

**BEFORE THE NEW MEXICO PUBLIC REGULATION COMMISSION**

**IN THE MATTER OF EL PASO ELECTRIC )  
COMPANY'S APPLICATION FOR A )  
CERTIFICATE OF PUBLIC CONVENIENCE )  
AND NECESSITY TO CONSTRUCT A )  
UTILITY GENERATING PLANT AT ITS )  
RIO GRANDE POWER PLANT )  
 )  
EL PASO ELECTRIC COMPANY, )  
Applicant. )  
\_\_\_\_\_ )**

**Case No. 10-00 -UT**

**EL PASO ELECTRIC COMPANY'S APPLICATION  
FOR CERTIFICATE OF PUBLIC CONVENIENCE AND NECESSITY**

El Paso Electric Company ("EPE") hereby files its Application for approval by the New Mexico Public Regulation Commission ("NMPRC" or "Commission") of a Certificate of Public Convenience and Necessity ("CCN") in accordance with the New Mexico Public Utility Act, NMSA 1978, Sections 62-9-1 and 62-9-6. EPE requests a CCN to construct, own and operate a nominally rated 87 Megawatt ("MW") natural gas-fired simple cycle combustion turbine generating unit, designated as Rio Grande Unit 9, to be constructed at EPE's existing Rio Grande Power Station located in Sunland Park, New Mexico. EPE also requests that pursuant to NMPRC Rule 17.3.580 NMAC, the Commission include a "Certificated Estimated Cost" for Rio Grande Unit 9, which includes the estimated total cost of construction of electric generating plant for the utility, including Allowances for Funds Used During Construction ("AFUDC"). In support of this Application, EPE states the following:

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 Commission under the 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 New Mexico and Texas. EPE provides retail electric service to approximately 90,000 customers within its New Mexico service area.

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

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

4. Based on EPE's current and previous load forecasts, EPE requires additional generating resources in order to provide adequate reliable service and to meet customer load growth, improve system reliability and efficiency and provide an adequate reserve margin, especially during its peak summer hours when needed.

5. EPE proposes to construct a GE LMS100 simple-cycle aero- derivative combustion turbine with peaking capability at its existing Rio Grande Power Station located in Sunland Park, New Mexico. EPE has an existing franchise of Sunland Park for its utility operations.

6. The gas-fired generating unit will be located adjacent to existing Rio Grande Unit 8 and will be developed as an EPE-owned capacity addition. The nameplate rating of the project is 100 MW at ISO conditions. Given the elevation and conditions at the Rio Grande site, Rio Grande Unit 9 will provide 87 MW<sub>net</sub> of peaking capacity at summer peak which will be delivered directly to the EPE transmission system. Rio Grande Unit 9 will be used mostly during EPE's peak hours and is expected to operate at about a 25 percent capacity factor. The new unit

is scheduled to be completed by May 1, 2013, in time for the summer peak load.

7. EPE engaged in a competitive bidding process for new capacity resources through the issuance of a Request for Proposals ("RFP"). Because EPE's Generation Group participated in the competitive bid process by submitting proposed self-build projects, EPE utilized an Independent Evaluator to ensure that the competitive bidding process was fair and resulted in the selection of the most economic option that was responsive to EPE's system needs.

8. The total cost for the project is estimated to be approximately \$75 million, excluding allowance for funds used during construction ("AFUDC"). The \$75 million includes \$1.5 million as a contingency. EPE estimates AFUDC to be \$ 8.9 million, for a total estimated project cost of \$83.9 million. Operating and Maintenance costs are estimated to be approximately \$530,000 in annualized maintenance cycle costs.

9. Pursuant to the CCN statute, Section 62-9-1, a utility may make a request to determine the ratemaking principles and treatment that will be applicable for the new facilities subject to a CCN proceeding. Once in operation, the fuel costs associated with Rio Grande Unit 9, together with any fuel savings that may be achieved, with flow through EPE's existing Fuel and Purchased Power Cost Adjustment Clause ("FPPCAC") and will be included in EPE's related NMPRC Rule 550 monthly reports. EPE will seek base rate treatment of the capital costs and ongoing plant maintenance and operation expenses in a future general ratemaking proceeding.

10. EPE's supporting testimony and exhibits demonstrates that the proposed Rio Grande Unit 9 is required by the public convenience and necessity and will not result in unnecessary duplication or economic waste. It is the most appropriate alternative among the range of resources considered by EPE to meet its capacity needs.

11. EPE is filing the Direct Testimonies and Exhibits of David G. Carpenter, John A. Whitacre, Ricardo Acosta, William Patton, and Wayne Oliver in support of its application, which address the following information:

- a. David G. Carpenter, Senior Vice President – Chief Financial Officer, presents EPE's overall request for a CCN and summarizes the Company's filing. He also specifically sponsors information about how Rio Grande Unit 9 will be financed, together with the estimated AFUDC.
- b. Ricardo Acosta, Director-Resource and Delivery Planning, describes the proposed Rio Grande Unit 9 generating facility, including technical matters such as the technology selected, costs and schedule. He explains why the project is needed considering EPE's load and reserve margin criteria and other factors, and the operational and related benefits it will bring to EPE and its customers. Mr. Acosta also describes the evaluative process that EPE followed throughout the RFP process that culminated in the selection of Rio Grande Unit 9 project as the best fit for EPE's needs.
- c. John Whitacre, Vice President-System Operations and Planning, addresses transmission considerations and the effect on EPE's transmission system of the construction and operation of Rio Grande Unit 9 on EPE and any other electric utility serving the proximate area.
- d. William P. Patton, Director-Forecast Planning, presents the load forecasts that support the need for Rio Grande Unit 9.
- e. Wayne Oliver, Principal of Merrimack Energy Group, Inc., describes the RFP process EPE followed that culminated in the selection of Rio Grande Unit 9, with

an emphasis on the economic analyses. Mr. Oliver is an outside consultant who served as the third-party bid analyst in evaluating the responses to EPE's RFPs to ensure that the RFP process and bid evaluations were fair and unbiased and produced a favorable outcome for EPE and its customers.

12. EPE seeks timely treatment of its Application to meet the construction schedule for the combined-cycle plant to meet EPE's 2013 capacity needs in a timely manner, but in any event requests that this matter be concluded within nine months from the date of this Application. NMSA 1978 Section 62-9-1(C). EPE submits that no good cause exists to delay disposition of this matter beyond the nine months provided in the CCN statute.

13. As indicated on the Certificate of Service attached hereto, EPE has mailed a copy of its Application and supporting Direct Testimonies and Exhibits to parties to EPE's most recent general rate case (NMPRC Case No. 09-00171-UT).

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

Nadia Powell, Senior Case Manager  
El Paso Electric Company  
100 N. Stanton  
El Paso, Texas 79901  
(915) 543-2284

Randall W. Childress, Esq.  
Stacey J. Goodwin, Esq.  
Law Offices of Randall W. Childress, P.C.  
300 Galisteo Street, Suite 205  
Santa Fe, NM 87501  
(505) 982-4147  
(505) 982-4402 [fax]

WHEREFORE, EPE respectfully requests that the Commission, after such notice and hearing as it deems necessary, issue a Final Order in this case that:


Approves a CCN for the construction, ownership and operation of Rio Grande Unit 9;

Permits the recovery of fuel costs associated with Rio Grande Unit 9 through EPE's FPPCAC;

Certifies the estimated cost of the project to be \$83.9 million in accordance with NMPRC Rule 17.3580 NMAC and reserves ratemaking treatment of capital costs and plant maintenance and operational expenses for a future general rate case proceeding; and

Grants such other approvals, authorizations and relief as may be necessary or appropriate.

Respectfully submitted,



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Randall W. Childress, Esq.  
Stacey J. Goodwin, Esq.  
Law Offices of Randall W. Childress, P.C.  
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**Attorneys for El Paso Electric Company**