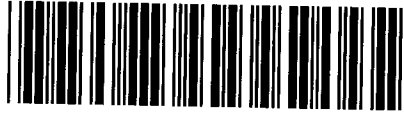




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PUC DOCKET NO. 41852
SOAH DOCKET NO. 473-14-0394

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PUBLIC UTILITY COMMISSION
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APPLICATION OF EL PASO
ELECTRIC COMPANY TO
RECONCILE FUEL COSTS

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PUBLIC UTILITY COMMISSION
OF TEXAS

ORDER

This Order addresses the application of El Paso Electric Company (EPE or Company) to reconcile fuel costs. A Stipulation and Agreement (Agreement) was executed, which resolves all of the issues in this proceeding. Consistent with the Agreement, EPE's application is approved.

The Public Utility Commission of Texas (Commission) adopts the following findings of fact and conclusions of law:

I. Findings of Fact

Procedural History

1. On September 27, 2013, EPE filed an application for reconciliation of its fuel and purchased power costs for the Reconciliation Period of July 1, 2009 through March 31, 2013.
2. EPE sought approval of an increase to the monthly amortization amount of the final mine closing costs on the Four Corners mine and to revise its demand and energy loss factors.
3. Notice of EPE's application was published once a week for two consecutive weeks in a newspaper having general circulation in each county in EPE's Texas service territory. In addition, EPE provided individual notice to EPE's Texas retail customers and to all the parties to EPE's last base rate proceeding and its last filed fuel reconciliation proceeding, Docket No. 40094.¹

¹ *Application of El Paso Electric Company to Change Rates and Reconcile Fuel Costs*, Docket No. 40094, Order (May 23, 2012).

4. On September 30, 2013, the Commission referred this case to the State Office of Administrative Hearings (SOAH) to conduct an evidentiary hearing and preparation of a proposal for decision.
5. The following parties filed for and were granted intervenor status in this docket: the City of El Paso (City), Texas Industrial Energy Consumers (TIEC), and Rockney Bacchus. Commission Staff was also a party in this docket.
6. On November 12, 2013, the Commission issued the Preliminary Order setting forth the issues to be addressed in this proceeding.
7. On March 28, 2014, the SOAH ALJ issued Order No. 5, granting a joint motion by all of the parties to extend the procedural schedule indefinitely in order to facilitate settlement negotiations among the parties.
8. On June 6, 2014, EPE, Commission Staff, the City, and TIEC, (collectively, Signatories) filed the Agreement, together with their Joint Motion to Implement Stipulation and Agreement and Admit Evidence. The Agreement is supported by all of the parties to this proceeding, except for Rockney Bacchus. Mr. Bacchus, while not a signatory to the Agreement, does not object to it.
9. On June 9, 2014, the SOAH ALJ issued Order No. 6, admitting into evidence EPE's pre-filed exhibits and other documents (including the Company's application, the Agreement and its attachments, the settlement testimony of Steven Buraczyk, and the settlement memoranda of Larry Reed and Glenda Spence). This proceeding was also dismissed from the SOAH docket and returned to the Commission for further processing.

Description of the Agreement

10. Under the Agreement, EPE's fuel costs for the Reconciliation Period are finally reconciled with a "black box" reduction of fuel costs in the Texas Retail amount of \$1.75 million. This disallowance will be applied ratably over the Reconciliation Period and allocated to the rate classes as shown in Appendix B to the Agreement.

11. Under the Agreement, the current off-system sales margin sharing that provides for EPE to retain 10% of the margins will continue through March 31, 2014, and beginning April 1, 2014, the margin sharing shall change as follows:
 - a. customers will receive the benefit of 100% of the margins on non-arbitrage sales;
 - b. margins on arbitrage sales shall be shared, with the customers receiving 50% of the margins and the Company keeping 50% of the margins;
 - c. if on an annual basis, there is in total a net loss on off-system arbitrage sales, the net loss will not be passed on to customers; and
 - d. irrespective of subpart b. above, from April 1, 2014 through June 30, 2015, EPE's total share of the margins assignable to the Texas retail jurisdiction, on arbitrage and non-arbitrage off-system sales, may not exceed 10% of the total margins assignable to the Texas retail jurisdiction on all off-system sales.
12. Under the Agreement, off-system sales margins shall be calculated as set out in the Agreement in this proceeding, and to the extent the provisions concerning the calculation of margins in the Stipulation in Docket No. 30143² conflict with the Agreement in this proceeding, those provisions of the Stipulation in Docket No. 30143 will no longer apply.
13. Under the Agreement, EPE agrees to file a request in a separate proceeding for a Commission finding on the reasonableness of its decision to not continue its participation in Units 4 and 5 of the Four Corners power plant after July 1, 2016. EPE agrees to file the request within 120 days of the execution of the contract which contains the terms of EPE's disposition of its Four Corners interest. Commission Staff takes no position on this provision of the Agreement.
14. Under the Agreement, EPE will seek to increase the monthly amortization of the Four Corners' Units 4 and 5 coal mine final reclamation costs recovered through the fixed fuel factor over the remaining life of the Four Corners Units 4 and 5 in the separate proceeding to address the reasonableness of the decision to not continue to participate in the Four Corners power plant. The current monthly amortization of \$69,275 will

² *Application of El Paso Electric Company for Authority to Reconcile Fuel Costs*, Docket No. 30143, Order (Mar. 21, 2006).

continue until resolved in that separate proceeding. Commission Staff takes no position on this provision of the Agreement.

15. Under the Agreement, EPE agrees to reimburse the City for its reasonable rate case expenses in the amount of \$ 94,339.40 for this fuel reconciliation proceeding.
16. Under the Agreement, EPE agrees it will not request the inclusion of the costs of environmental consumables as defined in P.U.C. SUBST. R. 25.236(a)(3) as adopted by the Commission in its open meeting of May 16, 2014, until those costs have been removed from base rates in a base rate proceeding. The effective date of such inclusion in fuel cost shall not be before the effective date of the base rates resulting from that base rate proceeding.
17. Under the Agreement, the Signatories agree that the terms and conditions of EPE's fuel and fuel-related contracts entered into or modified during the Reconciliation Period, listed in Exhibit C to EPE's application in this proceeding, should be found prudent and reasonable. However, this does not preclude reviewing the continued prudent administration of those contracts in future fuel reconciliation proceedings.
18. Under the Agreement, the Signatories agree that EPE's request to update its demand and energy loss factors, as set out in the testimony of Evan Evans, as adopted by James Schichtl, should be adopted on a prospective basis effective with the entry of a final order in this docket.
19. The Signatories to the Agreement agree that its overall terms and conditions result in just and reasonable rates and that the public interest will be served by resolution of the issues addressed herein in the manner prescribed by the Agreement.

Resolution of Fuel Reconciliation Issues

20. As modified by the Agreement, EPE's Texas jurisdictional fuel factor over-recovery balance (principal and interest) for the Reconciliation Period is increased, as detailed below, to account for the agreed disallowance of costs from the Reconciliation Period fuel costs:

Cumulative Over-Recovery Balance, as filed	\$3,054,042
Agreed Reduction of Requested Fuel Costs	\$1,750,000
Interest on Agreed Reduction	\$ 10,783
Cumulative Over-Recovery Balance	\$4,814,825

21. The terms and conditions of EPE's fuel and fuel-related contracts entered into or modified during the Reconciliation Period, listed in Exhibit C to EPE's Petition in this proceeding, are prudent and reasonable. However, this does not preclude reviewing the continued prudent administration of those contracts in future fuel reconciliation proceedings.
22. EPE's request to update its demand and energy loss factors on a prospective basis is reasonable.
23. The City of El Paso's rate case expenses for this fuel reconciliation proceeding in the amount of \$ 94,339.40 are reasonable.

Consistency of the Agreement with PURA and Commission Requirements

24. The Agreement is the result of good faith negotiations by the Signatories, and these efforts, as well as the overall result of the Agreement viewed in light of the record as a whole, support the reasonableness and benefits of the terms of the Agreement.
25. The eligible fuel costs incurred by EPE during the Reconciliation Period are resolved in their entirety as to the reasonableness and necessity of EPE's eligible fuel and fuel-related expenses for the Reconciliation Period. The compromise and settlement in its entirety is a just and reasonable resolution.

II. Conclusions of Law

1. EPE is a public utility as that term is defined in § 11.004(1) of the Public Utility Regulatory Act, TEX. UTIL. CODE ANN. §§ 11.001-66.016 (Vernon 2007 & Supp. 2013) (PURA) and an electric utility as that term is defined in PURA § 31.002(6).
2. The Commission exercises regulatory authority over EPE and jurisdiction over the subject matter of this application pursuant to PURA §§ 14.001, 36.001, and 36.203.

3. This docket was processed in accordance with the requirements of PURA and the Texas Administrative Procedure Act, TEX. GOV'T CODE ANN. Chapter 2001 (Vernon 2008 & Supp. 2013), and Commission rules
4. EPE provided notice of the application in compliance with P.U.C. SUBST. R. 25.235(b).
5. The Agreement, taken as a whole, is a just and reasonable resolution of all the issues it addresses, results in just and reasonable rates, terms and conditions, and is consistent with the relevant provisions of PURA.
6. EPE's application, as modified by the Agreement, meets the requirements of P.U.C. SUBST. R. 25.236 regarding fuel reconciliations and is a reasonable resolution of the issues in this proceeding.
7. EPE's fuel and fuel-related revenues and expenses for the period July 2009 through March 2013 are reconciled.
8. The Agreement resolves all issues pending in this docket.
9. The Commission's adoption of a final order consistent with the Agreement satisfies the requirements of TEX. GOV'T CODE ANN. §§ 2001.051 and 2001.056 without the necessity of a decision on contested case issues resulting from a hearing on the merits.
10. The requirements for informal disposition pursuant to P.U.C. PROC. R. 22.35 have been met in this proceeding.

III. Ordering Paragraphs

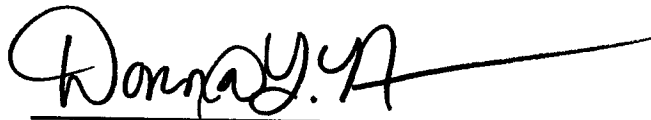
In accordance with these findings of fact and conclusions of law, the Commission issues the following order:

1. Consistent with the Agreement, EPE's application to reconcile fuel costs is approved.
2. EPE's proposed demand and energy loss factors are approved on a prospective basis, effective beginning on the first day of the month following this Order.
3. The margins on off-system sales shall be calculated and shared as provided by the Agreement.

4. Entry of this Order does not indicate the Commission's endorsement or approval of any principle or methodology that may underlie the Agreement. Entry of this Order shall not be regarded as binding holding or precedent as to the appropriateness of any principle or methodology underlying the Agreement.
5. All other motions, requests for entry of specific findings of fact, conclusions of law, and ordering paragraphs, and any other requests for general or specific relief, if not expressly granted in this order, are hereby denied.

SIGNED AT AUSTIN, TEXAS the 11th day of July 2014.

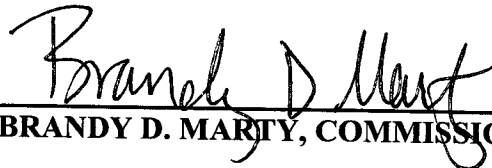
PUBLIC UTILITY COMMISSION OF TEXAS



DONNA L. NELSON, CHAIRMAN



KENNETH W. ANDERSON, JR., COMMISSIONER



BRANDY D. MARTY, COMMISSIONER