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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

STEVEN A. SIERRA

ON BEHALF OF

EL PASO ELECTRIC COMPANY

MARCH 2026

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EL PASO ELECTRIC COMPANY
DIRECT TESTIMONY OF
STEVEN A. SIERRA

I. INTRODUCTION AND QUALIFICATIONS

Q1. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A. My name is Steven A. Sierra. My business address is 100 N. Stanton Street, El Paso, Texas 79901.

Q2. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?

A. I am employed by El Paso Electric Company ("EPE" or the "Company") as Director of Financial Accounting.

Q3. PLEASE SUMMARIZE YOUR EDUCATIONAL BACKGROUND AND PROFESSIONAL EXPERIENCE.

A. I graduated from The University of Texas at El Paso with a Bachelor of Business Administration in Accounting, and a Master of Accountancy. I am a Certified Public Accountant in the State of Texas and a member of the Texas Society of Certified Public Accountants and the American Institute of Certified Public Accountants. In addition, I received a graduate certificate from New Mexico State University in Public Utility Regulation & Economics and have attended professional development seminars sponsored by the American Gas Association and Edison Electric Institute.

Upon graduation, I was employed in El Paso as a staff accountant at Desert View Homes from 2010-2011, and at Hunt Companies, Inc. from 2011-2012, where my primary responsibilities included the preparation of internal financial statements. I joined El Paso Electric Company in 2012 and have held various positions in the Energy Accounting, Financial Accounting and Financial Planning & Analysis departments. My responsibilities in the various roles at EPE have included the preparation and analysis of internal and external financial statements, the preparation of financial statements for the Company's benefit plans and overseeing the Company's annual budget and forecasting processes. In March 2022, I accepted my current position of Director-Financial Accounting.

Q4. WHAT ARE YOUR PRINCIPAL AREAS OF RESPONSIBILITY?

A. I serve under the general direction of the Vice President-Controller and I oversee the Company's financial accounting and financial reporting departments. I support the establishment and maintenance of the Company's accounting principles, practices, and procedures for the maintenance of its fiscal records and the preparation of its financial reports.

Q5. HAVE YOU PREVIOUSLY TESTIFIED BEFORE UTILITY REGULATORY BODIES?

A. Yes. I have testified before the Public Utility Commission of Texas ("PUCT").

II. PURPOSE OF TESTIMONY

Q6. WHAT IS THE PURPOSE OF YOUR DIRECT TESTIMONY?

A. The purpose of my direct testimony is to summarize EPE's cost of service and revenue requirements, explain the New Mexico revenue deficiency, and specify the requested New Mexico rate increase.

I also describe the Test Year Period cost of service adjustments to Base Period amounts reflected in this proceeding. Each of these adjustments is described later in my direct testimony and is supported by the various EPE witnesses as indicated below, including those adjustments which I specifically sponsor. A complete listing of all Test Year Period adjustments to Base Period amounts is included in Schedule A-3 and its related workpapers, and in Exhibit SAS-1. Each of these adjustments is appropriate and reasonable and calculated in compliance with Rule 17.9.530 of the New Mexico Administrative Code ("Rule 530").

Further, my testimony demonstrates that the Test Year Period costs for employee compensation and benefits requested in this case are consistent with a recent market study, are in compliance with recent New Mexico Public Regulation Commission ("NMPRC" or "Commission") orders, and are just and reasonable, including a rate base adjustment for EPE's pension and OPEB plans.

Last, I support the reasonableness of Administrative and General ("A&G") expenses and summarize the Rule 530 Schedules that I sponsor or co-sponsor.

Q7. WHY ARE YOU THE APPROPRIATE PERSON TO SPONSOR THESE TOPICS?

A. In my role as Director of Financial Accounting, I am required to understand the Company's financial and accounting records, including the expenses it incurs to provide service to customers. My job duties and responsibilities as Director of Financial Accounting also qualify me to provide testimony regarding the Company's overall cost of service.

Q8. WHAT RULE 530 SCHEDULES DO YOU SPONSOR OR CO-SPONSOR IN THIS PROCEEDING?

A. The schedules that I sponsor or co-sponsor are listed below.

- Schedule A — Summary of The Total Company Cost of Service (Adrian Hernandez is a Co-sponsor)
- Schedule A-3 — Summary of The Cost of Service Adjustments by Functional Classification (Adrian Hernandez is a Co-sponsor)
- Schedule H-1 — Operation and Maintenance Expenses
- Schedule H-4 — Payroll Distribution and Associated Payroll Taxes
- Schedule H-5 — Expenses Associated with Advertising, Contributions, Donations, Lobbying & Political Activities, Memberships & Outside Services

- Schedule H-6 Other Administrative and General Expenses
- Schedule H-14 Expenses Associated with Affiliated Interests
- Schedule H-15 Expenses Associated with Non-Utility Services
- Schedule H-16 Explanation of the Adjustments to Expenses of Operations
- Schedule I-1 Balance Sheet
- Schedule I-2 Income Statement
- Schedule I-3 Statement of Changes in Financial Position
- Schedule P-4 Operation and Maintenance Expense Information
- Schedule Q-4 Reports to the Securities and Exchange Commission
- Schedule Q-5 Form 1 Reports

Q9. HOW WAS THE RATE FILING PACKAGE PREPARED IN THIS PROCEEDING?

A. The schedules were prepared using the books and records of the Company, and they are accurate summaries of the business records upon which they are based.

Q10. PLEASE DESCRIBE THE TEST YEAR PERIOD UTILIZED IN THE RATE FILING.

A. The Company is using a Historic Test Year Period with the Base Period of October 1, 2024, through September 30, 2025. EPE has proposed adjustments to the total

Company Base Period book balance amounts to reflect the effects of annualizations, normalizations, and known and measurable changes to arrive at Historical Test Year Period amounts.

III. COST OF SERVICE

Q11. PLEASE SUMMARIZE EPE'S COST OF SERVICE FOR THE TEST YEAR PERIOD.

A. EPE witness Adrian Hernandez developed the total Company cost of service amounts for the Base Period and Test Year Period and allocated those amounts to the New Mexico jurisdiction to develop the New Mexico revenue deficiency. EPE is proposing to increase the New Mexico non-fuel base revenue requirements by $70.7 million, or 50.5 percent, based on a Test Year Period ended September 30, 2025. With a proposed reduction in miscellaneous service revenues of $0.2 million, the resulting net increase in total operating revenues in this application is $70.5 million.

Q12. PLEASE SUMMARIZE THE TOTAL COMPANY AND NEW MEXICO BASE RATE REVENUES, COST OF SERVICE, RATE BASE, AND RETURN AMOUNTS THAT EPE IS REQUESTING IN THIS PROCEEDING.

A. The following table, SAS-1, summarizes EPE's revenue requirements and the increase in base rates on a total Company basis and on a New Mexico jurisdictional basis:

TABLE SAS-1

	Description	Total Company Revenue Requirement	New Mexico Jurisdictional Revenue Requirement
1	Total Rate Base	$4,081,373,848	$727,012,562
2	Weighted Average Cost of Capital	8.35%	8.35%
3	Return on Rate Base (line 1 x line 2)	340,976,092	60,737,862
4	Fuel and Purchased Power	280,294,429	94,343,724
5	Operation & Maintenance (O&M)	353,390,168	68,832,834
6	Regulatory Debits and Credits	5,548,955	3,135,744
7	Depreciation & Amortization	246,998,669	47,063,658
8	Decommissioning and Accretion	3,665,189	749,740
9	Amortization of Unrecovered Plant	1,672,773	1,672,773
10	Taxes other Than Income	94,721,209	9,494,325
11	Federal Income Taxes	56,267,160	9,656,588
12	State Income Taxes	7,315,353	1,383,646
13	Total Cost of Service (total lines 3 through 12)	1,390,849,996	297,070,893
14	Less: Other Operating Revenues	103,037,066	9,574,671
15	Less: Fuel Revenues and Sales for Resale	260,022,863	76,678,062
16	Adjusted Base Rate Revenue Requirement	1,027,790,066	210,818,160
17	Less: As Adjusted Base Revenues	803,680,321	140,094,381
18	Base Rate Revenue Deficiency	224,109,746	70,723,779
19	Percent Increase (line 18/line 17)	27.89%	50.48%
20	Revenue Requirement Deficiency	223,868,791	70,482,824
21	Add back proposed reduction in Misc. Service Revenues	240,955	240,955
22	Base Rate Revenue Deficiency	$224,109,746	$70,723,779

EPE witnesses Cynthia S. Prieto and Hernandez discuss total rate base and the allocation of total Company revenue requirements to the New Mexico jurisdiction, respectively, in their testimonies.

Q13. IS EPE'S PROPOSED NEW MEXICO REVENUE REQUIREMENT REASONABLE AND NECESSARY?

A. Yes. The costs are reasonable and necessary to provide safe, clean, reliable, and affordable energy to EPE's customers.

IV. NEED FOR RATE CHANGE

Q14. WHEN WERE BASE RATES LAST ESTABLISHED FOR EPE?

A. EPE's current base rates were established by the Commission in Docket No. 20-00104-UT ("2020 Rate Case") using a Historical Test Year Period ending December 31, 2019. Since the 2020 Rate Case, EPE's rate base and operating costs have changed.

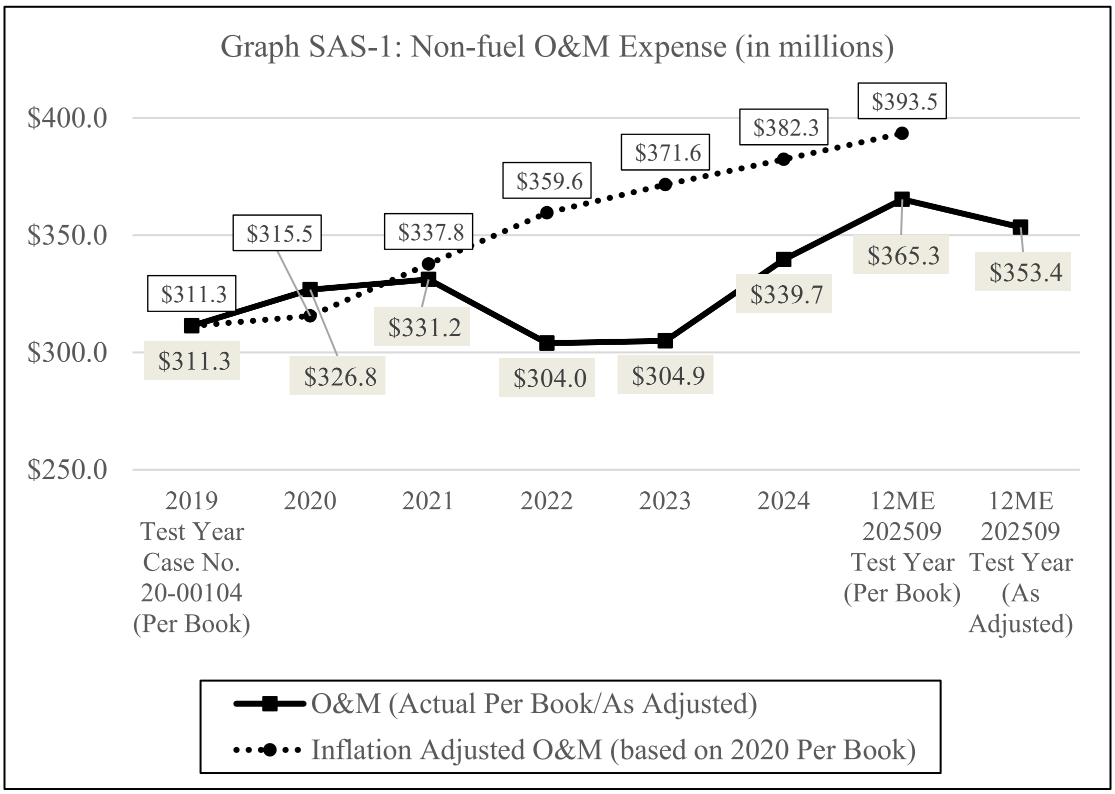
Q15. CAN YOU DESCRIBE THE SIGNIFICANT CHANGES IN NON-FUEL COST OF SERVICE EXPENSES YOU REFERENCED ABOVE?

A. Yes. As discussed in the direct testimonies of EPE witnesses Prieto and George Novela, since the 2020 Rate Case, EPE has incurred $2.4 billion (New Mexico jurisdictional amount of $408.4 million) in construction expenditures to maintain its local generating units and to maintain the Palo Verde Generating Station ("PVGS"), as well as other general and intangible plant additions. EPE has also made improvements in its transmission and distribution system to serve load growth to meet the growing demands of its customers and to improve the resiliency and reliability of its system since the 2020 Rate Case as discussed in the direct testimony of EPE witness Omar A. Gallegos. EPE witnesses Jeffery M. Hughes and Victor Martinez discuss EPE's generation plant additions in their direct testimonies, and EPE witness Prieto discusses EPE's general and intangible plant additions in her direct testimony.

Since the 2020 Rate Case, the Company has also experienced increases in operation and maintenance ("O&M") expenses to operate its PVGS and local generating facilities, as well as to operate and maintain its transmission and distribution assets. These cost increases served the growth in customers and the need to maintain existing plant. The Company is also requesting new depreciation rates based on the 2025 Depreciation Study as discussed by EPE witness John J. Spanos.

Q16. HOW DOES THE INCREASED O&M EXPENSE THAT EPE HAS EXPERIENCED SINCE THE 2020 RATE CASE COMPARE TO INFLATION OVER THE SAME PERIOD?

A. While rate base has certainly grown since EPE's last general rate case, it is worth noting that total Company non-fuel O&M expenses have generally remained below inflation-adjusted amounts, since the Base Period in the 2020 Rate Case. See Graph SAS-1 below for a summary of total Company non-fuel O&M costs over this period.[1] Please refer to the direct testimony of EPE witness Novela for a discussion on the need for rate relief, and EPE witness Richard Gonzalez for additional discussion including growth in rate base and the need for EPE to recover a return on and a return of its investment in new plant.



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[1] 2019 Per Book, 2020, 2021, 2022, 2023 and 2024 data in Graph SAS-1 ties to FERC Form 1 Page 323, excluding fuel and purchased power accounts 501, 509, 518, 547, 555 and 555.3. Inflation-adjusted data is based on the US Consumer Price Index (1982-84 = 100) from the US Bureau of Labor Statistics.

V. ACCOUNTING ADJUSTMENTS

Q17. WHAT IS THE PURPOSE OF THIS SECTION OF YOUR TESTIMONY?

A. The purpose of this section of my testimony is to list and describe the Company's adjustments to the cost of service. EPE witness Prieto sponsors the Company's rate base and describes the adjustments to rate base in her direct testimony, including Adjustment No. 33, which I co-sponsor.

Q18. WHAT SORTS OF ADJUSTMENTS TO BASE PERIOD DATA IS AUTHORIZED BY RULE 530 AND WHAT COMPANY SCHEDULE LISTS THESE ADJUSTMENTS?

A. According to Rule 530, an "Adjustment" is a calculation made with reasonable accuracy to the book balance of accounts to reflect an annualization, a known and measurable change, or an estimate based on projection for the full twelve-month period of the Test Year Period. The Company's Test Year Period adjustments on Schedule A-3 encompasses "Adjustments" under Rule 530.

Q19. WHAT ADJUSTMENTS DID EPE MAKE TO THE BASE PERIOD TO DEVELOP THE TEST YEAR PERIOD?

A. EPE made numerous adjustments to the total Company Base Period book balance amounts to arrive at the Test Year Period amounts. The adjustments include annualizations and known and measurable changes to O&M expenses and plant in service and other rate-based components. The adjustments to the Base Period O&M amounts and respective sponsors of each cost-of-service adjustment are listed on Exhibit SAS-1. Schedule A-3 summarizes the adjustments by functional classification and provides New Mexico jurisdictional amounts. I discuss the cost of service adjustments in numerical order in my testimony. See Workpaper A-3 for backup and calculations for each adjustment to the Base Period. EPE witness Hernandez addresses allocation to the New Mexico jurisdiction, including direct assignment to a jurisdiction if appropriate, which enables the proper allocation of the adjustments to the New Mexico jurisdiction.

A. ADJUSTMENTS TO THE COST OF SERVICE

Q20. CAN YOU GENERALLY DESCRIBE THE ADJUSTMENTS INCLUDED IN SCHEDULE A-3?

A. Yes. Generally, the Test Year Period cost of service adjustments are revisions to the Base Period revenues and expenses for known and measurable changes at the time of filing. These changes are expected to occur either before or shortly after the time that any final rates will be ordered into effect.

The resulting adjusted revenues and expenses are those that, if used as the basis for setting rates for the prospective period following the ordering of final rates in effect, will give the Company a reasonable opportunity to recover its reasonable and necessary expenses.

Q21. HOW DID YOU DETERMINE THE KNOWN AND MEASURABLE CHANGES THAT SHOULD BE TAKEN INTO ACCOUNT IN THIS PROCEEDING?

A. I reviewed the Company's financial records and determined other adjustments based on my general knowledge of Company operations. Additionally, employees from other departments who have subject matter knowledge about their respective areas provided support for known and measurable changes to Base Period cost of service data.

Q22. IS EPE PROPOSING TO MOVE THE RECOVERY OF THE COSTS OF ANY ITEM FROM BASE RATES TO FUEL?

A. No.

Q23. WHO IS SPONSORING THE COST OF SERVICE ADJUSTMENTS INCLUDED IN SCHEDULE A-3?

A. I summarize each of the cost of service adjustments below. The sponsors for each of the cost of service adjustments discussed are noted below, including those adjustments that I sponsor. EPE witness Hernandez co-sponsors the jurisdictional amounts related to each adjustment described below. All cost of service adjustments and their sponsors are listed in Exhibit SAS-1 and can be found on Schedule A-3 and corresponding workpapers to Schedule A-3.

1. REVENUES AND UNCOLLECTIBLES (ADJUSTMENT NO. 1)

Q24. WHAT ADJUSTMENTS WERE MADE TO DETERMINE THE TEST YEAR PERIOD REVENUES AND UNCOLLECTIBLE EXPENSE?

A. Base Period actual revenues were adjusted for known and measurable changes in customers and sales to reflect conditions at the end of the Base Period. EPE witness Rene Gonzalez sponsors the calculation of annualized revenues at current rates presented in the adjustment, while EPE witness Enedina Soto supports the weather adjustment to kilowatt-hour ("kWh") sales in her direct testimony. EPE witness Prieto sponsors the uncollectible accounts expense which is based on a calculated uncollectible accounts expense rate applied to the adjusted retail operating revenues. Proposed Revenues are the requested revenue requirement as shown in Schedule A. EPE witness Hernandez sponsors the jurisdictional amounts of this adjustment.

2. FUEL AND PURCHASED POWER EXPENSE (ADJUSTMENT NO. 2)

Q25. WHAT ADJUSTMENTS WERE MADE FOR FUEL AND PURCHASED POWER EXPENSES?

A. Even though fuel and purchased power is not recovered through base rates, it is necessary for the cost of service to reflect these amounts in order to calculate the proper amount of the Company's Test Year Period revenue-related taxes and uncollectible accounts expense, as discussed in the direct testimonies of EPE witnesses Tamera Henderson and Prieto, respectively. The Base Period fuel expenses were adjusted to reflect adjusted kWh sales for out-of-period adjustments and other adjustments to comply with prior Commission orders. These adjustments result in a net increase to Base Period fuel and purchased power expense by $10,257,703 on a total Company basis (New Mexico jurisdictional increase of $17,920,930) as presented on Schedule A-3 and related workpapers. These adjustments are co-sponsored by EPE witnesses Julissa I. Reza and Hernandez.

3. SALARIES AND WAGES (ADJUSTMENT NO. 3)

Q26. WHAT ADJUSTMENTS WERE MADE FOR SALARIES AND WAGES FOR EPE EMPLOYEES?

A. This adjustment, which I co-sponsor with EPE witness Hernandez, is to reflect the level of salaries and wages for the Test Year Period with adjustments to reflect known and measurable changes that results in a net total Company increase of $4,190,622 to Base Period salaries and wages expense (New Mexico jurisdictional increase of $1,013,909).

As discussed further below in Section V of my testimony, Base Period salaries and wages were annualized using the annual base pay of employees as of the end of the Base Period in this case, September 30, 2025. EPE is also adjusting its request for salaries and wages to reflect the 4.0% contractual union wage increase effective March 3, 2026, and a 4.0% increase for non-union wages effective in February 2026. The 4.0% adjustment requested in this case for the February 2026 non-union wage increase is based on the lower of a simple average of the increases received by non-union EPE employees for the prior three years, and the budgeted non-union wage increase. The following table, SAS-2, summarizes EPE's non-union merit increases for the merit base years 2022-2024, including the budgeted increase for the 2025 merit base year, and includes the contractual increases for union employees for the base years 2021-2026.

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Table SAS-2

Non-Union			
Base Year	**Avg. Merit Increase %**	**Budgeted Merit Increase %**	**Effective Date**
2022 Merit	4.4%	3.0%	January 2023
2023 Merit	3.9%	3.0%	February 2024
2024 Merit	4.0%	4.0%	February 2025
3-year Avg.	4.1%		
2025 Merit		**4.0%**	**February 2026**

Union		
Base Year	**Contractual Wage Increase %**	**Contractual Effective Date**
2021	3.2%	September 3, 2022
2022	8.0%	March 3, 2023
2023	5.0%	March 3, 2024
2024	4.0%	March 3, 2025
2025	**4.0%**	**March 3, 2026**
2026	3.0%	March 3, 2027 (not included in cost of service)

In addition to the adjustments described above, the requested salaries and wages expense in this case also includes adjustments to remove the financially-based incentives from the Company's requested short-term incentive plan ("STIP") costs, the application of appropriate expense ratios for payroll and the STIP, and the removal of payroll costs requested by EPE in other cases before the

Commission[2]. These adjustments are described in further detail below in Section V of my testimony and are shown on both a total Company and a New Mexico jurisdictional basis on Schedule A-3 and related workpapers.

4. PENSIONS AND BENEFITS (ADJUSTMENT NO. 4)

Q27. WHAT ADJUSTMENTS WERE MADE FOR PENSIONS AND BENEFITS?

A. This adjustment, which I co-sponsor with EPE witness Hernandez, adjusts Base Period pension and benefits expense to reflect known and measurable changes, including the removal of the Company's financially-based long-term incentive plan ("LTIP") and the removal of one-half of costs of the Excess Benefit Plan, both in accordance with the Commission's rate treatment in Case No. 15-00127-UT ("2015 Rate Case"). Additionally, this adjustment includes the annualization of the most current actuarial estimates of expenses for the pension and other postemployment benefits ("OPEB") plans in accordance with generally accepted accounting principles ("GAAP").

This adjustment decreases Base Period pension and benefits expense by the net amount of $5,151,789 on a total Company basis (New Mexico jurisdictional decrease of $1,105,324). The Company's requested Test Year Period amount of pension and benefit expense is shown on both a total Company and a New Mexico

[2] Per Commission order in Case No. 23-00071-UT (New Mexico Community Solar costs) and Commission order in Case No. 23-00231-UT (Transportation Electrification Plan costs).

jurisdictional basis on Schedule A-3 and related workpapers. These adjustments are described in further detail below in Section V of my testimony.

5. *PVGS O&M (ADJUSTMENT NO. 5)*

Q28. WHAT ADJUSTMENTS WERE MADE FOR PVGS O&M?

A. EPE witness Martinez discusses the reasonableness of PVGS O&M costs included in the requested cost of service. The purpose of this adjustment to PVGS O&M expenses, which I co-sponsor with EPE witness Hernandez, is to reflect the rate making treatment of those expenses consistent with prior orders of the Commission. It adjusts Base Period O&M expenses for the following items:

1. PVGS costs have been adjusted to reflect the 2026 amounts for PVGS for Property Insurance and Injuries and Damages provided by Arizona Public Service Company ("APS"), the plant operator of PVGS;
2. Removal of the out-of-period January 2024 through September 2024 portion of the 2024 PVGS A&G true-up provided by APS and recorded in the Base Period. Each year, the owners of PVGS are billed by APS, based, in part, on estimates of certain costs. When actual costs are known, they are compared to the costs billed and the difference is either charged or refunded to the owners as a true-up in the following calendar year;
3. Normalization of Base Period PVGS refueling outage costs; and

4. Removal of financially based incentive compensation consistent with the Commission's rate treatment in the 2015 Rate Case and followed in the Company's request in the 2020 Rate Case.

These adjustments result in a net decrease to Base Period PVGS O&M expense of $5,339,158 on a total Company basis (New Mexico jurisdictional decrease of $1,197,296). The Company's requested Test Year Period amount for PVGS O&M expense is shown on both a total Company and a New Mexico jurisdictional basis on Schedule A-3 and related workpapers.

Additionally, EPE witness Hernandez addresses the exclusion of expenses related to PVGS Unit 3 and 1/3 Common Facilities through the jurisdictional allocation process, consistent with the Final Order in NMPRC Case No. 2722 ("1998 Rate Case"), wherein PVGS Unit 3 was decertified and abandoned for New Mexico regulatory purposes.

Q29. CAN YOU PLEASE EXPLAIN THE ADJUSTMENT TO NORMALIZE PVGS MAINTENANCE EXPENSE FOR REFUELING OUTAGES LISTED IN BULLET 3 ABOVE?

A. Yes. EPE's Base Period refueling maintenance expense for PVGS reflects the actual cost of PVGS Unit 1 and Unit 2 refueling outages that occurred during the Base Period. Because PVGS Unit 3 is deregulated and is excluded from rate base in New Mexico, PVGS Unit 3 O&M costs are removed from cost of service. This results in an overstatement of the refueling outage costs in the Base Period, reflecting two (2) complete refueling outage costs for PVGS. The normal refueling outage cycle is 18 months for each PVGS unit, or on average 1.33 outages per year for PVGS Units 1 and 2 combined. Therefore, the refueling maintenance expense during the Base Period was multiplied by 0.66 to reflect average refueling outage expense for PVGS Units 1 and 2. This is consistent with the adjustment to normalize refueling outage expense to 1.33 average outages per year for PVGS Units 1 and 2, as reflected in the 2015 Rate Case Final Order and followed in the Company's request in the 2020 Rate Case.

6. PROPERTY INSURANCE (ADJUSTMENT NO. 6)

Q30. DID EPE MAKE AN ADJUSTMENT FOR PROPERTY INSURANCE EXPENSE?

A. Yes. The purpose of this adjustment, which I co-sponsor with EPE witness Hernandez, restates local property insurance expense to reflect premium costs at the time this adjustment was calculated. This results in a decrease to Base Period expense of $304,622 on a total Company basis (New Mexico jurisdictional decrease of $65,357), as presented on Schedule A-3 and related workpapers.

7. INJURIES AND DAMAGES (ADJUSTMENT NO. 7)

Q31. DID EPE MAKE AN ADJUSTMENT FOR INJURIES AND DAMAGES?

A. Yes. The purpose of this adjustment, which I co-sponsor with EPE witness Hernandez, is to adjust insurance coverage for workers' compensation, general liability, directors' and officers' ("D&O") liability, and fiduciary liability to reflect premium costs at the time this adjustment was calculated. Base Period amounts for losses not covered by insurance, fees and expenses of claim investigators, and related supplies and expenses were then added to the updated premium costs. Additionally, settlement and workers' compensation costs were adjusted to reflect a five-year average due to the year-to-year fluctuations in these costs, including the removal of a specific one-time litigation accrual recorded during the Base Period before the calculation of the five-year average for settlement costs. The gross adjusted workers' compensation costs were multiplied by the payroll expense ratio to arrive at the expense requested because the major component of workers' compensation is labor-related.

The Company also made an adjustment to exclude one-half of D&O liability insurance from cost of service in New Mexico, consistent with the Commission's rate treatment in the 2020 Rate Case. EPE also has a "tail" D&O policy to maintain the same terms and conditions and limits as the D&O policy effective prior to the acquisition of EPE by Sun Jupiter for six years, with a total premium of $1,471,565, or a $245,261 annual cost. EPE is not including the cost of the D&O tail policy in the requested cost of service.

These adjustments result in a decrease to Base Period expense of $4,595,020 on a total Company basis (New Mexico jurisdictional decrease of $985,868), as presented on Schedule A-3 and related workpapers.

8. ADVERTISING (ADJUSTMENT NO. 8)

Q32. DID EPE MAKE AN ADJUSTMENT FOR ADVERTISING

A. Yes. I co-sponsor this adjustment with EPE witness Hernandez, which results in a decrease of $3,175,795 to EPE's request in advertising expense on a total Company basis (New Mexico jurisdictional decrease of $482,967), which represents reasonable allowable costs in accordance with Rule 17.3.350 of the New Mexico Administrative Code ("Rule 350"). EPE has maintained records of each related advertisement and these records, including copies of all advertising materials. These advertising materials are included in this filing as required by Rule 350.9(E), in Workpaper A-3, Adjustment No. 8. The requested advertising expense of $461,268 includes New Mexico specific advertisements including: (1) $46,668 for bill inserts and other media used for customer education on billing practices, services, and rates; (2) $9,977 for safety; and (3) $404,623 for information on general energy conservation. The energy conservation expenses are for general informational purposes and are not program specific.

The Company's requested Test Year Period amount of advertising expense is shown on both a total Company and a New Mexico jurisdictional basis on Schedule A-3 and related workpapers.

Q33. IS EPE REQUESTING RECOVERY OF ANY CONTRIBUTIONS?

A. No.

9. MISCELLANEOUS GENERAL AND OTHER (ADJUSTMENT NO. 9)

Q34. DID EPE MAKE AN ADJUSTMENT FOR MISCELLANEOUS GENERAL AND OTHER EXPENSES?

A. Yes. Miscellaneous General and Other Expenses have been reduced by $768,081 on a total Company basis (New Mexico jurisdictional decrease of $164,793) as presented on Schedule A-3 and related workpapers. This adjustment, which I co-sponsor with EPE witness Hernandez, removes one-half of the normalized Board of Directors' compensation and removes lobbying expenses misclassified in O&M expense.

As noted in the Commission's Final Order in the 2020 Rate Case, EPE's Board of Directors' compensation is based on the new composition of the Board of Directors resulting from Sun Jupiter's acquisition of EPE on July 29, 2020. EPE's Board of Directors is comprised of ten Directors, but only seven Directors are compensated for their service. The three Directors who are not compensated for their service are the two IIF US 2-level representatives and EPE's Chief Executive Officer ("CEO"). The requested amount is not equally allocated among the seven compensated Directors. Each Director's compensation depends on when they joined the board, the number of board committees on which the Director serves and the Director's role. Consistent with the Commission's decision in the 2020 Rate Case, one-half of the normalized costs for Board of Directors' compensation were excluded from EPE's request in this case.

10. REGULATORY COMMISSION EXPENSE (ADJUSTMENT NO. 10)

Q35. DID EPE MAKE AN ADJUSTMENT FOR REGULATORY COMMISSION EXPENSE?

A. Yes. EPE witnesses Reza, Novela, and Hernandez co-sponsor EPE's proposal for the recovery of costs to prepare, file, and litigate cases filed with the Commission. The adjustment results in a decrease of $748,137 to the Company's Base Period amount of Regulatory Commission expense on a total Company basis (New Mexico jurisdictional increase of $681,997), as presented on Schedule A-3 and related workpapers.

11. MEMBERSHIP DUES (ADJUSTMENT NO. 11)

Q36. DID EPE MAKE AN ADJUSTMENT FOR MEMBERSHIP DUES?

A. Yes. This adjustment, which I co-sponsor with EPE witness Hernandez, removes membership dues related to lobbying activities, social and recreational organizations, political organizations, and misclassified sponsorships from the Company's requested cost of service consistent with Rule 530. The calculation of the amounts removed is located on Workpaper A-3, Adjustment No. 11, pages 3-7, and lists the Federal Energy Regulatory Commission ("FERC") Account to which the amounts were charged. These adjustments result in a decrease to Base Period expense of $89,942 on a total Company basis (New Mexico jurisdictional decrease of $20,035), as presented on Schedule A-3 and related workpapers.

12. MISCELLANEOUS GENERATION O&M (ADJUSTMENT NO. 12)

Q37. DID EPE MAKE AN ADJUSTMENT FOR MISCELLANEOUS GENERATION O&M?

A. Yes. This adjustment, which I co-sponsor with EPE witness Hernandez, eliminates non-labor O&M expenses for Rio Grande Unit 6 from the Base Period. Rio Grande Unit 6 has been excluded from rates since the 2015 Rate Case. This adjustment results in a decrease to Base Period Miscellaneous Generation O&M expenses of $349,818 on a total Company basis (New Mexico jurisdictional decrease of $84,621), as presented on Schedule A-3 and related workpapers.

13. REGULATORY ASSET AND LIABILITY AMORTIZATION (ADJUSTMENT NO. 13)

Q38. DID EPE MAKE AN ADJUSTMENT FOR REGULATORY ASSET AND LIABILITY AMORTIZATION?

A. Yes. EPE witnesses Reza and Prieto sponsor and discuss Adjustment No. 13 in their direct testimonies, which EPE witness Hernandez also co-sponsors. This adjustment results in an increase of $583,317 to EPE's Base Period amortization for regulatory assets and liabilities on a total Company basis (New Mexico jurisdictional increase of $1,691,481), as presented on Schedule A-3 and related workpapers.

14. DECOMMISSIONING (ADJUSTMENT NO. 14)

Q39. DID EPE MAKE AN ADJUSTMENT FOR DECOMMISSIONING?

A. Yes. EPE witness Richard Gonzalez sponsors and discusses Adjustment No. 14 in his direct testimony, which EPE witness Hernandez also co-sponsors. This adjustment restates the Base Period PVGS decommissioning based on the results of the most recent PVGS decommissioning study. No amounts related to PVGS Unit 3, and its related 1/3 Common Facilities costs have been requested in this case. This adjustment also includes amounts for Base Period local plant accretion expense. These adjustments result in a decrease to Base Period decommissioning expense of $11,617,630 on a total Company basis (New Mexico jurisdictional decrease of $1,460,357), as presented on Schedule A-3 and related workpapers.

15. DEPRECIATION AND AMORTIZATION (ADJUSTMENT NO. 15)

Q40. DID EPE MAKE AN ADJUSTMENT FOR DEPRECIATION AND AMORTIZATION?

A. Yes. EPE witness Prieto sponsors and discusses Adjustment No. 15 in her direct testimony, which EPE witness Hernandez also co-sponsors. This adjustment results in an increase of $51,800,171 to Base Period depreciation and amortization expenses on a total Company basis (New Mexico jurisdictional increase of $9,906,620), as presented on Schedule A-3 and related workpapers.

16. PROPERTY TAXES (ADJUSTMENT NO. 16)

Q41. DID EPE MAKE AN ADJUSTMENT FOR PROPERTY TAXES?

A. Yes. EPE witness Henderson sponsors and discusses this adjustment in her direct testimony, which EPE witness Hernandez also co-sponsors. This adjustment presents property taxes adjusted to reflect the requested plant balances. The Company's requested Test Year Period Property Tax expense is shown on both a total Company and a New Mexico jurisdictional basis on Schedule A-3 and related workpapers.

17. PAYROLL TAXES (ADJUSTMENT NO. 17)

Q42. DID EPE MAKE AN ADJUSTMENT FOR PAYROLL TAXES?

A. Yes. EPE witness Henderson sponsors and discusses this adjustment in her direct testimony, which EPE witness Hernandez also co-sponsors. Payroll taxes have been adjusted to reflect taxes related to Test Year Period salaries and wages. The Company's requested Test Year Period Payroll Taxes is shown on both a total Company and a New Mexico jurisdictional basis on Schedule A-3 and related workpapers.

18-22. REVENUE-RELATED TAXES (ADJUSTMENT NOS. 18-22)

Q43. DID EPE MAKE ADJUSTMENTS FOR REVENUE-RELATED TAXES?

A. Yes. EPE witness Henderson sponsors and discusses these adjustments in her direct testimony, which EPE witness Hernandez also co-sponsors. These adjustments include the Company's directly incurred local franchise fees, sales, use and gross receipts taxes and other miscellaneous taxes including state regulatory assessments. The Company's requested Test Year Period revenue-related tax expenses are shown on both a total Company and a New Mexico jurisdictional basis on Schedule A-3 and related workpapers.

23-25. STATE INCOME TAXES (ADJUSTMENT NOS. 23-25)

Q44. DID EPE MAKE ADJUSTMENTS FOR STATE INCOME TAXES?

A. Yes. EPE witness Henderson sponsors and discusses these adjustments in her direct testimony, which EPE witness Hernandez also co-sponsors. These adjustments show the changes in New Mexico, Arizona, and Texas state income taxes. The Company's requested Test Year Period state income tax expenses are shown on both a total Company and a New Mexico jurisdictional basis on Schedule A-3 and related workpapers.

26. FEDERAL INCOME TAXES (ADJUSTMENT NO. 26)

Q45. DID EPE MAKE AN ADJUSTMENT FOR FEDERAL INCOME TAXES?

A. Yes. EPE witness Henderson sponsors and discusses this adjustment in her direct testimony, which EPE witness Hernandez also co-sponsors. This adjustment reflects the change in federal income taxes as a result of the various adjustments made to the requested cost of service and the requested return on rate base. The Company's requested Test Year Period federal income tax expense is shown on both a total Company and a New Mexico jurisdictional basis on Schedule A-3 and related workpapers.

27. INTEREST ON CUSTOMER DEPOSITS (ADJUSTMENT NO. 27)

Q46. DID EPE MAKE AN ADJUSTMENT FOR INTEREST ON CUSTOMER DEPOSITS?

A. Yes. The Company has included customer deposits as a reduction to rate base (see Workpaper A-3, Adjustment No. 33 – Regulatory Assets and Liabilities and Other Additions/Reductions, line 48. Based on this reduction to rate base, the Company has included interest expense on these deposits in cost of service. The calculation for the cost-of-service adjustment of interest expense, which I co-sponsor with EPE witness Hernandez, is located on Workpaper A-3, Adjustment No. 27, and includes the balance of customer deposits at the end of the Base Period for each jurisdiction multiplied by the interest rate required by each jurisdiction as of September 2025. The total Company interest expense is included, and the portions related to other jurisdictions are removed from the Company's request in the jurisdictional allocation. This adjustment results in an increase to Base Period expense of $562,958 on a total Company basis (New Mexico jurisdictional increase of $81,791), as presented on Schedule A-3 and related workpapers.

VI. EMPLOYEE COMPENSATION AND BENEFITS

Q47. WHAT IS THE PURPOSE OF THIS PORTION OF YOUR TESTIMONY?

A. In this portion of my testimony I describe and support the amount of employee compensation and benefits cost the Company is seeking to include in its cost of service. I also describe and support the various adjustments the Company made to Base Period amounts of employee compensation and benefits costs, and associated payroll taxes, to obtain the final Test Year Period amounts included in the cost of service. Finally, I describe and support a rate base adjustment for EPE's pension and OPEB plans that is consistent with the rate treatment in the 2020 Rate Case.

Q48. IS THE COMPANY SEEKING RECOVERY OF COSTS RELATING TO EMPLOYEE COMPENSATION AND BENEFITS?

A. Yes. The Company is seeking recovery of the employee compensation and benefit costs included in Schedules H-1 and H-4. In addition, I sponsor the salary and wage and benefit adjustments which are included in Workpaper A-3, Adjustment No. 3 – Salaries and Wages, and Adjustment No. 4 – Pensions and Benefits.

Q49. WHAT ARE THE COSTS RELATING TO EMPLOYEE COMPENSATION AND BENEFITS THE COMPANY IS SEEKING TO RECOVER?

A. The Company is seeking to recover the employee compensation and benefit costs reflected on Schedules H-1 and H-4. The salary and wage adjustments made to Base Period amounts to obtain the final Test Year Period amounts are reflected on Workpaper A-3, Adjustment No. 3 – Salaries and Wages. Workpaper A-3, Adjustment No. 4 – Pensions and Benefits, reflects the adjustments made to Base Period benefit costs.

Q50. IS THE OVERALL LEVEL OF COMPENSATION AND BENEFIT EXPENSES THE COMPANY IS REQUESTING IN THIS PROCEEDING REASONABLE AND NECESSARY?

A. Yes. EPE's overall combined compensation and benefit costs are reasonable and necessary. The total amount of compensation and benefits is market driven and EPE's overall level of compensation is reasonable when compared to other businesses with which EPE must compete to attract and retain required personnel. EPE administers its compensation and benefit plans in a cost-effective and efficient manner. The Company provides compensation and benefits for employees at a reasonable cost, and EPE negotiates with vendors for competitive rates for both the Company and the employees.

Q51. HAS THE COMPANY OBTAINED A RECENT MARKET COMPENSATION STUDY FOR ITS CURRENT EMPLOYEE COMPENSATION?

A. Yes. The Company hired Mercer, the world's largest and most comprehensive employee compensation resource, to perform a market compensation study, which was issued on December 30, 2024.

Q52. WHAT WERE THE FINDINGS OF THE MERCER MARKET COMPENSATION STUDY?

A. Mercer performed a comprehensive analysis and market pricing study encompassing 530 exempt non-union employees. The study benchmarked positions within the Company against the utility industry and the general industry market, as appropriate, and employed advanced statistical techniques for its compensation review. The study concluded that total cash compensation (i.e., base salary and incentive compensation) for EPE employees is most closely aligned with the 25th percentile of market. That is, EPE's overall total cash compensation is commensurate with the lowest quarter percentile of comparable companies.

Q53. BASED ON THE MERCER MARKET COMPENSATION STUDY, ARE THE COMPANY'S TOTAL CASH COMPENSATION LEVELS REASONABLE AND NECESSARY?

A. Yes. The Mercer Market Compensation Study shows that the Company's current total cash compensation costs for non-union employees are well below the market average for similarly situated jobs both in the electric utility industry and the job market as a whole.

Q54. IS IT IMPORTANT THAT THE COMPANY'S OVERALL COMPENSATION PACKAGES BE COMPETITIVE WITH ITS PEERS IN THE UTILITY INDUSTRY AND A BROADER MARKET?

A. Yes, it is. The utility business requires EPE to be able to attract, develop, and retain highly qualified talent with good professional skills. The nature of the Company's work is highly technical and requires a workforce rich in engineering, finance, and other professional and technical skills. Most of the Company's positions require not only a sound educational background, but also a number of years of training and development to become fully proficient in the work required. Therefore, the Company invests in programs such as the Doña Ana Community College Line Worker Certification Program and a new Line Worker Certification program with Western Technical College. It further engages in internship and training programs with educational partners such as The University of Texas – El Paso, New Mexico State University, and El Paso Community College.

Our compensation and benefit plans are market based. We routinely compare total compensation for equivalent positions or levels of skill and responsibility to a defined comparator universe. This comparator universe is composed of companies based on the relevant labor market from which applicants are or could be recruited. Our comparators vary from those of a company specific group to those companies in our industry whose compensation data is reported in aggregate by third-party surveys. The Company remains current with its classification and compensation study of its workforce with the guidance of Mercer and Willis Towers Watson ("WTW"). As discussed below, the compensation levels from this analysis are routinely updated. The objectives include updating a relevant and market competitive classification and compensation program that allows for the attraction and retention of qualified individuals and opportunities for growth and development within a competitive salary structure framework.

EPE's overall compensation is certainly reasonable when compared to its peers. EPE's customers benefit from a unified strategy and approach to total compensation that helps to ensure it is attracting and retaining the talent the Company needs in a complex operational and service delivery business model. The Company's programs are designed to motivate and reward employees to achieve benefits for customers through reliability and customer service that are consistent with EPE's public service mandate to provide reliable and cost-effective electrical service.

Q55. HOW IS EMPLOYEE COMPENSATION DETERMINED?

A. The Company develops compensation for non-union employees by benchmarking jobs to comparable positions in EPE's service territory and within the utility industry through salary surveys, online salary comparison tools and other sources of information on compensation. For officers, the Company consults with WTW and utilizes its surveys and consultants to analyze and recommend officers' compensation. Officers' compensation is generally established at or near 50% of the market range in relation to comparable companies. This methodology results in reasonable compensation levels for officers of the Company.

The Company reviews benchmarking data from multiple sources such as Mercer, WTW, and other utility peers for compensation of exempt and non-exempt non-union employees. While there are a number of positions for which the Company competes for universal skill sets that are normally found at a local level (such as customer service representatives and field service representatives), the Company does compete with other utilities for many positions that require specialized experience or training in the electric utility industry (such as electrical engineers, power system engineers, and power plant managers). The Company seeks to establish salary ranges that are comparable to jobs in the electric utility industry for similarly sized utilities. The Company's salary structure is designed to ensure that the Company can hire, reward, and retain competent employees for each position in the Company.

Compensation for union employees, including contracted changes in compensation, is negotiated in a collective bargaining agreement ("CBA"). The current CBA became effective on March 3, 2023, and expires on March 3, 2028. In negotiating union wage levels, the Company follows a similar process of reviewing wages for similar jobs in El Paso and in the electric utility industry. The union contract provides for future wage increases for bargaining unit employees of 8.0% on March 3, 2023, 5.0% on March 3, 2024, 4.0% on March 3, 2025, and 2026, and 3.0% on March 3, 2027.

The Company adjusted salaries and wages to reflect the salary level as of

September 30, 2025, for all employees. Salary levels at this date reflect the latest salaries for all EPE employees including union, non-union, and officers' salary increases that became effective in March 2025. Additionally, EPE is adjusting its request for salaries and wages to reflect the 4.0% contractual union wage increase effective March 3, 2026, and a 4.0% increase for non-union wages effective in February 2026. The non-union wage increase is based on the lower of a simple three-year average of the wage increases received by non-union EPE employees each of the last three years and the budgeted non-union wage increase that effective February 2026 (the actual non-union increases effective January 2023, February 2024, and February 2025 were 4.4%, 3.9%, and 4.0%, respectively). Both union and non-union wage increases included in the requested cost of service will occur before the effective date of rates established in this proceeding. See Workpaper A-3, Adjustment No. 3 for these calculations.

Q56. WHAT IS EPE'S OVERALL APPROACH TO THE COMPENSATION PROGRAMS AND BENEFIT PLANS IT PROVIDES TO EXECUTIVE OFFICERS AND THE COSTS OF THOSE PROGRAMS AND PLANS?

A. EPE has designed compensation and supplemental benefits programs to be competitive with other similarly sized utilities to attract and retain qualified executive officers. These programs include base salary, short-term incentive pay, long-term incentives, and a supplemental pension restoration program. In total, EPE's programs are targeted at the 50th percentile of the market to be competitive with similar utilities, and they comply with industry best practices and are heavily performance-based. EPE's total package of direct compensation and supplemental benefits for executive officers in the aggregate is comparable in both design and cost to programs offered by comparable companies within the utility industry.

The Company's overall executive compensation and benefits are reasonable and necessary, consistent with market and commercial standards, and are designed to ensure that the Company can hire, reward, and retain competent executive officers.

Q57. HOW IS THE COMPENSATION OF EPE'S EXECUTIVE OFFICERS DETERMINED?

A. The Board of Directors' People and Remuneration Committee ("PARCO") reviews and approves compensation for all executive officers. All members of the Board of Directors attend the PARCO meetings. The PARCO reviews the performance of EPE's CEO at least annually. The CEO reviews other executive officers' performance and reports their evaluations to the PARCO. EPE's CEO also recommends to, and discusses with, the PARCO compensation elements for executive officers, although the PARCO approves actual compensation awarded.

Q58. HAS THE COMPANY INCLUDED ANY SHORT-TERM OR LONG-TERM INCENTIVE COMPENSATION FOR EXECUTIVES IN THE REQUESTED COMPENSATION EXPENSE?

A. Yes. The only executive incentive compensation that EPE has included in its requested cost of service in this case is the non-financial incentive compensation paid through the STIP, which includes compensation that is based upon operational metrics including customer service and satisfaction, and reliability.

Q59. IS THE COMPANY SEEKING RECOVERY OF ANY FINANCIALLY BASED INCENTIVE COMPENSATION AMOUNTS PAID THROUGH THE COMPANY'S STIP?

A. No. Only the non-financially based portion of the Company's STIP for all employees is included in the requested salaries and wages. The total Company and New Mexico jurisdictional amount of the non-financially based annual bonus expense included in this filing can be found in Schedule A-3, Adjustment No. 3, page 2, column (e), line 12, and is based on a three-year historical average, consistent with the Commission's Final Order in the 2015 Rate Case.

Q60. HAS THE COMPANY INCLUDED ANY AMOUNTS IN ITS REQUESTED COST OF SERVICE FOR LONG-TERM INCENTIVES FOR ANY EMPLOYEES?

A. No. The Company has removed the entire cost of its LTIP from its requested cost of service consistent with the Commission's decision in the 2015 Rate Case. The total Company amount of this adjustment can be found in the Pension and Benefits adjustment on Schedule A-3, Adjustment No. 4, page 2, column (c), line 8.

Q61. HAS THE COMPANY MADE ANY ADJUSTMENTS TO ITS BASE PERIOD PAYROLL AMOUNT?

A. Yes. As discussed above, salaries and wages requested in cost of service were annualized based on payroll data as of September 2025 and were adjusted to reflect the 4.0% contractual union wage increase effective March 3, 2025, and a 4.0% increase for non-union wages which represents the lower of a simple 3-year average increase and the budgeted non-union wage increase effective in February 2026. In addition, and as previously noted, the portion of the annual bonus (or STIP) related to financially based metrics was removed from the requested cost of service. Both the annualized salaries and wages and the requested amounts of three-year historical average of the non-financial STIP were then multiplied by the respective three-year actual expense ratio of payroll and bonus costs. The salaries and wages adjustment is reflected on Schedule A-3 and is calculated in Workpaper A-3, Adjustment No. 3.

A three-year historical average of the portion of the STIP related to non-financial incentives was included in the requested payroll expense (Schedule A-3, Adjustment No. 3, page 2, column (e), line 12). Inclusion of the STIP using a three-year historical average of payouts that are not based on financial performance was approved by the Commission in the 2015 Rate Case. The non-financial STIP amount was allocated to expense using a three-year historical bonus expense ratio average of 61.53 percent (Schedule A-3, Adjustment No. 3, page 2, column (e), line 11), consistent with the Commission's Final Order in the 2015 Rate Case. The use of a three-year historical average of non-financial incentives and a three-year historical average of bonus plan expense ratio was also followed in the Company's request in the 2020 Rate Case.

The total calculated payroll expense was then subtracted from the Base Period payroll expense to obtain the amount of the adjustment. The total Company payroll adjustment amount is reflected on Schedule H-4 and is calculated in Schedule A-3, Adjustment No. 3.

Q62. WHAT IS THE PURPOSE OF APPLYING A PAYROLL O&M EXPENSE RATIO TO THE ADJUSTED ANNUALIZED SALARIES AND WAGES?

A. The payroll O&M expense ratio is applied to total Company payroll to calculate the payroll dollars which are expected to be expensed to utility operations and maintenance accounts. In addition to payroll that should be expensed to utility operations and maintenance, total payroll includes amounts that should be expensed to other income and expenses and amounts that are capitalized, as well as payroll amounts that are requested by EPE in other cases before the Commission.[3] By applying the ratio to total gross annualized payroll, the annualized amounts that are unrelated to O&M expenses are excluded from the Company's request for O&M expense. This methodology is consistent with the treatment approved by the Commission in prior cases, starting with the 2015 Rate Case.

Q63. WHAT IS THE PURPOSE OF APPLYING A NON-FINANCIAL STIP O&M EXPENSE RATIO TO THE ADJUSTED ANNUALIZED NON-FINANCIAL STIP COMPENSATION?

A. The non-financial STIP O&M expense ratio is applied to total Company non-financial annualized STIP compensation to calculate the payroll dollars which are expected to be expensed to utility operations and maintenance accounts. In addition to non-financial STIP costs that should be expensed to utility operations and maintenance, total non-financial STIP cost includes amounts that should be expensed to other income and expenses as well as amounts that are capitalized. By applying the ratio to total gross annualized non-financial STIP, the annualized amounts that are unrelated to O&M expenses are excluded from the Company's request for O&M expense. This methodology is consistent with the treatment approved by the Commission in prior cases, starting with the 2015 Rate Case.

[3] Per Commission order in Case No. 23-00071-UT (New Mexico Community Solar costs) and Commission order in Case No. 23-00231-UT (Transportation Electrification Plan costs)

Q64. HOW DID YOU DERIVE THE PAYROLL AND NON-FINANCIAL STIP O&M EXPENSE RATIOS FOR THIS CASE?

A. The O&M payroll expense ratio was derived by comparing payroll expensed to O&M to total payroll for the three years ended September 30, 2025. Similarly, the non-financial STIP O&M expense ratio was derived by comparing non-financial STIP costs expensed to O&M to total non-financial STIP costs for the three years ended September 30, 2025. Both of these calculations are included in Schedule A-3, Adjustment No. 3, page 3.

Q65. WERE THE STIP COSTS REMOVED FROM TOTAL PAYROLL EXPENSE BEFORE THE PAYROLL O&M EXPENSE RATIO WAS CALCULATED?

A. Yes. The STIP amounts were removed from total payroll expense prior to the calculation of the O&M payroll expense ratios for the three-year expense ratios which are included in Schedule A-3, Adjustment No. 3, page 3, lines 9 to 12. This is consistent with the 2020 Rate Case.

Q66. WHAT BENEFIT PLANS ARE OFFERED TO EMPLOYEES?

A. The Company offers a competitive package of benefits to employees. Providing employees with a comprehensive benefit package, which includes medical, dental, vision, life and disability insurance, is an important component of employee compensation. The Company provides the same benefits to both union and non-union employees. In December 2024, Arthur J. Gallagher & Co. ("Gallagher") a leading insurance brokerage, risk management, and HR & benefits consulting company, evaluated the Company's benefit plans and concluded that EPE's comprehensive benefits package is reasonable and necessary, consistent with market standards, and is provided to ensure that the Company can hire, reward, and retain competent employees for each position in the Company. Gallagher also concluded that the Company's costs associated with these benefit plans are generally in line with benchmark standards when compared against industry standards and similar organizations.

Q67. HAS EPE CHANGED ITS BENEFIT PLANS TO MANAGE COSTS?

A. Yes. EPE has continued to modify its benefit plans by implementing changes to help manage the Company's overall benefit expense. Since the 2020 Rate Case, additional changes have been made to the retiree medical plan that have reduced OPEB expenses. To continue its management of overall medical plan costs, EPE closed retiree health benefits to new employees hired or re-hired on or after January 1, 2023, and eliminated the $1,000 deductible option for retirees effective January 1, 2024. The amount requested in cost of service related to OPEB expense continues to be a credit to customers. Of the $6.6 million customer cost reduction for the Test Year Period associated with OPEB, $3.2 million is directly attributable to plan changes EPE made to reduce costs. The plan amendment implementing the change to close retiree health benefits to new employees has been provided as Workpaper WP/H-4.3.

Q68. WHAT COSTS ARE INCLUDED IN COST OF SERVICE FOR PENSION AND OTHER POST-EMPLOYMENT BENEFITS?

A. WTW, the Company's actuary, has prepared actuarial estimates of expenses for 2025 for the pension and OPEB plans in accordance with GAAP that are annualized and reflected in the adjustments in Workpaper A-3, Adjustment No. 4. The actuarial reports are based upon the funded status of the plans at December 31, 2024, which allows WTW to compute the 2025 expenses for each plan. The expense summary reports for fiscal year 2025 prepared by WTW, which are the most recent actuarial valuation reports, are included in Workpapers H-4.9 and H-4.10, for the pension and OPEB plans, respectively. The Company consults with WTW for services related to its pension, medical, and retiree benefit plans and WTW prepares actuarial reports to determine the annual expense for pension and OPEB for financial reporting under GAAP and reporting under the Employment Retirement Income Security Act of 1974.

Q69. WHAT SUPPLEMENTAL PENSION BENEFITS ARE OFFERED TO EPE'S EXECUTIVE OFFICERS?

A. Two types of supplemental pension benefits are offered to EPE's executive officers: (i) the Supplemental Executive Retirement Plan ("SERP"), which is a consolidation of the Supplemental Retirement and Survivor Income Plan, Executive Retirement Agreements, and Directors' Retirement Plan, that were offered to executive officers and directors prior to and during EPE's emergence from bankruptcy in February 1996 and (ii) the Excess Benefit Plan, adopted in 2004, which provides supplemental pension benefits to EPE's executive officers, whose benefits in the Company's Retirement Income Plan ("RIP") are limited because of the benefit limitations imposed by the Internal Revenue Service ("IRS").

Q70. COULD YOU PLEASE DESCRIBE THE COMPANY'S SERP?

A. The Company's SERP, a non-funded defined benefit plan, covers certain former employees and directors of the Company. The pension cost for the SERP is based on substantially the same actuarial methods and economic assumptions as those used for the RIP that covers all EPE employees. The Company closed the SERP to new participants in 1996, after the plan's costs were approved by the bankruptcy court in conjunction with the reorganization plan and the Company's emergence from bankruptcy. The approval of the SERP benefit plans upon emergence from bankruptcy allowed for a smooth management transition and, as part of the

Company's plan of reorganization, helped customers to benefit from the revaluation of EPE's generating assets as discussed by EPE witness Prieto. A copy of the final 2025 plan expense for the SERP is part of the 2024 year-end benefit plan disclosure report prepared by WTW and is included in Workpaper H-4.11.

Q71. COULD YOU PLEASE DESCRIBE THE COMPANY'S EXCESS BENEFIT PLAN?

A. The Company's Excess Benefit Plan was adopted in 2004 and covers certain active and former employees. The Excess Benefit Plan seeks to supplement executive officers' pension benefits that are restricted due to IRS limitations, so as to provide benefits comparable to what other employees receive through the RIP. Pension cost for the Excess Benefit Plan is based on substantially the same actuarial methods and economic assumptions as those used for EPE's RIP.

Q72. IS IT COMMON FOR UTILITIES LIKE EPE TO OFFER PLANS LIKE EPE'S EXCESS BENEFIT PLAN?

A. Yes. Virtually all investor-owned public utilities offer "restorative" plans such as the Excess Benefit Plan offered by the Company. As previously discussed, EPE has designed compensation and supplemental benefits programs to be competitive with other similarly sized utilities in order to attract and retain qualified executive officers. Due to earnings limits imposed by the IRS on the Company's RIP, these supplemental pension benefit plans allow the participants to earn a benefit proportional to their overall compensation. A copy of the actuarial report prepared by WTW for the Excess Benefit Plan is included in Workpaper H-4.12.

Q73. WHY IS IT IMPORTANT FOR THE COMPANY TO OFFER AN EXECUTIVE RETIREMENT PACKAGE COMMENSURATE WITH THOSE OFFERED BY SIMILAR COMPANIES?

A. These supplemental pension benefit plans are just one component of our overall compensation and benefit plan. Our overall compensation and benefit program must be competitive in order for EPE to compete for the talent and personnel necessary to effectively operate our business. Absent the Excess Benefit Plan, EPE's executive officers would not be competitively compensated with regard to their retirement benefits.

Q74. HAS THE COMPANY MADE ANY ADJUSTMENTS TO ITS BASE PERIOD PENSION AND BENEFIT EXPENSE AMOUNTS IN THIS FILING?

A. Yes. The Company's pension and benefit adjustment calculation is included in Workpaper A-3, Adjustment No. 4. This adjustment reduces Base Period pension and benefits expense to reflect known and measurable costs as follows (line numbers referenced below refer to page 2 of Adjustment No. 4):

1. Costs for the OPEB, Pension, Excess and SERP Plans were adjusted to reflect the annualized 2025 actuarial expense as prepared by WTW (lines 1, 3, 4 and 5).
2. One-half of costs of the Excess Benefit Plan were also removed from EPE's request, consistent with the Commission's rate treatment in the 2015 and 2020 Rate Cases (line 4).
3. The 401(k) costs were adjusted to reflect the Company's current contribution levels (line 2).
4. Costs of the Company's long-term incentive program were removed from Base Period costs (line 8) consistent with the Commission's rate treatment in the 2015 and 2020 Rate Cases.
5. Medical expenses were adjusted to reflect medical expense rebates received during the Base Period (line 9).
6. Other employee benefits were adjusted to remove the PTO accrual and PTO sell-back amounts (line 11) since these amounts are included in salaries and wages in Adjustment No. 3.
7. Costs for employee separation agreements were removed from Base Period costs (line 12).

Q75. ARE EPE'S COMPENSATION AND BENEFIT PLAN EXPENSES REASONABLE?

A. Yes. EPE administers its compensation and benefit plans in a cost-effective and efficient manner. The Company provides compensation and benefits for employees at a reasonable cost, and EPE negotiates with vendors for competitive rates for both the Company and its employees.

Q76. HAS THE COMPANY MADE ANY RATE BASE ADJUSTMENTS ASSOCIATED WITH PENSION AND BENEFIT PLAN COSTS?

A. Yes. Consistent with the Commission's Final Order in the 2020 Rate Case, the Company has made an adjustment to rate base for the cumulative difference, since 1998, between the amount of pension and OPEB costs the Company has requested from customers and the amount it has contributed to its pension and OPEB plans.

Q77. WHERE IS THAT ADJUSTMENT REFLECTED IN THE RATE SCHEDULES?

A. The adjustment, which represents a $12.5 million rate base increase on a total Company basis (New Mexico jurisdictional increase of $2.7 million), may be found on Workpaper A-3, Adjustment No. 33, page 1.

Q78. HOW WAS THE AMOUNT OF THE ADJUSTMENT DETERMINED?

A. In the 2020 Rate Case, the Commission approved a rate base adjustment, based on the cumulative difference since 1998 between amounts contributed by the

Company and amounts collected from customers for each of the four applicable plans (RIP, Excess Plan, SERP, and OPEB). On a cumulative basis, contributions funded by EPE in excess of amounts collected from customers are added to rate base, while under-contributions are deducted from rate base.

In consultation with the Company's actuarial consultants, WTW, I updated the detailed analysis prepared for the 2020 Rate Case[4] to add the relevant data through September 30, 2025.

I also updated the calculations of capitalized amounts for 2018 through September 2025 to reflect the update in EPE's benefits capitalization policy in accordance with the implementation of Accounting Standards Update ("ASU") 2017-07, whereby only the service cost portion of net periodic benefit cost is subject to capitalization. This adjustment results in a $5.6 million reduction to rate base for 2018 and 2019. The calculation of the cumulative rate base adjustment for EPE's pension and OPEB may be found on Workpaper A-3, Adjustment No. 33, pages 3-8, and is summarized below.

Rate base adjustment reconciliation

Rate base adjustment at 12/31/2019	($0.172 million)
2018-2019 capitalization adjustment	($5.579 million)

[4]Exhibits YG-8 and YG-9 filed with the direct testimony of EPE witness Yannick Gagne in the 2020 Rate Case.

From 1/1/2020 to 9/30/2025:

EPE contributions (net of capitalization)	$25.230 million
Requested from customers (net of capitalization)	($6.936 million)
Rate base adjustment at 9/30/2025	**$12.543 million**

VII. ADMINISTRATIVE AND OTHER GENERAL EXPENSES

Q79. IS THE COMPANY SEEKING RECOVERY OF COSTS RELATING TO ADMINISTRATIVE AND GENERAL ("A&G") EXPENSES?

A. Yes. The Company is seeking recovery of the A&G costs described below and summarized on Schedules H-1 and H-5.

Q80. WHAT A&G EXPENSES ARE INCURRED BY THE COMPANY?

A. In addition to salaries and wages and employee benefits, the Company incurs A&G expenses for office supplies and expenses, outside services, insurance (including workers' compensation, liability insurance, and property insurance), advertising, rents, regulatory commission expenses, and miscellaneous general expenses. These expenses are necessary for the Company to support its operations. Office supplies and expenses include not only the cost of paper, printing, and other office supplies, but also work-related travel, training and other employee expenses. The Company must maintain insurance against property losses and for liability protection. Advertising educates customers about safety, billing practices, and energy efficiency. Regulatory commission expenses are necessary to comply with the requirements of the PUCT, NMPRC, and FERC. Miscellaneous general expenses include costs not recognized in other FERC accounts and reflect necessary costs for the Board of Directors, memberships in industry and professional organizations, and other costs of operating the Company.

Q81. HOW DOES THE COMPANY ENSURE THAT A&G EXPENSES ARE REASONABLE?

A. EPE works to ensure that administrative expenses are reasonable by using competitive bidding for many services, including insurance and office supplies. Other costs are negotiated. Some costs, such as industry and professional dues, are set on a statewide or nationwide basis. EPE also seeks to only use services necessary to operate its business.

Q82. DOES THE COMPANY EMPLOY OUTSIDE SERVICES TO PERFORM OR SUPPORT VARIOUS A&G COMPANY ACTIVITIES?

A. Yes, the Company employs outside legal and other services to perform activities required by the Company. Outside services to perform administrative activities are primarily obtained in the following areas:

- Accounting and tax,
- Legal, and

- Information technology.

Q83. PLEASE SUMMARIZE THE OUTSIDE ACCOUNTING AND RELATED SERVICES THAT THE COMPANY EMPLOYS.

A. The Company employs an independent accounting firm to audit its GAAP financial statements each year in accordance with the requirements of Company debt holders and its regulatory financial statements as required by the FERC's Uniform System of Accounts. The Audit Committee of the Company's Board of Directors reviews the activities performed by the Company's independent accounting firm on an annual basis and approves all costs for the financial statement audits. The Company also uses outside accounting resources to obtain expertise on tax and other issues as needed.

Q84. PLEASE SUMMARIZE THE OUTSIDE LEGAL SERVICES THAT THE COMPANY EMPLOYS.

A. The Company must address legal issues in several technical areas. The Company employs outside law firms to obtain specific expertise, such as Texas and New Mexico regulatory or litigation counsel and to address legal issues that require resources outside of the Company's in-house legal resources. Often, the same law firms are used to provide services to maintain continuity and to leverage familiarity with Company issues. The Company issues requests for proposals for legal services and negotiates with these firms to obtain competitive rates for their services.

Q85. WHAT INFORMATION IS CONTAINED IN EXHIBIT SAS-2?

A. Exhibit SAS-2 shows the outside litigation services that were employed by EPE that EPE is requesting to recover as part of this case for costs recorded in FERC Accounts 923 and 928.

Q86. WHAT IS FERC ACCOUNT 923?

A. Account 923 – Outside Services Employed, is an A&G expense account used to record the cost of outside professional and technical services that are not performed by utility employees. Typical charges that are appropriate for Account 923 include expenses for outside services, including legal services, provided those services are non-regulatory.

Q87. WHAT IS FERC ACCOUNT 928?

A. Account 928 – Regulatory Commission Expenses is an A&G expense account used to record the costs incurred in matters before regulatory commissions having jurisdiction over the utility.

Q88. WHAT AMOUNT IS EPE REQUESTING FOR LITIGATION EXPENSES IN THIS CASE?

A. As reflected on Exhibit SAS-2, EPE is requesting a total Company amount of $543,320 (New Mexico jurisdictional amount of $387,038) in litigation expense in this case.

Q89. HOW DID YOU IDENTIFY THE LITIGATION EXPENSES IDENTIFIED ON EXHIBIT SAS-2?

A. EPE tracks litigation expenses that have been incurred and recorded on its general ledger in Accounts 923 and 928. Exhibit SAS-2 shows those amounts and includes a brief description of the matters and the general category of litigation for legal expenses recorded in Account 923 and 928.

Q90. HOW DOES THE AMOUNT THAT EPE IS REQUESTING FOR LITIGATION EXPENSE COMPARE TO OTHER ELECTRIC UTILITIES?

A. The amount requested by EPE is generally in line with the litigation expenses incurred by other electric utilities in New Mexico, if not a little lower.

Q91. WERE THE LITIGATION EXPENSES REFLECTED ON EXHIBIT SAS-2 NECESSARY AND REASONABLY INCURRED?

A. Yes, they were.

Q92. PLEASE SUMMARIZE THE INFORMATION TECHNOLOGY SERVICES EMPLOYED BY EPE.

A. The Company outsources certain aspects of its information technology functions, which include data warehouse design and support, customer information system application support, financial system application support, and some cloud maintenance. The Company's remaining information technology staff manages and coordinates the activities of the outsourced service provider and also provides information technology support in key areas such as cyber security, on-site and cloud infrastructure maintenance and support, project management, application development and support, data analytics, and networking and telecommunications.

The Company uses other outside services on an as needed basis to obtain specific expertise or additional resources. The Company seeks to competitively bid these activities or negotiate competitive rates.

Q93. WHAT OTHER A&G EXPENSES ARE INCURRED BY EPE?

A. Other A&G expenses incurred by the Company include advertising and membership dues, which are presented on Schedule H-5. Payments for lobbying, penalties and fines, and donations are not included in the requested cost of service, as they are recorded below the line in non-operating expenses, except for an immaterial amount of misclassified base period lobbying expense which was adjusted in Adjustment No. 9 – Miscellaneous General and Other, as noted in Section IV above.

Q94. DO THE A&G EXPENSES YOU ARE SPONSORING INCLUDE THE BOARD OF DIRECTOR'S FEES?

A. Yes. The Board of Directors' fees are the compensation paid to board members for their service on the board and are included as an A&G expense.

Q95. ARE THE BOARD OF DIRECTOR FEES REQUESTED IN THIS CASE REASONABLE?

A. Yes. Board of Directors' fees have declined significantly since 2020. The normalized costs for Board of Directors' compensation described above in Section IV of my testimony were approximately half of what they were in 2020, and consistent with the Commission's decision in the 2020 Rate Case, one-half of those normalized costs for Board of Directors' compensation were excluded from EPE's request in this case.

Q96. ARE EPE'S A&G EXPENSES REASONABLE AND NECESSARY TO PROVIDE SERVICE TO ITS CUSTOMERS?

A. Yes. EPE conducts its A&G functions in a cost effective and efficient manner. It has outsourced information technology and other activities where third parties could provide these services in a more cost-effective manner. Advertising expenses are a reasonable and necessary part of providing service to customers and consist primarily of costs to provide information and/or instructions to customers. Additionally, advertising expenses included in Test Year Period cost of service have been limited to only those amounts allowed by Rule 350 as discussed above.

VIII. SUMMARY OF SCHEDULES SPONSORED

A. THE A SCHEDULES (COST OF SERVICE SUMMARY)

Q97. WHAT DOES SCHEDULE A, OVERALL COST OF SERVICE, ADDRESS?

A. Schedule A, which I co-sponsor, presents EPE's overall, system-wide cost of service, including items such as O&M expense, depreciation expense, taxes other than income taxes, income taxes, adjustments, and return on rate base. It also includes fuel and purchased power information for the Base Period. This information is presented on a system-wide (total utility) basis, as EPE serves three jurisdictions (retail in Texas and New Mexico and wholesale under the FERC jurisdiction).

Q98. WHAT DOES SCHEDULE A-3, ADJUSTMENTS TO TEST YEAR PERIOD, ADDRESS?

A. Schedule A-3 summarizes EPE's Test Year Period adjustments, by FERC account. Workpaper A-3 includes support and calculations for each adjustment to the Base

Period. Each of these adjustments is discussed above in more detail.

B. THE H SCHEDULES (ACCOUNTING INFORMATION)

Q99. WHAT DO THE H SCHEDULES ADDRESS?

A. The H Schedules that I sponsor address accounting information and expenses relating to employee compensation and benefits, and other administrative and business expenses. I sponsor the following schedules:

Schedule	Description
Schedule H-1	Operation and Maintenance (O&M) Expenses
Schedule H-4	Payroll Distribution and Associated Payroll Taxes
Schedule H-5	Expenses Associated with Advertising, Contributions, Donations, Lobbying, and Political Activities, Memberships, and Outside Services
Schedule H-6	Other Administrative and General (A&G) Expenses

1. SCHEDULE H-1: OPERATION AND MAINTENANCE EXPENSE

Q100. WHAT INFORMATION IS IN SCHEDULE H-1, O&M EXPENSES?

A. Schedule H-1 includes EPE's expenses for each O&M account in the Uniform System of Accounts, with:

- expense by month, as booked for the Base Period, and the total;
- adjustments to the Base Period amounts; and
- total adjusted O&M expense.

2. SCHEDULE H-4: PAYROLL AND BENEFITS INFORMATION

Q101. WHAT INFORMATION IS IN SCHEDULE H-4?

A. Schedule H-4 includes the Base Period payroll expense and associated payroll taxes included in cost of service by FERC account. This schedule is prepared on a total Company basis and also includes the adjustment to payroll expense by FERC account to arrive at the Test Year Period payroll expense and associated payroll taxes the Company is requesting in its cost of service for this case.

3. SCHEDULE H-5: EXPENSES ASSOCIATED WITH ADVERTISING, CONTRIBUTIONS, DONATIONS, LOBBYING AND POLITICAL ACTIVITIES, MEMBERSHIPS AND OUTSIDE SERVICES

Q102. WHAT INFORMATION IS IN SCHEDULE H-5?

A. Schedule H-5 summarizes Base Period advertising, contributions, and donations, lobbying and political activities, memberships and outside services expenses by FERC account and also includes adjustments to Base Period amounts to arrive at the Test Year Period request for these expenses.

4. SCHEDULE H-6: OTHER A&G EXPENSES

Q103. WHAT INFORMATION IS REQUESTED IN SCHEDULE H-6, OTHER A&G EXPENSES?

A. Schedule H-6 requests other A&G expenses including transfers, credits, regulatory commission expenses, and other miscellaneous general expenses not shown elsewhere. In addition to salaries and wages and employee benefits, the Company incurs administrative and general expenses including office supplies and expenses, outside services, insurance, including workers' compensation liability insurance, and property insurance, advertising, rents, regulatory commission expenses, and other miscellaneous general expenses, including directors' fees. EPE is not filing Schedule H-6 with this case because these expenses are summarized and presented by FERC account on Schedule H-1.

C. THE I SCHEDULES (FINANCIAL STATEMENTS)

Q104. WHAT DO THE I SCHEDULES PROVIDE?

A. I schedules contain financial statement information for the Company.

Q105. PLEASE DESCRIBE SCHEDULE I-1 THROUGH I-3.

A. Schedule I-1 contains EPE's Balance Sheet, schedule I-2 contains EPE's Income Statement, and schedule I-3 contains EPE's Statement of Cash flows. The I schedules provide the Base Period and Test Year Period ended September 30, 2025, amounts. All amounts in the I schedules are provided on a total Company basis.

D. THE P SCHEDULES (O&M EXPENSE INFORMATION)

Q106. WHAT INFORMATION IS IN SCHEDULE P-4?

A. Schedule P-4 provides total Company O&M expenses by month and detailed by functional group (i.e., production, transmission, distribution, customer accounts and services, and A&G) for Base and Test Year Periods by month, as well as annual data for four (4) years prior to the Test Year Period and for five (5) years beyond the Test Year Period. The forecasted data is sponsored by EPE witness Richard Gonzalez, and the New Mexico jurisdictional data is sponsored by EPE witness Hernandez.

E. THE Q SCHEDULES (REQUIRED REPORTS)

1. SCHEDULE Q-4: REPORTS TO THE SECURITIES AND EXCHANGE COMMISSION

Q107. WHAT INFORMATION IS PROVIDED IN SCHEDULE Q-4?

A. Schedule Q-4 requests copies of the Company's latest Reports to the Securities and Exchange Commission ("SEC"). This schedule is not applicable to EPE because the Company is not registered with the SEC.

2. SCHEDULE Q-5: FORM 1 REPORTS

Q108. WHAT INFORMATION IS PROVIDED IN SCHEDULE Q-5?

A. Schedule Q-5 provides a copy of EPE's latest FERC Form 1, for the period ending December 31, 2024.

IX. CONCLUSION

Q109. PLEASE STATE YOUR CONCLUSIONS.

A. Since the 2020 Rate Case, the Company's non-fuel O&M expenses have generally remained below inflation-adjusted amounts, including overall combined compensation and benefit costs, which remain reasonable and necessary. The total amount of EPE's requested compensation and benefits is market driven, consistent with other similarly situated businesses, administered in a cost-effective manner, is consistent with the Company's recent market study and is just and reasonable in accordance with Rule 530. Additionally, the Company's other O&M and A&G expenses presented or summarized in the adjustments above follow prior Commission orders and are reasonable and necessary for the Company to support its operations, and the rate base adjustment for EPE's pension and OPEB plans that I discussed is appropriate and consistent with the rate treatment in the 2020 Rate Case.

Q110. DOES THIS CONCLUDE YOUR TESTIMONY?

A. Yes, it does.

Amended Filing

LIST OF ADJUSTMENTS TO COST OF SERVICE

Adjustment Nos.	Description	Sponsors
	Cost of Service Adjustments	
1	Revenues & Uncollectibles	Rene Gonzalez / C. Prieto / A. Hernandez
2	Fuel and Purchased Power Expense	J. Reza / A. Hernandez
3	Salaries & Wages	S. Sierra / A. Hernandez
4	Pensions & Benefits	S. Sierra / A. Hernandez
5	Palo Verde Generating Station O&M	S. Sierra / A. Hernandez
6	Property Insurance	S. Sierra / A. Hernandez
7	Injuries & Damages	S. Sierra / A. Hernandez
8	Advertising	S. Sierra / A. Hernandez
9	Miscellaneous General & Other	S. Sierra / A. Hernandez
10	Regulatory Commission Expense	J. Reza / A. Hernandez
11	Membership Dues	S. Sierra / A. Hernandez
12	Miscellaneous Generation O&M	S. Sierra / A. Hernandez
13	Regulatory Asset and Liability Amortization	J. Reza / C. Prieto / A. Hernandez
14	Decommissioning	Richard Gonzalez / A. Hernandez
15	Depreciation and Amortization	C. Prieto / A. Hernandez
16	Property Taxes	T. Henderson / A. Hernandez
17	Payroll Taxes	T. Henderson / A. Hernandez
18-22	Revenue-Related Taxes	T. Henderson / A. Hernandez
23-25	State Income Taxes	T. Henderson / A. Hernandez
26	Federal Income Taxes	T. Henderson / A. Hernandez
27	Interest on Customer Deposits	S. Sierra / A. Hernandez

El Paso Electric Company
Outside Legal Services - Litigation related
FERC Account 923000 - Outside Services Employed

Amended Filing

Line No.	Matter	Description of Matter	TYPE OF LITIGATION MATTER NM Regulatory	Torts	Commercial	Total
1	2025 NM Financing - NMPRC Case # 25-00018-UT[A]	EPE's 2025 application for securities transaction approval filed with the NMPRC, pleading and testimony	1,071			1,071
2	FPPCAC Variance - NMPRC Case # 21-00064-UT[A]	EPE's 2021 application for FPPCAC variance approval filed with the NMPRC, post final order	10,344			10,344
3	Anais Lopez v EPE - Matter No. 008400	Personal Injury Tort in County Court at Law 6, El Paso, TX, Case No. 2024DCV2576		5,232		5,232
4	Boyaki Law Firm	Contractual claim for attorney fees against Itron			246	246
5	CM Vantage Specialty Ins. Co./Longhorn Warehouse - Matter No. 008500	Threatened litigation		1,997		1,997
6	Chadcor Holdings vs Medlock Commercial Case No. 23-cv-00990-JV-GJF	Respond to subpoena issued to EPE			1,055	1,055
7	Concepcion Solis Juarez v EPE (139-58.2)	Personal Injury Tort in County Court at Law 3, El Paso, TX, Case No. 2023DCV1425		4,211		4,211
8	Dale J Aquino v EPE (139-59.2)	Personal Injury Tort in the 41st District Court, El Paso, TX, Case No. 2023DCV4185		34,099		34,099
9	David Castro v EPE - Matter No. 009000	Personal Injury Claim in the 205th District Court, El Paso, TX, Case No. 2023DCV2499		510		510
10	El Paso Electric Co. v. Michael Torres et al.	Tortious Interference with Existing Contract and Malicious Crminal Prosecution, Case No. 2017DCV00894		25,710		25,710
11	Irma Berumen v EPE (139-57.2)	Personal Injury Tort in County Court at Law 6, El Paso, TX, Case No. 2023DCV2293		70,300		70,300
12	Jaime J Armendariz v EPE - Matter No. 008100	Property Damage Claim in County Court at Law 6, El Paso, TX, Case No. 2024DCV2613		3,470		3,470
13	Joe Jimenez Jr. v EPE (139-55.5)	Negligence Claim, Case No. 202227870		21		21
14	Kenneth Anderson v EPE	Real property trespass claim in the 3rd Judicial District Court of New Mexico, Cause No. 307-2024-2836		30,815		30,815
15	Kenneth Anderson v EPE	Real property trespass claim in the 3rd Judicial District Court of New Mexico, Cause No. 307-2024-2836		2,574		2,574
16	Kerry Douthit v James Montoya	Personal Inury Tort - Cause No. D-307-CV-2021-00056		4,533		4,533
17	Lorenzo Castillo v EPE (139-60.2)	Personal Inury Tort in the 168th District Court, El Paso, TX, Case No. 2023DCV4172		6,350		6,350
18	Mayra Saldivar obo Leo Terrazas Jr.	Wrongful Death Lawsuit in the 41st District Court, El Paso, TX, Case No. 2025DCV3002		2,230		2,230
19	NM General Legal[A]	S-1-SC-40636 (NMPRC Case No. 21-00064-UT FPPCAC Variance Appeal by the City of Las Cruces); S-1-SC-39967 (NMPRC Case No. 22-00093-UT EPE's 2023 REA Plan Appeal by the City of Las Cruces); Misc. Court legal services	27,408			27,408
20	Piñon Paint v EPE (139-53.5)	Property Damage Claim in the 171st District Court, El Paso, TX, Case No. 2020DCV2996		145		145
21	State Farm (subrogee - Quesada) v EPE - Matter No. 008000	Negligence Claim in the 34th District Court, El Paso, TX, Case No. 2024DCV2376		3,484		3,484
22	SW Bell dba AT&T vs EPE - Matter No. 008800	Negligence Claim in the 168th District Court, El Paso, TX, Case No. 2024DCV1060		1,728		1,728
23	**Totals**		**$ 38,823**	**$ 197,408**	**$ 1,301**	**$ 237,532**
24	**NM Jurisdictional**		**$ 38,823**	**$ 42,150**	**$ 278**	**$ 81,251**

Notes:
[A] The proper classification for these litigation amounts is Account No. 928-000

El Paso Electric Company
Outside Legal Services - Litigation related
FERC Account 928000 - Regulatory Commission Expense

Amended Filing

Line No.	Matter	Description	NM Regulatory
1	2023 NM FPPCAC	NMPRC Case No. 23-00046-UT - *In the Matter of the Application of El Paso Electric Company for Continued Use of its Fuel and Purchased Power Costs Adjustment Clause;* EPE's Amended Application for Continued use of its FPPCAC	87,955
2	2023 Unit Abandonments 23-00403-UT	NMPRC Case No. 23-00403-UT - *In the Matter of the Application of El Paso Electric Company for Approval of Abandonment of its Rio Grande Power Plant Unit 7 and Newman Power Plant Unit 1* ; EPE's Application for Abandonment of RG7 and N1	21,547
3	2024 Energy Efficiency 24-00154-UT	NMPRC Case No. 24-00154-UT - *In the Matter of El Paso Electric Company's Application for Approval of Its 2025-2027 Energy Efficiency and Load Management Plan, Utility Incentive and Revised Rate No. 17-Efficient Use of Energy Recovery Factor* ; EPE's Application for Approval of its 2025-2027 EE-LM Plan and Revised Rate No. 17	25,896
4	2024 RPS/NM RENEWABLE PROCUREMENT 2025	NMPRC Case No. 24-00176-UT - *In the Matter of the Application for Approval of El PasoElectric Company's Renewable Energy Act Plan for 2025, and Eighth Revised Rate No. 38-RPS Cost Rider* ; EPE's 2024 NM REA Plan for 2025	13,781
5	2025 NM REA Plan 2026	NMPRC Case No. 25-00038-UT - *In the Matter of the Application for Approval of El Paso Electric Company's Renewable Energy Act Plan for 2026, and Ninth Revised Rate No. 38-RPS Cost Rider* ; EPE's 2025 NM REA Plan for 2026	36,595
6	Appeal of NMPRC 2022 IRP Rule	NM Supreme Court Case Nos S-1-SC-39432, S-1-SC-39558, S-1-SS-39611, and S-1-SC-39678; Consolidated appeal of the NMPRC Final Order promulgating a replacemennt Integrated Resource Plan Rule; NMPRC Case No. 21-00128-UT	2,104
7	Black Mt. Gentie ROW Project	Black Mtn. ROW Width Determination ; Preparation of EPE application for ROW Width Determination to be filed in Q1 2026	4,571
8	Community Solar 23-00071-UT/2022 NM Community Solar	NMPRC Case No. 23-00071-UT - *In the Matter of the Tarriffs, Agreements, and Forms Proposed by Qualifying Utilities for the Community Solar Program* Phase II of the NMPRC's consolidated utilty proceeding to implement the NM Community Solar	18,569
9	NM General Legal	NM Supreme Court Case Nos. S-1-SC-40286 (2020 Rate Case Remand Order Appeal, NMPRC Docket No. 20-00104-UT), S-1-SC-39967 (2023 REA Plan/Carne Project Final Order Appeal, NMPRC Docket No. 22-00093-UT), S-1-SC-40048 (Order Amending the BV and Hecate LTPPAs Appeals, NMPRC Docket Nos. 19-00099-UT and 19-00348-UT), and S-1-SC-40636 (FPPCAC Variance Appeal, NMPRC Docket No. 21-00064-UT); and 3rd Judicial District Court of New Mexico, Cause No. 307-2024-2836 (Kenneth Anderson litigation)	53,822
10	NM TVRPP/AMP	NMPRC Case No. 24-00113-UT *In the Matter of the Application of El Paso Electric Company for Approval to Implement a Time-Varying Rate Pilot Program* ; NM TVRPP/AMP	40,947
11		**Total**	**$ 305,788**

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 STEVEN A. SIERRA IN SUPPORT OF THE FOREGOING AMENDED FILING DIRECT TESTIMONY

I, ***Steven A. Sierra***, 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 *Director of Financial Accounting.*

3. I have reviewed the foregoing Amended Filing Direct Testimony of Steven A. Sierra, 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 Steven A. Sierra, 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.***

FURTHER, DECLARANT SAYETH NAUGHT.

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

Executed on August 6, 2026.

/s/ Steven A. Sierra
STEVEN A. SIERRA