cummulative Deficiency/Margin	(20,069)	27	74,475	205,089	335,354	111,745

EPE does not have access to any other renewable energy procurement nor did EPE receive any proposals in its May 2019 RFP that would allow it to meet the RPS by the statutory deadline. However, EPE is actively pursuing a short-term renewable energy purchase that may either displace the need for the Macho Springs TX procurement or at a minimum satisfy the small amount required for 20 percent when coupled with the Macho Springs TX procurement. For these reasons, EPE requests a variance for the requirement in Rule 572 that EPE meet the RPS in 2020 as discussed by EPE witness Schichtl.

**V. COST OF EPE'S 2019 PLAN**

**Q. WHAT EXISTING PROCUREMENT COSTS ARE ASSOCIATED WITH EPE'S 2019 PLAN AS PRESENTED HERE?**

**A.** The costs associated with EPE's 2019 Plan include the cost to procure RECs and any associated energy from various previously-approved RPS procurements,

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1 including the cost to purchase RECs from customers participating in EPE's REC  
2 Purchase Programs for distributed generation<sup>2</sup>, and the cost of complying with  
3 REC registration and tracking through WREGIS.

4  
5 **Q. WHAT IS THE ESTIMATED PROCUREMENT COST FOR EPE'S 2019**  
6 **PLAN?**

7 **A.** The total estimated cost associated with EPE's 2019 Plan is \$21,420,592 for 2020  
8 and \$18,098,715 for 2021 considering currently approved procurements that will  
9 carry over into 2020 and 2021 and procurement costs of the Macho Springs  
10 procurement proposal. The resources included in the procurement plan and  
11 associated RECs to be applied toward RPS and applicable RPS procurement costs  
12 for 2020 and 2021 are listed in Exhibit OG-4.

13  
14 **Q. DO THE ESTIMATED PROCUREMENT COSTS MEET THE**  
15 **REASONABLE COST THRESHOLD ESTABLISHED BY THE REA?**

16 **A.** Yes. The Commission has determined in EPE's previous procurement cases that  
17 its existing RPS procurements are reasonable when approved under the previous  
18 REA. The proposed Macho Springs TX procurement at \$57.90 per MWh meets

---

<sup>2</sup> As addressed by EPE witness Schichtl in his direct testimony, a large portion of the REC Purchase Program ends payment for RECs in 2020 and the costs are estimated to decline by approximately \$900,000 in 2021.

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1           the new REA reasonable cost threshold of \$60 per MWh for any new resources.  
2           Future Commission rulemaking may provide further requirements as it relates to  
3           the application of the new REA RCT.

4

5   **Q.   IS EPE’S PLAN REASONABLE AS TO TERMS, AND CONDITIONS**  
6           **CONSIDERING PRICE, AVAILABILITY, RELIABILITY, ANY**  
7           **RENEWABLE ENERGY CERTIFICATE VALUES AND DIVERSITY OF**  
8           **THE RENEWABLE ENERGY RESOURCE?**

9   **A.**   Yes. EPE's proposed 2019 Plan is reasonable as to its terms and conditions  
10           considering price, availability, dispatch flexibility, any renewable energy certificate  
11           values, and diversity of the available resources. EPE's 2019 Plan consists of existing  
12           projects which provide diversity of resource type from biomass and solar  
13           technologies.

14                   The estimated costs associated with EPE's procurement actions previously  
15           have been approved by the Commission and EPE proposes to continue its cost  
16           recovery as previously ordered.

17                   EPE proposes projects that in combination are reasonably priced, fit  
18           within EPE's dispatch flexibility parameters as applicable, and add diversity to its  
19           portfolio. EPE's 2019 Plan, and the associated costs, are reasonable and should be  
20           approved.

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1   **Q.**   **IS EPE'S PLAN CONSISTENT WITH ITS INTEGRATED RESOURCE**  
2       **PLAN ("IRP")?**

3   **A.**   Yes. EPE's RPS procurements are consistent with EPE's last accepted 2015 IRP  
4       Plan and the 2018 Amended IRP Plan filed January 3, 2019 in Docket No. 18-  
5       00293-UT.

6  
7   **Q.**   **IS EPE'S PLAN IN THE PUBLIC INTEREST?**

8   **A.**   Yes. EPE's Plan is in the public interest as it provides renewable energy in  
9       accordance with REA. EPE's Plan leverages existing resources and transitions  
10      towards attainment of RPS requirements in a cost-effective manner.

11

**VI.   CONCLUSION**

12  
13   **Q.**   **PLEASE SUMMARIZE THE APPROVALS THAT EPE IS REQUESTING.**

14       Pursuant to the REA and Rule, EPE requests that the NMPRC approve its 2019  
15       Plan and related cost recovery for reasonable costs consistent with the 2019 Plan.  
16       EPE will continue to procure, in accordance with previously approved purchase  
17       agreements:

- 18                   •   solar energy and RECs from Hatch, NRG, and SunEdison; and  
19                   •   RECs from DG customers.

20       EPE will continue to apply to its RPS the following:

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1                   • RECs from Macho Springs and Holloman at no additional cost to the  
2                   RPS portfolio.

3           EPE also requests the Commission approve the Macho Springs proposal and  
4           authorize EPE to request PUCT approval for a reallocation of Macho Springs  
5           Solar energy and RECs from Texas to New Mexico retail customers.

6

7   **Q.    DOES THIS CONCLUDE YOUR TESTIMONY?**

8   **A.    Yes, it does.**

EPE's NEW MEXICO RENEWABLE PORTFOLIO STANDARD REQUIREMENT

Line No.	(a) Description	(b) Reference	(c) 2020	(d) 2021
	RPS Requirement			
1	Forecasted New Mexico Jurisdictional kWh Sales	See Note (1)	1,711,441,857	1,724,139,583
2	Voluntary Renewable Energy Sales		137,800	133,400
3	Net Forecasted New Mexico Jurisdictional kWh Sales	Line 1 - Line 2	1,711,304,057	1,724,006,183
4	Renewable Portfolio Standard		20.00%	20.00%
5	Total RPS Requirement	Line 3 x Line 4	342,260,811	344,801,237

Notes:

(1) EPE's New Mexico jurisdictional retail energy sales are based on EPE's 2019 Long-Term Forecast.

**2019 NEW MEXICO RENEWABLE PORTFOLIO STANDARD PLAN**

**EL PASO ELECTRIC COMPANY'S**

**October 1, 2019**



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### GLOSSARY OF ACRONYMS AND DEFINED TERMS

<u>Acronym/Defined Term</u>	<u>Meaning</u>
2018 Amended IRP Plan Commission	EPE's Current Integrated Resource Plan New Mexico Public Regulation Commission
DG	Distributed Generator
EPE	El Paso Electric
MW	Megawatt
MWh	Megawatt-hour
Next Plan Year	EPE's Annual Renewable Energy Act Plan for 2021
Plan Year	EPE's Annual Renewable Energy Act Plan for 2020
PPA	Purchased Power Agreement
REA	Renewable Energy Act (NMSA 1978, §§62-16-1 to -10 (2007 as amended through 2019))
REC	Renewable Energy Certificate
RCT	Reasonable Cost Threshold
RPS	Renewable Portfolio Standard
Rule 572	17.9.572 NMAC

## I. INTRODUCTION

El Paso Electric Company (“EPE” or “Company”) files this 2019 Renewable Energy Act Plan (“2019 Plan”) for 2020 (“Plan Year”) and 2021 (“Next Plan Year”) pursuant to the Renewable Energy Act (“REA”), NMSA 1978, §§ 62-16-1 to -10 (2007 as amended through 2019) and New Mexico Public Regulation Commission’s (“NMPRC” or “Commission”) Rule 17.9.572 NMAC (“Rule 572” or “Rule”).<sup>1</sup>

## II. SUMMARY OF 2019 PLAN PROCUREMENTS

EPE’s existing renewable energy resources previously approved by the Commission are not sufficient to fully comply with the twenty percent Renewable Portfolio Standard (“RPS”) requirement by January 1, 2020. Since Plan Year 2015, EPE has been unable to achieve RPS targets because the previously approved procurement costs exceeded 3 percent of the respective plan year total revenues, the RCT set by Commission Rule pursuant to the former statutory provision, and proposed procurements to attain RPS goals have been denied. The recent amendment to the RCT definition in effect lifted this limitation but did not afford EPE sufficient time to procure new resources to achieve 20 percent RPS in advance of this filing.

EPE’s 2019 Plan relies on (1) existing renewable resources and RECs previously approved by the Commission to satisfy the RPS (except SWEC), (2) one new procurement of solar energy and RECs generated from EPE’s existing Macho Springs Solar facility that are currently jurisdictionally allocated to Texas, and (3) the ongoing pursuit of a short-term existing renewable energy purchase to meet the 2020 RPS and the pursuit of a long-term renewable energy resource to meet RPS for future years.

---

<sup>1</sup> Where possible, the 2019 Plan complies with both the REA and Rule 572. However, because the commission has not yet updated Rule 572 to address the 2019 Amendments to the REA, where inconsistencies exist, the 2019 Plan complies with the REA.

EPE proposes to recover the costs of implementing the 2019 Plan, including costs for registering and retiring renewable energy credits (“REC”) in the Western Renewable Energy Generation Information System (“WREGIS”) through a revised Rate No. 38- EPE’s Renewable Portfolio Standard (RPS) Cost Rider with a requested effective date of January 1, 2020 which includes a reconciliation factor for 2018 costs and revenues and eliminates caps for certain large customers.

### **III. DETERMINATION OF RPS AND RCT**

#### **A. Changes From 2018 Plan Projections**

The 2019 amendments to the REA impacted the RPS and reasonable cost threshold (“RCT”) calculations in the 2018 Plan in two significant ways. First, the amendments to the REA changed the way RPS is calculated by removing rate caps for EPE’s four (4) qualifying large customers. In the 2018 Plan, the RPS requirement was reduced by applying the large customer adjustment. The 2019 Plan no longer adjusts for large customers.

Second, in EPE’s 2018 Plan, EPE projected that it would be unable to meet its statutory RPS requirements for 2019 and 2020 because, under the RCT methodology in Rule 572, EPE determined that additional costs for new plan year procurements would exceed three percent of customer bills. The 2019 amendment to the REA changed the RCT methodology by replacing the RCT set by the Commission in Rule 572 with “an average annual levelized cost of sixty dollars (\$60.00) per megawatt-hour.” This statutory change (effective June 14, 2019) in effect increased the RCT lifting the prior cost constraint on EPE’s RPS compliance.

The amendments to the REA also removed portfolio diversification requirements. Accordingly, portfolio diversity is not included in this Plan.

#### **B. Plan Year and Next Plan Year RPS Calculations**

Table I shows the calculation of EPE's projected RPS requirements for Plan Year and Next Plan Year. In summary, EPE currently projects that New Mexico jurisdictional kWh sales will be 1,711,441,857 in 2020 and 1,724,139,583 in 2021. The Plan year total RPS requirement is projected to be 342,260,811 kWh (342,261 RECs) and the Next Plan Year total RPS requirement is projected to be 344,801,237 kWh (344,801 RECs). Until EPE procures additional resources through the ongoing procurement process described below, EPE is projected to fall short of the RPS requirements in 2020 but will continue to pursue short-term purchases and expects to meet and exceed the requirements beginning in 2021.

**Table I**

Line No.	(a) Description	(b) Reference	(c) 2020	(d) 2021
RPS Requirement				
1	Forecasted New Mexico Jurisdictional kWh Sales	See Note (1)	1,711,441,857	1,724,139,583
2	Voluntary Renewable Energy Sales		137,800	133,400
3	Net Forecasted New Mexico Jurisdictional kWh Sales	Line 1 - Line 2	1,711,304,057	1,724,006,183
4	Renewable Portfolio Standard		20.00%	20.00%
5	Total RPS Requirement	Line 3 x Line 4	342,260,811	344,801,237

Notes:

(1) EPE's New Mexico jurisdictional retail energy sales are based on EPE's 2019 Long-Term Forecast.

#### IV. EXISTING RENEWABLE ENERGY RESOURCES

EPE's existing renewable energy portfolio consists of the following renewable resources and RECs previously approved by the Commission to satisfy the RPS requirements.

##### A. RECs Procured Through Existing PPAs

CRLEEF - A facility located in Sunland Park, New Mexico uses methane gas from a landfill to fuel its generating facility. Under a Qualifying Facility ("QF") agreement with Four Peaks Energy LLC, EPE purchases 2-to-1 weighted value biomass RECs from CRLEEF. The project

provides a maximum net capacity of approximately two MW. As part of EPE's approved 2018 Plan, and to ensure the continued viability of the project, the Commission authorized EPE to pay Four Peaks Energy \$0.030/kWh per REC generated by the project with a 1-to-1 REC weighting. The \$0.030/kWh REC payment was contracted with an expiration date of December 2028. However, because EPE is required in the ordinary course of business to purchase all energy produced from a QF, such as CRLEF, at EPE's avoided cost rates, EPE does not include the cost of the underlying energy purchases from Four Peaks Energy CRLEF in the proposed plan. Rather, the energy purchase costs are recovered through the fuel and purchased power cost adjustment clause ("FPPCAC") mechanism on a jurisdictional basis.

Roadrunner Project - A 20 MW solar PV project located in Santa Theresa, New Mexico. Until 2018, the Roadrunner Project was owned by NRG. In 2018, ownership was transferred to Global Infrastructure Partners (Clearway Energy). Under a 20 year PPA, Roadrunner Project provides energy and RECs to EPE.

The Hatch Solar Energy Center 1 ("HSEC") - A five MW facility located in Hatch, New Mexico. The HSEC Project is owned by Nextera Energy Resources. Under a 25-year PPA, the HSEC Project provides energy and RECs to EPE.

Centennial Solar - A 12 MW facility located in Las Cruces, New Mexico. The Facility was previously owned by SunEdison. In September 2017, Silicon Ranch Corporation purchased this facility. Under a 25 year PPA, provides energy and RECs to EPE.

Chaparral Solar - A 10 MW facility located in Chaparral, New Mexico. The facility was previously owned by SunEdison. In October 2017, Longroad Solar Portfolio Holdings, LLC purchased this facility. Under a 25 year PPA, provides energy and RECs to EPE.

## **B. RECs From DG Customers**

As of July 31, 2019, 3,957 solar DG facilities and six wind DG facilities are participating and receiving REC payments in the program. The total capacity for all the REC program eligible small DG systems (the sum of nameplate rated capacity) is 18.4 MW

As of July 31, 2019, 174 customer-owned medium renewable DG facilities were connected to or had submitted applications to connect to EPE's system in New Mexico. All of these facilities are solar PV. The total capacity for all the REC program eligible medium DG systems (the sum of nameplate rated capacity) is 3.7 MW.

EPE currently has 6 systems participating in the large REC purchase program. These systems receive payments based on contractual arrangements with EPE pursuant to the large system REC purchase tariff. The total capacity of these six solar systems is 1.4 MW.

The total capacity for all the DG systems currently operating (the sum of nameplate rated capacity) is 23.5 MW. EPE forecasts generation of 43,847 DG RECs in 2020 and 48,300 DG RECs in 2021. These RECs will be registered with WREGIS and will be eligible for retirement to satisfy the DG diversity requirement and contribute toward satisfaction of the total RPS requirements in those plan years.

## **C. Other Previously Approved RECs**

Macho Springs Project - A 50 MW solar facility located near Deming, New Mexico. Macho Springs is currently owned by the Southern Power Company. Macho Springs, under a 20 year PPA, provides energy and RECs as a system resource allocated between Texas and New Mexico approved in NMPRC Case No. 12-00386-UT. EPE agreed in prior plans to use New Mexico RECs from the Macho Springs Project for the RPS although the bundled cost of the

energy and RECs is not included in the New Mexico RPS. Rather, the Commission approved EPE recovery of the costs of this system resource through the FPPCAC mechanism.

HAFB – A five MW solar project located at Holloman Air Force Base in New Mexico and owned by EPE. As a dedicated customer facility, HAFB provides RECs for the RPS at no additional cost to the New Mexico RPS.

#### **D. Facilities No Longer in Portfolio**

SWEC- The six-kW, solar-PV commercial project located in Las Cruces, New Mexico is no longer operational. EPE previously entered into a 20-year power purchase agreement ("PPA") to purchase energy and 3-to-1 weighted-value RECs from the SWEC solar PV project.

### **V. PROPOSED NEW PROCUREMENTS**

#### **A. Macho Springs Proposal**

EPE is proposing the procurement of approximately 80 percent of the existing 50 MW provided by EPE's existing Macho Springs facility that is currently jurisdictionally allocated to Texas. EPE proposes to purchase the energy and RECs at the \$57.90/MWh rate approved by Commission Final Order in Case No. 12-00386-UT and set forth in the PPA. If the procurement of Texas' solar energy and RECs from Macho Springs is approved by this Commission, EPE will request approval from the PUCT to temporarily transfer allocation of approximately 111,183 RECs from Macho Springs from Texas to New Mexico under these terms.

#### **B. Other Ongoing Procurement Efforts**

EPE has also issued two requests for proposals ("RFP") soliciting bids for additional renewable resources to meet EPE's New Mexico RPS requirement.

EPE issued the first RFP on May 29, 2019 to solicit proposals for short-term and long-term renewable energy resource procurements. The proposal was open to both existing and new



facilities. EPE is still in the process of reviewing the proposals and making a selection recommendation, but no proposal for existing facilities capable of providing adequate energy to meet the 20 percent requirement in 2020 were received. With respect to proposals for new facilities, the projects that propose commercial operation dates in fourth quarter of 2020 will not provide sufficient output in 2020 to meet the 20 percent RPS requirement but will provide sufficient energy to meet that requirement in 2021 and beyond. The capacity being proposed by these facilities may be sufficient to meet RPS on an annualized basis for 2020.

This RFP was also open for utilities and existing facilities to offer a short-term purchase for energy and RECs to satisfy EPE's 2020 RPS, but no responsive bids were received. EPE therefore issued a second RFP on September 27, 2019 for a targeted one-year renewable energy market purchases from existing facilities to attain compliance by the statutory deadline and bridge the shortfall until one or more long-term renewable resources can be selected, Commission approved, and constructed. If EPE is able to identify a resource, it will present the resource selection to the Commission for approval and supplement this filing.

## **VI. PROCUREMENT COSTS**

EPE projects that its Plan Year annual renewable procurement costs will be approximately \$21,420,592. In the Next Plan Year, EPE projects its annual renewable procurement costs to be approximately \$18,098,715. Table 2 lists, by resource, respective RECs to be applied toward RPS and applicable RPS procurement costs for Plan Year and Next Plan Year.

**Table 2**

PROCUREMENT PLAN YEAR RECS AND COSTS						
	2020			2021		
	(kWh)	RECs (MWh)	(\$)	(kWh)	RECs (MWh)	(\$)
CRLEF <sup>(1)</sup>	17,276,305	17,276	518,289	17,276,305	17,276	518,289
NRG <sup>(2)</sup>	48,851,450	48,851	6,226,117	48,485,064	48,485	6,179,421
SunEdison <sup>(2)</sup>	49,416,421	49,416	5,183,288	49,021,090	49,021	5,141,822
Macho Springs <sup>(3)</sup>	27,258,164	27,258	-	27,121,873	27,122	-
Macho Springs TX <sup>(5)</sup>	111,182,955	111,183	6,437,493	71,656,021	71,656	4,148,884
Hatch <sup>(2)</sup>	11,020,849	11,021	1,311,481	10,965,745	10,966	1,304,924
Holloman <sup>(3)</sup>	13,339,412	13,339	-	13,272,715	13,273	-
DG REC <sup>(4)</sup>	43,846,662	43,847	1,739,807	48,299,705	48,300	801,597
WREGIS	—	—	4,116	—	—	3,777
<b>Total</b>	<b>322,192,218</b>	<b>322,192</b>	<b>21,420,592</b>	<b>286,098,517</b>	<b>286,099</b>	<b>18,098,715</b>

Notes:

- (1) CRLEF REC purchase agreement shown with new cost of \$30/REC. The cost reflect purchase of REC only.
- (2) The procurement cost include energy and REC.
- (3) There is zero procurement cost since cost are covered outside of the RPS; however, RECs are utilized for RPS.
- (4) Costs are for REC purchases up to the closure of the program which several phase-out in 2021.
- (5) Proposed Macho Springs purchase of Texas share of energy and associated RECs.

**VII. OTHER REQUIREMENTS**

EPE is not seeking approval of any new energy resource procurements. The procurement RECs from EPE's Macho Spring project jurisdictionally allocated to Texas should be presumed to be reasonable as to terms and conditions because Macho Springs is an existing Commission approved facility, the procurement of additional RECs is under the same terms stated in the Commission approved purchased power agreement at the same rate approved by Commission Final Order in Case No. 12-00286-UT.

EPE's RPS procurements are consistent with EPE's last accepted 2015 IRP Plan and the 2018 Amended IRP Plan filed January 3, 2019 in Docket No. 18-00293-UT and are in the public's interest.

**VIII. RENEWABLE RIDER RATE FOR 2019**

EPE recovers the cost of renewable energy and associated RECs through Rate No. 38 – RPS Cost Rider - originally approved by the Commission's Final Order in Case No. 17-00090-UT and implemented effective January 1, 2018. The RPS Cost Rider was revised and approved by the Commission's Final Order in Case No. 18-00109-UT and implemented effective January 1, 2019.

EPE projects that the revenue requirement to be recovered during 2019 through the RPS Rider, including WREGIS fees, will be \$15,904,686. EPE proposes to revise the existing rates in the RPS Rider for billing in 2020 in order to recover its projected procurement costs, adjusted to include a reconciliation of 2018 costs and revenue, of \$19,813,961. The revised tariff is shown in Exhibit JS-1 and included with Advice Notice No. 264 filed concurrent with this application.

Year	Applied Renewable Energy by Technology <sup>(1)</sup>					
	RPS Metric	Wind	Solar	Biomass	Distributed Generation <sup>(3)</sup>	Total Renewable Energy
2019 <sup>(2)</sup>	RECs Banked	-	-	-	-	-
2020	RECs Procured	-	261,069,251	17,276,305	43,846,662	322,192,218
	RECs Available	-	261,069,251	17,276,305	43,846,662	322,192,218
	kWh Required					342,260,811
	Percentage Met					94.1%
	RECs Applied	-	261,069,251	17,276,305	43,846,662	322,192,218
	RECs Banked	-	-	-	-	-
	Percent to NM Retail Sales					18.8%
2021	RECs Procured	-	220,522,507	17,276,305	48,299,705	286,098,517
	RECs Available	-	220,522,507	17,276,305	48,299,705	286,098,517
	kWh Required					344,801,237
	Percentage Met					83.0%
	RECs Applied	-	220,522,507	17,276,305	48,299,705	286,098,517
	RECs Banked	-	-	-	-	-
	Percent to NM Retail Sales					16.6%

Note:

- 1) RECs are shown in kWhs.
- 2) EPE's banked RECs were exhausted in 2016 and none are estimated to be available for 2020.
- 3) Distributed Generation RECs come from the DG REC Purchase Programs.

PROCUREMENT PLAN YEAR RECS AND COSTS						
	2020			2021		
	(kWh)	RECs (MWh)	(\$)	(kWh)	RECs (MWh)	(\$)
CRLEF <sup>(1)</sup>	17,276,305	17,276	518,289	17,276,305	17,276	518,289
NRG <sup>(2)</sup>	48,851,450	48,851	6,226,117	48,485,064	48,485	6,179,421
SunEdison <sup>(2)</sup>	49,416,421	49,416	5,183,288	49,021,090	49,021	5,141,822
Macho Springs <sup>(3)</sup>	27,258,164	27,258	-	27,121,873	27,122	-
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Holloman <sup>(3)</sup>	13,339,412	13,339	-	13,272,715	13,273	-
DG REC <sup>(4)</sup>	43,846,662	43,847	1,739,807	48,299,705	48,300	801,597
WREGIS	---	---	4,116	---	---	3,777
Total	322,192,218	322,192	21,420,592	286,098,517	286,099	18,098,715

Notes:

- (1) CRLEF REC purchase agreement shown with new cost of \$30/REC. The cost reflect purchase of REC only.
- (2) The procurement cost include energy and REC.
- (3) There is zero procurement cost since cost are covered outside of the RPS; however, RECs are utilized for RPS.
- (4) Costs are for REC purchases up to the closure of the program which several phase-out in 2021.
- (5) Proposed Macho Springs purchase of Texas share of energy and associated RECs.

BEFORE THE NEW MEXICO PUBLIC REGULATION COMMISSION

APPLICATION FOR APPROVAL OF )  
EL PASO ELECTRIC COMPANY'S )  
2019 RENEWABLE ENERGY PLAN )  
PURSUANT TO THE RENEWABLE )  
ENERGY ACT AND 17.9.572 NMAC, )  
AND REVISED RATE NO. 38 – RPS )  
COST RIDER )  
)  
EL PASO ELECTRIC COMPANY, )  
Applicant. )  
\_\_\_\_\_ )

CASE NO. 19-00099-UT

AFFIDAVIT

STATE OF TEXAS )  
) ) ss.  
COUNTY OF EL PASO )

I, **Omar Gallegos**, hereby depose and state under oath that the information contained in the foregoing Direct Testimony of Omar Gallegos, together with all exhibits sponsored therein and attached thereto, is true and accurate based on my knowledge and belief.

SIGNED this 27<sup>th</sup> day of September, 2019.

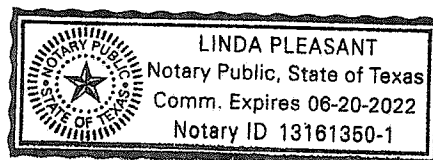
  
OMAR GALLEGOS

SIGNED AND SWORN to before me on 27<sup>th</sup> day of September, 2019 by Omar Gallegos.

  
NOTARY PUBLIC

My commission expires:

June 20, 2022



**BEFORE THE NEW MEXICO PUBLIC REGULATION COMMISSION**

APPLICATION FOR APPROVAL OF )  
EL PASO ELECTRIC COMPANY'S )  
2019 RENEWABLE ENERGY PLAN )  
PURSUANT TO THE RENEWABLE )  
ENERGY ACT AND 17.9.572 NMAC, )  
AND REVISED RATE NO. 38 – RPS )  
COST RIDER )  
)  
EL PASO ELECTRIC COMPANY, )  
Applicant. )  
\_\_\_\_\_ )

**CASE NO. 19-00099-UT**

**DIRECT TESTIMONY**

**OF**

**RENE F. GONZALEZ**

**OCTOBER 1, 2019**

**EL PASO ELECTRIC COMPANY  
DIRECT TESTIMONY OF  
RENE F. GONZALEZ**

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**EXHIBITS**

Exhibit RFG-1	Reconciliation of 2018 Renewable Portfolio Standard Costs and Revenues
Exhibit RFG-2	Calculation of the 2020 Renewable Portfolio Standard Cost Rider
Exhibit RFG-3	Residential Bill Impacts



**EL PASO ELECTRIC COMPANY  
DIRECT TESTIMONY OF  
RENE F. GONZALEZ**

1                   **I.     INTRODUCTION AND QUALIFICATIONS**

2   **Q.   PLEASE STATE YOUR NAME, BUSINESS ADDRESS AND**  
3       **OCCUPATION.**

4   **A.**   My name is Rene F. Gonzalez, and my business address is 100 N. Stanton Street,  
5       El Paso, Texas, 79901.

6

7   **Q.   HOW ARE YOU EMPLOYED?**

8   **A.**   I am employed by El Paso Electric Company ("EPE" or the "Company") as a  
9       Senior Rate Analyst in the Rates and Regulatory Affairs section.

10

11 **Q.   PLEASE SUMMARIZE YOUR EDUCATIONAL AND PROFESSIONAL**  
12 **QUALIFICATIONS.**

13 **A.**   In 2005, I graduated from the University of Texas at El Paso with a Bachelor of  
14       Business Administration with a double major in Economics and Finance. After  
15       graduation, I joined ADP (Automatic Data Processing) as an Account Executive  
16       in the Insurance Services Division as a licensed Property and Casualty insurance  
17       agent specializing in the sale of Workers Compensation Insurance, and later  
18       transferred and worked as a Retention Specialist for the same division. In 2010, I

**EL PASO ELECTRIC COMPANY  
DIRECT TESTIMONY OF  
RENE F. GONZALEZ**

1           obtained a position with the City of El Paso as a Procurement Analyst in the  
2           Purchasing Department.

3                       I was employed by EPE in October 2012 in the Rate Research section of  
4           the Rates and Regulatory Affairs group as an Associate Rate Analyst. In  
5           November of 2014, I earned a progressive promotion to Staff Financial Analyst.  
6           In 2016, I received a graduate certificate from New Mexico State University in  
7           Public Utility Regulation & Economics, and in October of the same year, I earned  
8           a progressive promotion to Senior Rate Analyst. Additionally, I have attended  
9           professional development seminars covering rate design, marginal cost, and  
10          transmission and distribution systems.

11

12   **Q.   PLEASE DESCRIBE YOUR CURRENT RESPONSIBILITIES WITH EPE.**

13   **A.**   As a Senior Rate Analyst in the Rates and Regulatory Affairs section, my  
14          responsibility is to perform or assist in the preparation of economic, customer,  
15          statistical, cost, and rate design studies and analysis; to develop models and  
16          methodologies for cost of service, profitability, and pricing studies; for  
17          conducting annualization, jurisdictional, and class cost of service studies.

18

19   **Q.   HAVE YOU PRESENTED TESTIMONY BEFORE UTILITY**  
20          **REGULATORY BODIES?**

**EL PASO ELECTRIC COMPANY  
DIRECT TESTIMONY OF  
RENE F. GONZALEZ**

1    **A.**    Yes, I have previously filed testimony with the Public Utility Commission of  
2            Texas.

3

4

**II.    PURPOSE OF TESTIMONY**

5    **Q.**    **WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

6    **A.**    The purpose of my testimony is to present EPE's reconciliation of actual 2018  
7            Renewable Portfolio Standard Cost Rider ("RPS Rider") revenues to actual costs,  
8            and to present EPE's calculation of its proposed RPS Rider for the 2020 Plan  
9            Year.

10

11   **Q.**    **ARE YOU SPONSORING ANY EXHIBITS IN THIS FILING?**

12   **A.**    Yes, I am sponsoring the following:

13            Exhibit RFG-1    Reconciliation of 2018 Renewable Portfolio Standard Costs  
14                            and Revenues;

15            Exhibit RFG-2    Calculation of the 2020 Renewable Portfolio Standard Cost  
16                            Rider; and

17            Exhibit RFG-3    Residential Bill Impacts

18

19    **III.   RECONCILIATION OF THE 2018 RENEWABLE PORTFOLIO**

20                            **STANDARD COST RIDER CALCULATION**

**EL PASO ELECTRIC COMPANY  
DIRECT TESTIMONY OF  
RENE F. GONZALEZ**

1 **Q. IS THIS EPE'S FIRST RECONCILIATION OF THE RPS RIDER**  
2 **CALCULATIONS?**

3 **A.** Yes. 2018 is the first year of cost recovery under the RPS Rider to be fully  
4 completed and reconciled.

5

6 **Q. WHAT COSTS ARE INCLUDED IN THE RECONCILIATION OF THE**  
7 **2018 RPS RIDER CALCULATIONS?**

8 **A.** The reconciliation includes the actual 2018 procurement costs in the amount of  
9 \$14,581,186 for EPE's RPS resources that were approved by the New Mexico  
10 Public Regulatory Commission ("Commission") in Case No. 17-00090-UT for the  
11 2018 Plan Year, plus \$1,138 in Western Renewable Energy Generation  
12 Information System ("WREGIS") fees incurred during 2018, and actual  
13 Commission-approved deferred WREGIS fees totaling \$5,516.

14

15 **Q. HOW DID EPE RECONCILE THE RPS COST RECOVERY?**

16 **A.** EPE compared the sum of actual RPS procurement costs, authorized to be  
17 included in the RPS Rider and as presented in EPE's 2018 Renewable Energy  
18 Portfolio Report, and incurred WREGIS costs, against the actual 2018 revenues  
19 billed to customers under the Rate No. 38 – Renewable Portfolio Standard Cost  
20 Rider rate schedule. The Commission approved that rate schedule to become

**EL PASO ELECTRIC COMPANY  
DIRECT TESTIMONY OF  
RENE F. GONZALEZ**

1 effective and implemented on January 1, 2018. Exhibit RFG-1 outlines the  
2 reconciliation, which shows that revenues exceeded costs in 2018 by \$1,606,631.

3

4 **Q. WHAT DO THE RESULTS OF THE RECONCILIATION INDICATE?**

5 **A.** The reconciliation indicates that a combination of variances in costs and energy  
6 sales (in kWh) from the amounts projected for the 2018 Plan Year resulted in RPS  
7 Rider revenue exceeding actual cost by \$1,606,631, or 11 percent. Most of that  
8 variance is attributable to differences in the 2018 Plan Year Portfolio Procurement  
9 Costs, which were projected at \$15,989,224 while actual costs amounted to  
10 \$14,582,324; a difference of \$1,406,900. The remaining difference of \$199,730  
11 is the result of actual energy sales exceeding projected energy sales.

12

13 **Q. CAN YOU IDENTIFY THE INDIVIDUAL RPS RESOURCES WHICH**  
14 **PRESENTED LOWER COSTS THAN EXPECTED IN 2018?**

15 **A.** Yes. Table 1 below compares the projected and actual costs for the Commission-  
16 approved RPS resources included in EPE's portfolio for 2018. The differences in  
17 the Table 1 are discussed in further detail in EPE witness Omar Gallegos' direct  
18 testimony.

19

20

**EL PASO ELECTRIC COMPANY  
DIRECT TESTIMONY OF  
RENE F. GONZALEZ**

1

**Table 1**

	2018		
	Projected	Actual	Difference
SWEC	\$ 1,124	\$ 1,101	\$ 23
CRLEF	\$ 14,122	\$ 103,001	\$ (88,879)
NRG	\$ 6,581,068	\$ 6,207,212	\$ 373,856
SunEdison EPE1 and EPE2	\$ 6,079,483	\$ 5,220,720	\$ 858,764
Macho Springs	\$ -	\$ -	\$ -
Hatch	\$ 1,545,895	\$ 1,311,037	\$ 234,858
Holloman	\$ -	\$ -	\$ -
DG REC Purchase Programs	\$ 1,764,711	\$ 1,738,115	\$ 26,596
WREGIS	\$ 2,820	\$ 1,138	\$ 1,682
Deferred 2017 WREGIS Costs		\$ 5,516	\$ (5,516)
Total	\$15,989,224	\$14,587,839	\$ 1,401,385

2

3

4 **Q. WHAT IS EPE PROPOSING TO DO WITH THE OVERCOLLECTION?**

5 **A.** EPE proposes to incorporate the \$1,606,631 overcollection as an offset to the  
6 2020 Plan Year Portfolio Procurement Cost, which reduces the amount to be  
7 recovered from customers in EPE's proposed RPS Rider rate for billing in 2020.

8

9 **IV. CALCULATION OF THE RENEWABLE PORTFOLIO STANDARD**

10

**COST RIDER**

11 **Q. HOW IS EPE'S RENEWABLE PORTFOLIO STANDARD COST RIDER**  
12 **CALCULATED AND WHAT ARE THE RESULTS?**

**EL PASO ELECTRIC COMPANY  
DIRECT TESTIMONY OF  
RENE F. GONZALEZ**

1   **A.**   EPE calculates the renewable portfolio standard cost rider by dividing Net Plan  
2           Year Portfolio Procurement Cost by Net Forecasted New Mexico Jurisdictional  
3           kWh Sales in each plan year. The resulting \$/kWh rider will apply to monthly  
4           energy sales. Exhibit RFG-2 presents the calculation of the proposed renewable  
5           portfolio standard cost rider which resulted in \$0.011578 per kWh in 2020 and  
6           \$0.010498 in 2021. The 2021 rate is presented for illustrative purpose only and  
7           would be adjusted in EPE's next plan year filing for, among other things,  
8           reconciliation of 2019 plan year costs and revenues.

9                       As discussed earlier, and as presented in Exhibit RFG-2, EPE proposes  
10           to incorporate and apply the over collection of \$1,606,631 for 2018 to the 2020  
11           RPS Plan Year Portfolio Procurement Cost of \$21,420,592 as calculated by EPE  
12           witness Gallegos. Dividing the Net Plan Year Portfolio Procurement Cost by  
13           2020 forecasted retail sales for New Mexico customers produces the proposed  
14           RPS Cost Rider of \$0.011578 per kWh reflected in the revised Rate No. 38  
15           presented in the testimony of EPE witness James Schichtl.

16

17   **Q.   HAS EPE CALCULATED BILL IMPACTS AS A RESULT OF THE**  
18           **CHANGE IN THE RENEWABLE PORTFOLIO STANDARD COST**  
19           **RIDER?**

**EL PASO ELECTRIC COMPANY  
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1   **A.**    Yes, Exhibit RFG-3 shows average monthly bill impacts, by season, of the change  
2           in the RPS Rider for residential customers.  The proposed 2020 RPS Rider  
3           produces a net increase in the average monthly bill for a New Mexico residential  
4           customer of 1.3 percent in summer and 1.4 percent in the winter.  The proposed  
5           2020 RPS Rider reflects a 14 percent increase from the current 2019 RPS Rider of  
6           \$0.010154.

7

8

**V.    CONCLUSION**

9   **Q.    HOW DOES EPE PROPOSE TO RECOVER THE RPS PROCUREMENT**  
10       **COSTS FOR THE 2020 PLAN YEAR?**

11   **A.**    As approved by the Commission in its prior RPS filings, EPE proposes to  
12           continue to recover 2020 Plan Year Procurement Costs through the Renewable  
13           Portfolio Standard Cost Rider.

14

15   **Q.    HOW DOES RECONCILIATION OF 2018 RPS COSTS AND REVENUES**  
16       **IMPACT THE PROPOSED 2020 RPS RIDER?**

17   **A.**    Reconciliation of the 2018 Plan Year actual costs and RPS Rider revenues  
18           produced an overcollection of \$1,606,631, which is applied against 2020 Plan  
19           Year Procurement Costs in calculating the proposed RPS Cost Rider.  If approved



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1           by the Commission, the calculated factor of \$0.011578 per kWh will go into  
2           effect in January 1, 2020.

3

4   **Q.    DOES THIS CONCLUDE YOUR TESTIMONY?**

5   **A.    Yes.**

EI Paso Electric Company  
2019 Plan Filing  
Reconciliation of 2018 Renewable Portfolio Standard Costs and Revenues

2018	Hatch	NRG	Sun Edison	EPE1	Sun Edison	EPE2	Macho Springs	CRLEF	SWEC	Holloman AFB	Distributed Generation	RPS Procurement Cost	WREGIS	Total REC Cost	RPS Cost Rider	(Over)/Under Recovery	
January	\$ 93,063.41	\$ 383,427.97	\$ 189,669.83	\$ 233,523.42	\$ -	\$ -	\$ -	\$ 1,899.99	\$ 49.66	\$ -	\$ 113,480.34	\$ 1,015,114.62	\$ 139.16	\$ 1,015,253.78	\$ 1,276,202.48	\$ (260,948.71)	
February	83,558.98	388,974.34	184,346.37	226,541.95	-	-	-	5,404.32	76.57	-	134,233.55	1,023,136.08	12.74	1,023,148.82	1,170,606.28	(147,457.47)	
March	113,032.31	557,546.34	224,988.75	291,125.23	-	-	-	7,268.00	112.32	-	143,063.03	1,356,135.98	11.91	1,356,147.89	1,044,826.93	291,320.96	
April	124,271.99	658,671.85	250,384.79	305,303.19	-	-	-	4,986.30	118.69	-	166,546.57	1,510,289.01	8.63	1,510,297.64	1,090,008.94	420,288.70	
May	146,186.30	760,405.24	274,576.65	265,632.65	-	-	-	10,069.53	133.23	-	171,412.38	1,628,418.20	-	1,628,418.20	1,246,937.56	381,480.64	
June	134,306.42	666,900.64	239,398.86	253,609.35	-	-	-	7,903.56	122.07	-	176,288.45	1,478,529.35	910.03	1,479,439.38	1,594,142.23	(104,702.85)	
July	120,494.98	615,575.27	175,043.95	206,994.55	-	-	-	112.45	120.38	-	165,084.43	1,283,225.63	7.48	1,283,233.11	1,764,778.94	(481,545.83)	
August	122,867.87	537,482.09	180,217.53	239,078.70	-	-	-	537,482.09	99.32	-	152,246.80	1,232,013.37	1.73	1,232,015.10	1,751,397.21	(521,397.21)	
September	121,415.46	569,375.25	192,310.59	227,246.09	-	-	-	1,271,160.89	65.78	-	160,714.18	1,271,160.89	8.29	1,271,169.18	1,685,994.53	(414,825.35)	
October	89,071.01	389,159.86	163,153.63	168,184.79	-	-	-	515.34	57.46	-	136,110.48	946,260.89	20.46	946,281.35	1,355,480.25	(410,198.90)	
November	89,418.90	400,454.32	201,681.65	214,197.97	-	-	-	48,146.51	33.15	-	113,459.43	1,037,426.24	17.56	1,037,443.80	1,051,115.06	(13,671.26)	
December	73,387.61	279,228.99	143,488.59	170,060.22	-	-	-	46,807.17	33.15	-	106,478.41	819,484.14	-	819,484.14	1,169,964.44	(350,480.30)	
2017 WREGIS Costs																	
Total	\$ 1,311,037.24	\$ 6,207,212.16	\$ 2,419,261.39	\$ 2,801,456.11	\$ -	\$ -	\$ -	\$ 103,000.71	\$ 1,101.10	\$ -	\$ 1,738,115.05	\$ 14,581,185.76	\$ 6,653.98	\$ 14,587,839.74	\$ 16,194,469.95	\$ (1,606,630.61)	

Variance > 11.0%

El Paso Electric Company  
2019 Plan Filing  
Renewable Portfolio Standard Cost Rider

Line No.	(a) Description	(b) Reference	(c) 2020	(d) 2021
1	Plan Year Portfolio Procurement Cost	Exhibit OG-5	\$ 21,420,592	\$ 18,098,715
2	2018 (Over)/Under Collection	Exhibit RFG-1	\$ (1,606,631)	\$ -
3	Net Plan Year Portfolio Procurement Cost		\$ 19,813,961	\$ 18,098,715
4	Net Forecasted New Mexico Jurisdictional kWh Sales	Exhibit OG-2	1,711,304,057	1,724,006,183
5	Renewable Portfolio Standard Cost Rider, per kWh		0.011578	\$ 0.010498

El Paso Electric Company  
2019 Plan Filing  
Residential Summer/Winter Monthly Bill Impact

Line No.	(a) Description	(b) kWh	(c) Typical Residential Bill - Summer* (May - October)			
			(c) Current	(d) Proposed	(e) \$ Change	(f) % Change
1	Customer Charge	-----	\$ 7.00	\$ 7.00	\$ -	0.0%
2	Energy Charge (\$/kWh) First 600 kWh Summer (May-Oct)	600	\$ 45.17	\$ 45.17	\$ -	0.0%
3	Energy Charge (\$/kWh) All other kWh Summer (May-Oct)	180	\$ 16.81	\$ 16.81	\$ -	0.0%
4	Subtotal - Non-Fuel Base Charges		\$ 68.98	\$ 68.98	\$ -	0.0%
5	Fuel Charge	780	\$ 13.42	\$ 13.42	\$ -	0.0%
6	RPS Cost Rider	780	\$ 7.92	\$ 9.03	\$ 1.11	14.0%
7	Federal Tax Credit		\$ (2.67)	\$ (2.67)	\$ -	0.0%
8	EUERF	780	\$ 2.70	\$ 2.73	\$ 0.03	1.3%
9	Total Bill @ 780 kWh		\$ 90.35	\$ 91.49	\$ 1.15	1.3%

	(g) kWh	(h) Typical Residential Bill - Winter* (November - April)				
		(h) Current	(i) Proposed	(j) \$ Change	(k) % Change	
10	Customer Charge	-----	\$ 7.00	\$ 7.00	\$ -	0.0%
11	Energy Charge (\$/kWh) Winter	554	\$ 36.17	\$ 36.17	\$ -	0.0%
12	Subtotal - Non-Fuel Base Charges		\$ 43.17	\$ 43.17	\$ -	0.0%
13	Fuel Charge	554	\$ 10.08	\$ 10.08	\$ -	0.0%
14	RPS Cost Rider	554	\$ 5.63	\$ 6.41	\$ 0.79	14.0%
15	Federal Tax Credit		\$ (1.67)	\$ (1.67)	\$ -	0.0%
16	EUERF	554	\$ 1.76	\$ 1.79	\$ 0.02	1.4%
17	Total Bill @ 554 kWh		\$ 58.96	\$ 59.78	\$ 0.81	1.4%

\*Bill Impact excludes Franchise Fees and Taxes

El Paso Electric Company  
2019 Plan Filing  
Residential Summer/Winter Monthly Bill Impact

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\*Bill Impact excludes Franchise Fees and Taxes

BEFORE THE NEW MEXICO PUBLIC REGULATION COMMISSION

FILED IN OFFICE OF

OCT -1 2019

NM PUBLIC REGULATION COMM  
RECORDS MANAGEMENT BUREAU

APPLICATION FOR APPROVAL OF )  
EL PASO ELECTRIC COMPANY'S )  
2019 RENEWABLE ENERGY PLAN )  
PURSUANT TO THE RENEWABLE )  
ENERGY ACT AND 17.9.572 NMAC, )  
AND REVISED RATE NO. 38 - RPS )  
COST RIDER )  
EL PASO ELECTRIC COMPANY, )  
Applicant. )  
\_\_\_\_\_ )

CASE NO. 19-00099-UT

AFFIDAVIT

STATE OF TEXAS )  
 ) ss.  
COUNTY OF EL PASO )

I, **Rene F. Gonzalez**, hereby depose and state under oath that the information contained in the foregoing Direct Testimony of Rene F. Gonzalez, together with all exhibits sponsored therein and attached thereto, is true and accurate based on my knowledge and belief.

SIGNED this 27 day of September, 2019.

  
RENE F. GONZALEZ

SIGNED AND SWORN to before me on 27<sup>th</sup> day of September, 2019 by Rene F. Gonzalez.

  
NOTARY PUBLIC

My commission expires:

June 20, 2022

