

BEFORE THE NEW MEXICO PUBLIC REGULATION COMMISSION

**IN THE MATTER OF THE APPLICATION)
OF EL PASO ELECTRIC COMPANY FOR)
REVISION OF ITS RETAIL ELECTRIC)
RATES PURSUANT TO ADVICE NOTICE)
NO. 317)**

Case No. 25-00082-UT

**EL PASO ELECTRIC COMPANY,)
Applicant.)**

DIRECT TESTIMONY

OF

JAMES A. SCHICHTL

ON BEHALF OF

EL PASO ELECTRIC COMPANY

MARCH 2026

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1 **I. INTRODUCTIONS AND QUALIFICATIONS**

2 **Q1. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

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

5
6 **Q2. HOW ARE YOU EMPLOYED?**

7 **A.** I currently serve as the Vice President of Customer and Regulatory Solutions for
8 El Paso Electric Company ("EPE" or "Company"). I have served as an EPE Vice
9 President in charge of a range of responsibilities since June 2016.

10
11 **Q3. PLEASE SUMMARIZE YOUR EDUCATIONAL BACKGROUND.**

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

17
18 **Q4. PLEASE SUMMARIZE YOUR PROFESSIONAL EXPERIENCE.**

19 **A.** Prior to joining EPE in February 2012, I spent 18 years in various regulatory
20 functions at Southern California Edison Company ("SCE"), 12 of those years in a
21 managerial capacity. As Manager of Pricing Design and Research, I was

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1 responsible for SCE's rates and tariffs during deregulation and changes required
2 following the California power crisis in 2001. I was subsequently promoted to
3 Manager of Tariffs and Advice Letters, with broad responsibility within regulatory
4 for evaluating California statute, rules, and regulations and managing regulatory
5 efforts at the California Public Utilities Commission ("CPUC").

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

15
16 **Q5. PLEASE DESCRIBE YOUR CURRENT RESPONSIBILITIES WITH EPE.**

17 **A.** As Vice President of Customer and Regulatory Solutions, I am responsible for the
18 oversight and direction of EPE's Load Research & Data Analytics, Rate Research,
19 and Regulatory Case Management groups. Load Research performs load research,
20 data analysis and forecasting functions. Rate Research encompasses EPE's rate
21 research function, jurisdictional and class cost of service studies, rate design

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1 analysis, and the development of retail rate schedules and charges. The Regulatory
2 Case Management group coordinates and oversees regulatory filings made by EPE
3 with the PUCT, the NMPRC, and the Federal Energy Regulatory Commission
4 ("FERC"), and local municipal regulators. My job duties require knowledge of the
5 statutory and regulatory requirements of each jurisdiction. I was assigned
6 responsibility for the Customer Care and Meter and Field Services groups in 2025.
7 Customer Care includes EPE's billing, customer contact, and collections groups.
8 The Meter and Field Services group handles AMI meter installations, other field
9 services, and investigates energy diversion. Up until that time, I was also
10 overseeing the Company's Market Development and Resource Management
11 Department in 2024. In my role as Vice President of Customer and Regulatory
12 Solutions, I continue to regularly coordinate with that department.

13
14 **Q6. HAVE YOU PREVIOUSLY PRESENTED TESTIMONY BEFORE**
15 **REGULATORY BODIES?**

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

18
19 **Q7. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

20 **A.** My testimony provides an overview of EPE, its operations, and its strategic goals
21 for a robust energy transition to achieve New Mexico's decarbonization mandates

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1 while remaining firmly anchored to our foundational responsibilities of delivering
2 safe, reliable, and affordable electricity. I also introduce EPE's rate filing
3 application, including EPE's requested return on equity ("ROE") and capital
4 structure. Finally, my testimony highlights the benefits to customers from EPE's
5 continued investment in infrastructure upgrades, smart technology rollouts, and
6 renewable resource integration.

7
8 **II. MANAGEMENT AND COMPANY STRATEGY**

9 **Q8. PLEASE DESCRIBE EPE'S SENIOR MANAGEMENT.**

10 **A.** Quality of management is an important objective for EPE. The Company has a
11 strong executive team in place that is well equipped to manage the Company and
12 handle the challenging issues that EPE is facing and will face in a rapidly evolving
13 industry. In addition to myself, the management team consists of:

14 **Kelly A. Tomblin** is the Chief Executive Officer ("CEO") of EPE and has
15 served in that position since September 2020. Ms. Tomblin brings more than 35
16 years of knowledge and experience in the energy industry, in both competitive and
17 vertically integrated markets throughout the United States, the Caribbean, the
18 United Kingdom, and Latin America. She has experience in the generation,
19 transmission, and distribution sectors as well as renewable development, energy
20 services, and sales. Before joining EPE, Ms. Tomblin, a winner of the S&P Platts
21 Global CEO of the Year award, served as Chief Executive Officer of INTREN,
22 L.L.C., a leading utility solutions provider with 14 regional offices throughout the
23 United States. Ms. Tomblin has an MBA from New York University's Leonard
24 Stern School of Business and a Juris Doctorate and Bachelor of Science in
25 Journalism with a public relations concentration from West Virginia University.

26
27 **David Rodriguez** is EPE's Vice President of Energy Supply and Distribution
28 Operations. Mr. Rodriguez oversees the Company's Power Generation and

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1 Distribution functions. Mr. Rodriguez has been with EPE since 2003 and has had
2 increasing levels of responsibility during his career at the Company. Mr. Rodriguez
3 holds a Bachelor of Arts degree in Management and a Master of Business
4 Administration with a concentration in Finance, both from the University of Texas
5 at El Paso.

6
7 **Robert Norris**, Chief Financial Officer, oversees EPE's Financial Accounting,
8 Regulatory Accounting, Tax, Cash Management, Financial Planning & Analysis,
9 Claims & Risk, Internal Audit, and Human Resources departments. Prior to joining
10 EPE, Mr. Norris served as CFO at multiple companies, including AMP, Legacy
11 Reserves and VoltaGrid. He was also president at CapturePoint Solutions, a startup
12 carbon capture and sequestration business. Mr. Norris holds a bachelor's degree in
13 economics and a master's degree in business administration from the University of
14 Texas at Austin.

15
16 **Cynthia Henry**, Vice President and General Counsel, has been with EPE since
17 2013. Ms. Henry oversees EPE's Legal, Regulatory and Government Affairs,
18 Public Relations, and Supply Chain departments. Prior to joining EPE, Ms. Henry
19 worked for Xcel Energy in Denver, Colorado, as the Manager of FERC
20 Compliance. She holds a Bachelor of Arts degree from Brown University, a Juris
21 Doctorate from the University of Texas at Austin, a Master of Law from the
22 University of London, and an Executive MBA from IE and Brown University.

23
24 **David C. Hawkins**, Vice President of System Planning and Operations
25 Support, has been with EPE since 2002. He oversees operation of El Paso Electric's
26 electric grid; planning activities of the transmission system; the FERC
27 interconnection process for generation and transmission projects to EPE's system;
28 environmental compliance with all regulatory agencies; business improvement
29 solutions on an enterprise level; activities related to the acquisition/disposal of land
30 and land rights for construction of generation, substation, transmission, and
31 distribution facilities. Mr. Hawkins holds a Master of Science degree and a
32 Bachelor of Science degree in Electrical Engineering from New Mexico State
33 University.

34
35 **Cheryl Mele**, Vice President, Chief Technology Officer, is responsible for
36 leading the enterprise technology transformation to enhance business operations
37 and customer service. Her team, which includes infrastructure, operations
38 applications, enterprise architecture, business applications, data analytics, and
39 cybersecurity, collaborates across the utility to develop digital, data, and
40 technology strategies supporting enterprise objectives. Previously, Ms. Mele
41 served as Vice President of Customer and Employee Services at El Paso Electric.

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1 Her career in energy also includes Austin Energy, where she was the Deputy
2 General Manager and Chief Operating Officer, and ERCOT, where she was Senior
3 Vice President and Chief Operating Officer. Ms. Mele has a BS in Mechanical
4 Engineering from Union College in Schenectady, New York, is a registered
5 professional engineer, and completed the utility executive program at the
6 University of Idaho.

7
8 **Jessica Christianson**, Vice President of Business Development, has been with
9 EPE since 2013. The energy solutions and business development teams she
10 manages oversee the planning, design, and delivery of strategic growth initiatives
11 in the areas of clean and renewable energy development, emerging technology, and
12 beneficial electrification. She holds a Master of Science degree in Environmental
13 Engineering, Master and Bachelor of Science degrees in Crop and Soil Science,
14 and a Graduate Certificate in Public Utility Regulation and Economics from New
15 Mexico State University.

16
17 **Omar A. Gallegos**, Vice President of Energy Delivery, is responsible for
18 Transmission & Distribution ("T&D") planning, engineering, construction, and
19 maintenance. This includes long-term planning, and project management of
20 infrastructure construction projections including the interconnection of energy
21 resources. He is also responsible for customer service connections. Finally, he is
22 responsible for the maintenance of T&D infrastructure and facilities to provide safe
23 and reliable service for our customers and community. Mr. Gallegos has been with
24 EPE since 2009, and holds a Bachelor of Science in Mechanical Engineering and a
25 Master of Business Administration from the University of Texas at El Paso. He
26 also obtained a Graduate Certificate in Public Utility Regulation and Economics
27 from New Mexico State University and completed the Energy Executive Course
28 from the University of Idaho in 2019.

29
30 **Cynthia S. Prieto**, Vice President-Controller, has been with EPE since 2006.
31 Ms. Prieto leads the Company's accounting, tax and financial systems functions as
32 the Company's Principal Accounting Officer. Prior to joining El Paso Electric, she
33 served as the Controller of Continental National Bank and as a Senior Manager at
34 KPMG LLP. Ms. Prieto holds a Bachelor of Business Administration Degree with
35 a concentration in Accounting from the University of New Mexico.

36
37 The combination of experience and diverse backgrounds of the Company
38 executives provides EPE with a strong management team well equipped to lead

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1 EPE in both the fundamentals of providing safe, reliable, and affordable power, and
2 with navigating the increasingly complex challenges facing the utility industry.
3

4 **Q9. PLEASE DESCRIBE THE IMPACT ON EPE AND THE SERVICE**
5 **TERRITORY OF THE ACQUISITION OF THE COMPANY BY IIF IN**
6 **2020.**

7 **A.** On March 11, 2020, the Commission issued a Final Order in Case
8 No. 19-00234-UT approving the acquisition of EPE by Sun Jupiter Holdings LLC,
9 an indirect, wholly-owned subsidiary of IIF US Holding 2 LP, one of three limited
10 partnerships that constitute the "Infrastructure Investments Fund" ("IIF"). IIF is a
11 long-term private investment fund that invests capital provided predominantly by
12 institutional investors (such as pension funds and insurance companies) in
13 infrastructure companies in developed countries.

14 Access to the capital needed to maintain a safe reliable system in
15 New Mexico and to enable growth has been enhanced by IIF equity infusions,
16 which support IIF's focus on economic development in the region. IIF's focus on
17 economic development in our region has also been critical, starting with the \$20
18 million development fund IIF established in New Mexico with the acquisition of
19 EPE.
20
21

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1 **Q10. WHAT ARE EPE'S KEY STRATEGIC GOALS?**

2 **A.** EPE's mission and vision are to transform the energy landscape and power
3 economic growth, innovation, and prosperity in our region. EPE has developed and
4 evolved five strategic anchors over the last five years to support those goals.

5
6 **Q11. PLEASE DISCUSS EPE'S ANCHORS AND INITIATIVES THAT**
7 **UNDERLIE THE COMPANY'S STRATEGIC PLAN.**

8 **A.** EPE's five strategic anchors focus on improving customer satisfaction, supporting
9 growth, leveraging technology, advancing environmental goals, and fostering a
10 culture of excellence.

11 **Be a Trusted Partner**

12 EPE will simplify customer processes and improve the overall customer
13 experience. The Company aims to maintain high reliability, affordability, and
14 transparency by improving construction management, outage scheduling,
15 cybersecurity, and technology deployment. Affordability efforts include process
16 streamlining, technology adoption, and fuel cost reduction. External partnerships
17 will support economic growth and positive regulatory outcomes.

18 **Serve Growth**

19 EPE is focused on delivering solutions to serve large customers and to improve the
20 customer mix to the benefit of the entire system. Strategic partnerships will drive
21 growth by securing generation and grid resources, replacing retiring generation, and

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1 optimizing transmission. Efforts will enhance load management, energy efficiency,
2 and customer service. EPE recognizes the need to optimize regulatory mechanisms
3 to balance the needs of all stakeholders.

4 **Leveraging Technology**

5 EPE transformative goals require that the Company adopt and integrate enterprise
6 and support systems to boost efficiency, and to advance the adoption of artificial
7 intelligence and innovation throughout the organization. Enabling systems and
8 training to ensure cybersecurity has never been more important and is a critical
9 Company imperative.

10 **Advance a Cleaner Future**

11 EPE will deploy programs and technologies to increase energy efficiency and
12 mitigate peak demand growth. Investments will focus on renewable resources,
13 electrification, environmental compliance, and demand response programs.
14 Initiatives include customer education, integrated resource planning, solar and
15 battery projects, and regulatory filings for grid expansion.

16 **Drive a Culture of Excellence**

17 EPE's people are the key to successfully accomplishing our mission. The Company
18 commits to safety, wellness, and employee development through personal
19 development plans, coaching, and leadership training. Engagement will be
20 enhanced via clear communication and accountability.

III. STRATEGIC OVERVIEW

Q12. PLEASE DESCRIBE THE ISSUES AND DEMANDS CURRENTLY FACING ELECTRIC UTILITIES IN THE UNITED STATES.

A. The electric utility industry is experiencing generational structural change driven by electrification, decarbonization mandates, technology shifts, and new load growth. From an engineering and regulatory perspective, the sector faces simultaneous system expansion, operational complexity, and evolving regulatory frameworks. I would categorize the challenges as –

1. Rapid Load Growth and Electrification
2. Transmission Expansion and Interregional Coordination
3. Reliability, Resilience, and Extreme Weather
4. Financial and Capital Market Pressures
5. Distributed Energy Resources and Grid Modernization
6. Decarbonization and Resource Transition

Many of these challenges are familiar from the last decade, but the potential load growth attributable to extremely large load customers, primarily data centers, has changed the nature and urgency of the other issues. For example, rapid growth from large customers and the attendant economic benefits increase financial pressures and challenge decarbonization and resource transition initiatives. In addition, in the background for many of these challenges are near-term supply chain

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1 issues constraining new generation and transmission capacity expansion. These
2 challenges all may contribute to increased costs for the system.
3

4 **Q13. HOW DO THOSE ISSUES AND DEMANDS IMPACT EPE'S**
5 **OPERATIONS IN NEW MEXICO?**

6 **A.** Over the last five years, the most critical concerns have been decarbonization and
7 the transition to clean resources, electrification, distributed energy resources
8 ("DER") and grid modernization, and transmission. The energy transition and
9 renewable portfolio standards ("RPS") have dominated the conversation. Resource
10 planning and procurement have been diverging between EPE's jurisdictions due to
11 very different state policy objectives, and EPE has been successful in meeting RPS
12 requirements and would expect to continue that for normal, historical growth. But
13 the large load imperative of just the last two years upends the status quo.
14

15 **Q14. WHY IS THAT?**

16 **A.** EPE's peak demand in New Mexico is about 500 MW. Just one large load customer
17 could double or triple EPE's jurisdictional peak and severely complicate RPS
18 compliance (especially given the energy intensive nature of data center). Large
19 loads in New Mexico represent generational economic development opportunities,
20 but they require rapid resource development, transmission, and dispatchable (likely
21 gas) resources. Serving those customers, which may require significant future

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1 capital investment, also introduces new financial and regulatory issues. In this case,
2 EPE is proposing new large load tariffs designed to recover the costs associated
3 with serving these customers. Importantly, service under the new tariffs also
4 requires an Energy Service Agreement designed to ensure other customers and EPE
5 are protected from the severe financial implications that could result from service
6 to customers requiring significant system investment.

7
8 **Q15. IS EPE ON TRACK TO COMPLY WITH ITS NEAR AND LONG-TERM**
9 **RPS OBLIGATIONS UNDER THE RENEWABLE ENERGY ACT?**

10 **A.** Yes. EPE exceeded the 40 percent RPS requirement in 2025 and expects to
11 continue to meet or exceed the renewable and clean energy requirements as they
12 increase to 50 percent in 2030 and beyond. In 2016, EPE was the first, and so far
13 only, New Mexico utility to exit coal generation, and the Company continues to
14 add significant amounts of solar generation and battery storage. EPE is confident
15 the Company will reach full compliance with New Mexico policy requirements
16 while pursuing its own Company-wide sustainability goals.

17 The long-term picture is more complicated. Renewable resource additions,
18 which just two years ago dominated generation capacity growth in the United
19 States, have become more complicated and expensive with supply chain and tariff
20 issues, as well as swings in federal policy. Renewable Energy Act compliance,

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1 already challenging as the RPS increases, will be even more so in the event EPE's
2 retail energy sales increase substantially with new large load customers.

3
4 **Q16. WHAT IS EPE DOING TO MODERNIZE AND BUILD ITS GRID TO**
5 **SUPPORT GROWTH, SYSTEM RELIABILITY AND RESILIENCE, AND**
6 **TO INTEGRATE RENEWABLE RESOURCES?**

7 **A.** EPE was the first utility in New Mexico to utilize the Grid Modernization statute
8 to implement advanced metering. With completion of the project in 2025, EPE has
9 significant technology at the customer end of the distribution system to enable new
10 pricing options and demand response programs. EPE witness Omar Gallegos
11 details the three components of the transmission and distribution plant investment
12 included in this case – (1) organic, or normal, growth, (2) the interconnection of
13 renewable energy resources, and (3) reliability investments. The last category
14 includes wildfire mitigation investments as well as technology and grid
15 enhancements with substations designed for improved outage mitigation and
16 restoration.

17
18 **Q17. DOES EPE'S TRANSITION STRATEGY INCLUDE DEMAND-SIDE**
19 **TECHNOLOGIES TO DEFER OR REPLACE NEW SUPPLY-SIDE**
20 **INFRASTRUCTURE PROJECTS?**

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1 **A.** Yes. EPE’s recently accepted Integrated Resource Plan includes commitments to
2 procure more demand-side resources. But that effort has become even more critical
3 with the potential for rapidly increasing load amid supply-side resource limitations.
4 Because new load may only be realized with accelerated resource procurement, a
5 focus on demand-side options may be critical to realizing economic development
6 opportunities.

7

8 **IV. OVERVIEW OF EPE’S APPLICATION**

9 **Q18. WHEN WAS EPE’S LAST RATE CASE AND WHAT WAS THE RESULT?**

10 **A.** Shortly after EPE’s 2020 acquisition by IIF was approved by the Commission, EPE
11 filed an application for revision of its retail rates in Docket No. 20-00104-UT. The
12 timing of EPE’s required filing was pursuant to a Commission order extending back
13 to EPE’s exit from the Four Corners Power Plant in 2016 in Docket
14 No. 15-00109-UT. EPE requested a revenue increase of \$7.354 million, 6.1 percent
15 over existing base revenues, based on a requested ROE of 10.4 percent. In its order
16 issued on June 23, 2021, the Commission adopted a decrease of \$3.3 million with
17 an ROE of 9 percent, which at the time was the among the lowest in the country.
18 EPE appealed the order in the case and was ultimately granted relief on several
19 issues.¹ The last time a base rate increase was authorized for EPE was by final

¹ While the 2019 rate case docket is closed, EPE continues to have an appeal pending at the NM Supreme Court.

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1 order in the Company's 2015 case, and that rate increase was less than one million
2 dollars.

3
4 **Q19. WHY IS EPE FILING THIS RATE CASE AT THIS TIME?**

5 **A.** The issuance of the final order in EPE's last rate case was a demarcation point for
6 EPE. Completion of the acquisition of EPE occurred on July 20, 2020, and the
7 Company began a transition of management and mission going forward under new
8 ownership. One distinct difference in operations of the Company is the increased
9 capital investment in facilities serving the EPE system and New Mexico. As
10 explained in the testimony of EPE witness Richard Gonzalez, capital investment by
11 EPE has increased over the last five years and is expected to continue and even
12 increase over the next five years. These investments are critical to the
13 modernization and continued reliability of EPE's system as well as expanding the
14 Company's ability to continue supporting economic development in the region.

15
16 **Q20. PLEASE PROVIDE AN OVERVIEW OF THE REVENUE REQUIREMENT**
17 **REQUESTED IN THIS CASE.**

18 **A.** EPE is requesting an annual revenue requirement increase of \$70.7 million, which
19 represents a 50.5 percent increase over current base revenues. The primary drivers
20 for the requested increase are an increase in Net Plant in Service of \$274.4 million,
21 which contributes to the proposed rate base increase of \$260.2 million.

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1 **Q21. ARE THERE OTHER FACTORS DRIVING THE INCREASED CAPITAL**
2 **INVESTMENT?**

3 **A.** Yes. Over the period corresponding to the time of EPE's last case to
4 today – roughly 2020 through 2025, the cost of goods required in utility
5 construction have increased 35 percent to 60 percent. The well-known drivers over
6 that period are the COVID-19 epidemic, the war in Europe, and significant supply
7 chain disruptions. Significant cost increases for many of the inputs necessary for
8 construction and operation of utility plant magnify the total cost of EPE's
9 investments and the resulting rate base. The stacked structural shocks across supply
10 chains, energy markets, labor, and capital costs have driven the Producer Price
11 Index higher over this period and many of these drivers are structural and persistent.

12
13 **Q22. IS THE REQUESTED REVENUE REQUIREMENT NECESSARY FOR**
14 **EPE TO PROVIDE SAFE AND RELIABLE SERVICE?**

15 **A.** Yes. As EPE's testimony supports, the capital investments and expenses reflected
16 in the proposed revenue requirement are prudent and essential for the safe and
17 reliable operation of EPE's system. One notable example is the investment in
18 transmission EPE has made to replace wood structures with steel in fire-prone areas
19 of New Mexico in order to protect EPE's import capabilities. As EPE witness
20 Gallegos testifies, this investment has already protected against fire exposure in
21 2025.

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1

2 **Q23. PLEASE DESCRIBE EPE’S REQUESTED CHANGES TO THE**
3 **AUTHORIZED ROE AND CAPITAL STRUCTURE.**

4 **A.** As explained by Company expert witness Jennifer Nelson, EPE is requesting an
5 ROE of 10.7 percent. EPE is also proposing the Commission authorize an equity
6 and debt capital structure, 55.5 percent and 44.5 percent, based on actual
7 percentages as of the end of the Test Year Period.

8

9 **Q24. WHAT IS THE SIGNIFICANCE OF THE REQUESTED ROE AND**
10 **CAPITAL STRUCTURE ON EPE’S ABILITY TO MEET ITS STRATEGIC**
11 **GOALS, INCLUDING THE CLEAN ENERGY TRANSITION AND GRID**
12 **MODERNIZATION STRATEGIES??**

13 **A.** A reasonable ROE and capital structure are essential to enable EPE to continue
14 investing at the pace the Company deems necessary to meet its goals, but also to
15 maintain healthy credit ratings, as EPE witness Richard Gonzalez explains.

16

17 **V. AFFORDABILITY**

18 **Q25. WHAT IS THE ANTICIPATED IMPACT OF EPE’S PROPOSED NEW**
19 **RATES ON LOCAL ECONOMIC DEVELOPMENT AND CUSTOMER**
20 **AFFORDABILITY?**

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1 **A.** EPE's proposed increase represents a significant reorienting of rates in several
2 ways. The most obvious is the system average increase required to move EPE to
3 full cost recovery. This is primarily the result of incorporating the significant
4 investments EPE has made to the New Mexico system over the last six years, and
5 the industry and economic changes that have occurred over that time. EPE's past
6 and planned investments will enable future economic growth, especially with
7 potential large customer growth.

8 EPE's proposal to move to cost-based rates for all rate classes over two
9 phases balances the need to remove subsidies by commercial customers with
10 affordability concerns for residential customers.

11

12 **Q26. WHAT FACTORS ARE DRIVING THE PROPOSED INCREASE TO THE**
13 **RESIDENTIAL RATE CLASS?**

14 **A.** The primary driver is the increase in total cost of service for EPE's New Mexico
15 jurisdiction. Because a large portion of the net plant rate base increase is
16 distribution, the Residential rate class is disproportionately impacted. Finally, the
17 starting point for average New Mexico residential rates is significantly below cost,
18 the result of the distribution of jurisdictional costs in prior cases. Historically,
19 Residential rates have been subsidized by other rate classes, primarily commercial
20 customers. In at least the last three cases, EPE has filed a class cost of service
21 analysis indicating increases for the Residential rate class but then proposing

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1 "gradualism" in revenue distribution. In this case, EPE is proposing that all classes
2 pay the full cost for EPE to provide the class service. Starting from a subsidized
3 position amplifies the Residential class increase.

4
5 **Q27. DO EPE'S CURRENT RATES REFLECT THE COST TO SERVE EPE'S**
6 **NEW MEXICO CUSTOMERS?**

7 **A.** No, EPE's current rates are significantly below the cost of providing service, as
8 evidenced by the calculated revenue deficiency and requested relief. While the
9 current state is driven by the significant capital increases and rate of return
10 requested, it is EPE's position that the increase requested in this case also reflects
11 the low starting point established in the 2019 rate case.

12
13 **Q28. EPE IS PROPOSING A SIGNIFICANT PERCENTAGE INCREASE IN**
14 **RESIDENTIAL RATES SPREAD OVER TWO PERIODS. HOW WILL**
15 **NEW MEXICO RESIDENTIAL BILLS COMPARE WITH RESIDENTIAL**
16 **BILLS IN EPE'S OTHER JURISDICTION IF THE REQUESTED**
17 **INCREASE IS APPROVED?**

18 **A.** It is reasonable to expect that average residential rates would be comparable
19 between EPE's two jurisdictions, even given differences in regulatory frameworks
20 and state policy. Exhibit JS-1 includes two charts of average monthly Residential
21 bills – for New Mexico and Texas. The top chart compares current monthly average

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1 bills for New Mexico residential customers currently and after the full increase EPE
2 is proposing in this case. The chart is taken from a larger analysis of impacts
3 included with the testimony of EPE witness Manuel Carrasco. The bottom chart is
4 the same analysis included in EPE's recent Texas rate case, which was recently
5 concluded. The comparison is similar in both tables – residential average bills at
6 current and proposed rates.

7
8 **Q29. WHAT IS NOTABLE ABOUT THIS COMPARISON?**

9 **A.** Several things. First, although average Residential consumption is slightly higher
10 in EPE's New Mexico jurisdiction, "current" monthly bills are higher in Texas. The
11 test years for the comparisons differ by a year, but each shows average bills under
12 rates in effect at the time of the filed cases. Second, after the proposed increases in
13 each jurisdiction, New Mexico average bills close the gap between jurisdictions and
14 move slightly higher than Texas.

15
16 **Q30. IS EPE PROPOSING MECHANISMS OR PROGRAMS TO ASSIST**
17 **CUSTOMERS WITH THE PROPOSED INCREASES OVER THE NEXT**
18 **SEVERAL YEARS?**

19 **A.** Yes. The first is of course EPE's proposal to spread the increase over two rate
20 periods as described in Mr. Carrasco's testimony. EPE is also proposing a
21 low-income rider, with the Residential monthly customer charge waived for

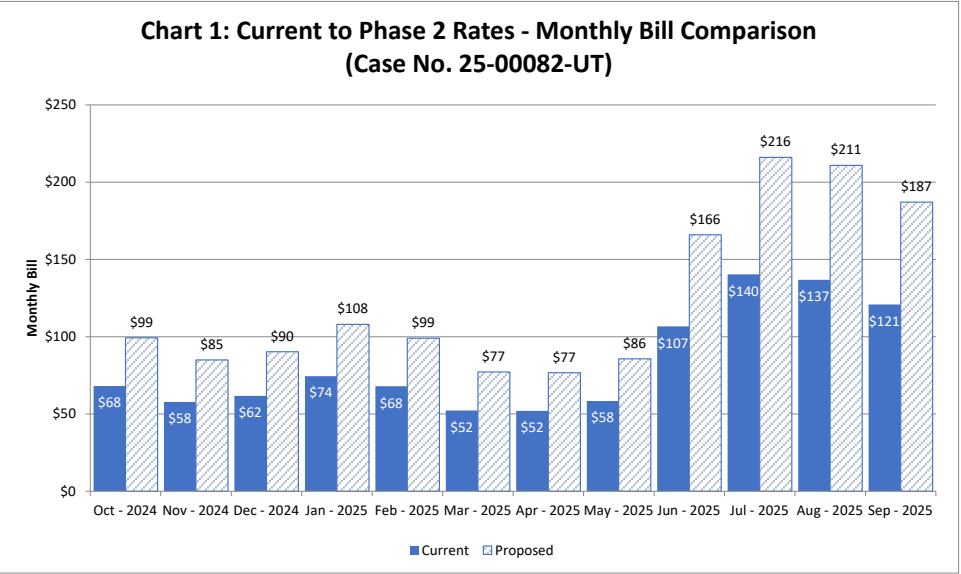
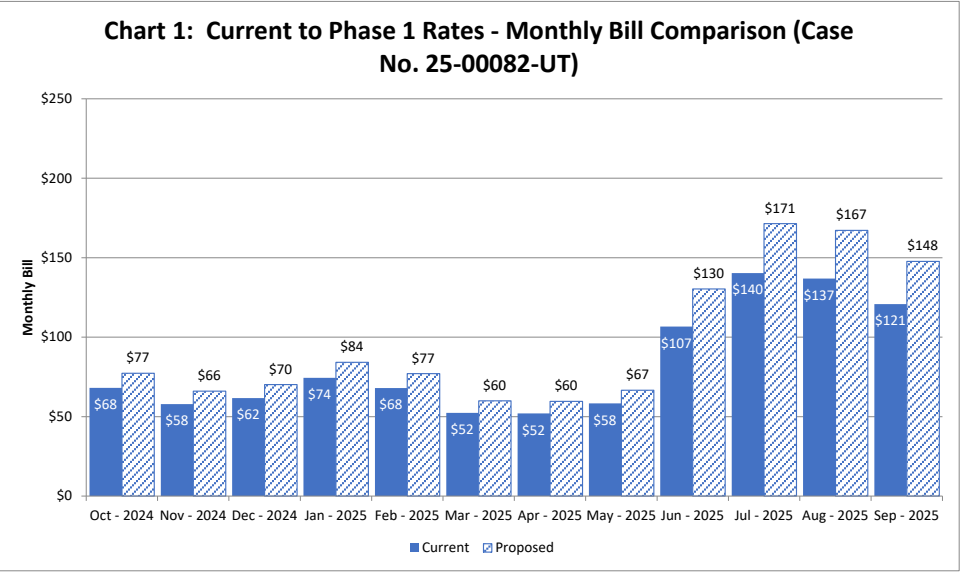
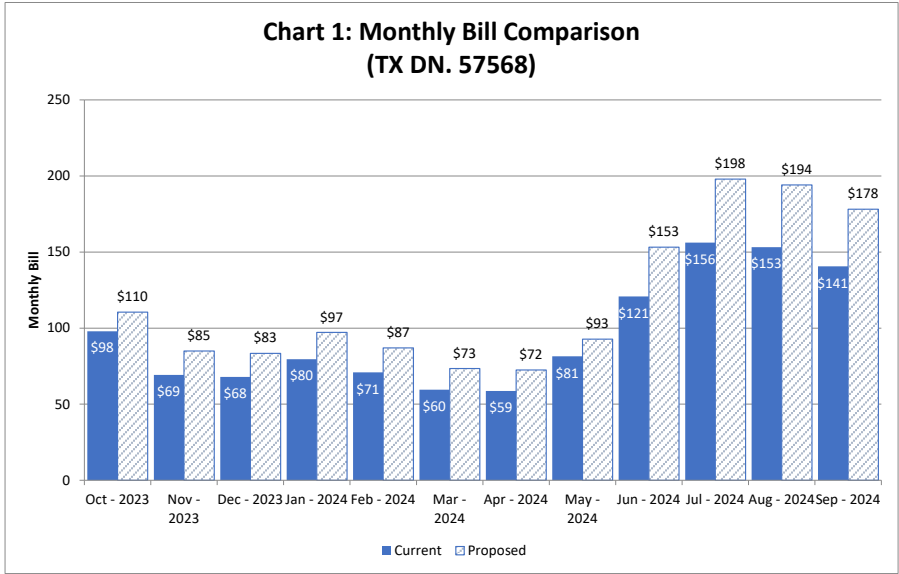
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EL PASO ELECTRIC COMPANY
DIRECT TESTIMONY OF
JAMES A. SCHICHTL

1 qualifying customers. Finally, EPE presents mandatory time-of-day ("TOD") rates,
2 including for the Residential class, that would offer expanded opportunity for
3 customers to proactively affect their monthly bills. This mandatory rate design
4 proposal is required by prior Commission order, however, EPE recommends
5 mandatory opt-out TOD rates for all applicable classes not be implemented until
6 after EPE's ongoing Time Varying Rate pilot studying TOD rates is concluded.
7 But ultimately, the change to mandatory TOD rates for all customers, enabled by
8 the AMI project that was completed in 2025, provides the greatest flexibility
9 possible for customers to control their bills.

10

11 **Q31. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?**

12 **A.** Yes, it does.



Amended Filing
BEFORE THE NEW MEXICO PUBLIC REGULATION COMMISSION

**IN THE MATTER OF THE APPLICATION)
OF EL PASO ELECTRIC COMPANY FOR)
REVISION OF ITS RETAIL ELECTRIC)
RATES PURSUANT TO ADVICE NOTICE)
NO. 317)**

Case No. 25-00082-UT

**DECLARATION OF JAMES A. SCHICHTL IN SUPPORT OF THE FOREGOING
AMENDED FILING DIRECT TESTIMONY**

I, ***James A. Schichtl***, pursuant to Rule 1-011 NMRA, state as follows:

1. I affirm in writing under penalty of perjury under the laws of the State of New Mexico that the following statements are true and correct.

2. I am over 18 years of age and have personal knowledge of the facts stated herein. I am employed by El Paso Electric Company ("EPE" or "the Company") as the *Vice President-Revenue and Regulatory Strategy*.

3. I have reviewed the foregoing Amended Filing Direct Testimony of James A. Schichtl, and the exhibits, schedules, and workpapers sponsored by me and I confirm, to the best of my knowledge, that those materials are complete, accurate, internally consistent, and consistent with the Amended Application.

4. The foregoing Amended Filing 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.

5. I submit this Declaration, based upon my personal knowledge and upon information and belief, in support of EPE's *Amended Application for Revisions of Its Retail Electric Rates Pursuant to Advice Notice No. 317*.

Amended Filing

FURTHER, DECLARANT SAYETH NAUGHT.

I declare under penalty of perjury that the foregoing is true and correct.

Executed on August 6, 2026.

/s/James A. Schichtl
JAMES A. SCHICHTL