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**
EL PASO ELECTRIC COMPANY, Applicant.	)	

DIRECT TESTIMONY

OF

JULISSA I. REZA

ON BEHALF OF

EL PASO ELECTRIC COMPANY

MARCH 2026

Amended Filing

TABLE OF CONTENTS

SUBJECT **PAGE**

EXHIBITS

Amended Filing

EL PASO ELECTRIC COMPANY
DIRECT TESTIMONY OF
JULISSA I. REZA

I. INTRODUCTION AND QUALIFICATIONS

Q1. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A. My name is Julissa I. Reza. My business address is 100 N. Stanton Street, El Paso, Texas 79901.

Q2. HOW ARE YOU EMPLOYED?

A. I am employed by El Paso Electric Company ("EPE" or the "Company") as Manager - Regulatory Accounting.

Q3. PLEASE SUMMARIZE YOUR EDUCATIONAL AND PROFESSIONAL BACKGROUND AND EXPERIENCE.

A. I graduated from The University of Texas at El Paso with a Bachelor of Business Administration in Accounting, with honors. 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.

Upon graduation, I was employed by KPMG in the audit section from 1990 to 1992. I was employed with EPE from 1992 to 1994 and rejoined EPE in 2002. I have held various positions related to financial accounting and reporting, customer accounting, and internal audit. During my twelve years in financial accounting and reporting, my responsibilities included the preparation, review, and analysis of various internal and external financial statements, along with monthly financial closing responsibilities related to the monthly deferred fuel calculation and nuclear fuel accounting. In March 2022, I accepted the position of Manager - Regulatory Accounting.

Q4. WHAT ARE YOUR RESPONSIBILITIES WITH EPE?

A. My responsibilities include oversight of the scheduling, preparation, and review of jurisdictional regulatory accounting and reporting, including the Company's monthly fuel accounting and reporting and other regulatory filings to the New Mexico Public Regulation Commission ("NMPRC" or "the Commission"), Public Utility Commission of Texas ("PUCT"), and the Federal Energy Regulatory Commission ("FERC").

Q5. HAVE YOU PREVIOUSLY PRESENTED TESTIMONY BEFORE ANY UTILITY REGULATORY BODIES?

A. Yes, I have previously filed testimony with and testified before the NMPRC and the PUCT.

II. <u>PURPOSE OF TESTIMONY</u>

Q6. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

A. The purpose of my testimony is to sponsor certain schedules filed as part of this case as identified in Section IV below. I also sponsor and describe certain Test

Year Period adjustments that EPE has made to its Base Period costs. My testimony also includes an analysis of the 12-month rolling average component of EPE's fuel adjustment factor pursuant to the NMPRC's Final Order in Case No. 23-00046-UT.

Q7. HOW IS YOUR TESTIMONY ORGANIZED?

A. In Section IV, I list certain schedules required by the NMPRC's Rate Filing Package for Investor-Owned Electric Utilities ("RFP"), pursuant to Rule 17.9.530 of the New Mexico Administrative Code ("Rule 530"), that I sponsor or co-sponsor in this case. In Section V, I discuss the adjustments made to Base Period expenses and rate base that I sponsor or co-sponsor in this case. Section VI includes a discussion related to the analysis of the 12-month rolling average component of EPE's fuel adjustment factor pursuant to the Final Order in NMPRC Case No. 23-00046-UT.

III. SUMMARY OF TESTIMONY

Q8. PLEASE SUMMARIZE YOUR TESTIMONY

A. First, in Section V.A, I describe each of the adjustments to the cost of service that I sponsor: Adjustment 2 – Fuel and Purchased Power, Adjustment 10 – Regulatory Commission Expense, and Adjustment 13 – Regulatory Assets and Liabilities Amortization Expense. In Section V.B, I describe the adjustments to the Base Period Rate Base that I sponsor: Adjustment 32 – Nuclear Fuel, and Adjustment 33 – Regulatory Assets and Liabilities and Other Additions/Deductions.

Second, in the Final Order in EPE's last fuel continuation filing, Case No. 23-00046-UT, the Commission ordered EPE to provide testimony that addresses the use of the 12-month rolling average of actual fuel and purchased power costs for purposes of calculating the current month fuel adjustment factor. In Section VI of my testimony, I support the continued use of the current methodology for the 12-month rolling average. As I explain below, the current methodology is functioning as intended and has reduced the variability in the monthly factors.

IV. SCHEDULES SPONSORED

Q9. WHAT RULE 530 SCHEDULES FROM THE COMMISSION'S RFP ARE YOU SPONSORING?

A. The schedules I sponsor and co-sponsor are listed below. These schedules comply with Commission Rule 530 and are accurate to the best of my knowledge.

- Schedule B-7: Nuclear Fuel in Process
- Schedule E-3: Fuel Inventories by Plant Location
- Schedule H-2: Cost of Fuel
- Schedule H-3: Revenue Generated Through the Fuel Adjustment Clause
- Schedule P-12: Fuel Statistics Information

V. SUMMARY OF ADJUSTMENTS

Q10. WHAT IS THE PURPOSE OF THIS SECTION OF YOUR TESTIMONY?

A. The purpose of this section of my testimony is to describe the adjustments to the cost of service and rate base that I sponsor or co-sponsor. The adjustments to the cost of service and rate base are shown on Schedule A-3 and associated work papers required by Commission rules.

A. ADJUSTMENTS TO THE COST OF SERVICE

Q11. HAVE YOU MADE ADJUSTMENTS TO THE COMPANY'S BASE PERIOD COST OF SERVICE?

A. Yes. Several adjustments have been made to the Base Period per book amounts to adjust those values to reflect known and measurable changes.

Q12. WHICH COST OF SERVICE ADJUSTMENTS INCLUDED IN SCHEDULE A-3 ARE YOU SPONSORING OR CO-SPONSORING?

A. I am sponsoring or co-sponsoring the cost of service adjustments listed below:

- Adj. 2 – Fuel and Purchased Power
- Adj. 10 – Regulatory Commission Expense
- Adj. 13 – Regulatory Assets and Liabilities Amortization Expense

I address each of the adjustments below.

1. ADJUSTMENT 2 – FUEL AND PURCHASED POWER EXPENSE

Q13. WHAT IS THE PURPOSE OF THE FUEL AND PURCHASED POWER EXPENSE ADJUSTMENT?

A. I co-sponsor this adjustment with EPE witnesses Victor Martinez and Adrian Hernandez. The purpose of this adjustment is to adjust fuel and purchased power expense (collectively referred to as "fuel expense" or "fuel costs") to: 1) reflect changes in kWh sales using the average cost of natural gas during the Base Period; 2) remove Palo Verde Generating Station ("PVGS") Unit 3 costs from cost of service consistent with prior rate treatment by the Commission; 3) remove out of period expense adjustments; and 4) reflect the recovery of capacity charges related to various solar battery energy storage facilities requested for recovery via base rates in this case.

Even though fuel and purchased power is not recovered through base rates, it is necessary for the cost of service to reflect these adjustments in order to calculate the proper amount of the Company's Test Year Period revenue-related taxes, as described by EPE witness Tamara L. Henderson, and uncollectible accounts expense as described by EPE witness Cynthia S. Prieto.

Q14. WHAT WERE THE ADJUSTMENTS TO FUEL EXPENSE?

A. The adjustment to natural gas expense to reflect annualized kWh sales for the Base Period was an expense decrease of $256,075; Nuclear fuel was decreased by

$9,757,788 including the removal of PVGS Unit 3 fuel costs of $11,122,137 and reversing (adding back) to include a U.S. Department of Energy refund for prior periods in the amount of $1,364,349 for PVGS Units 1 and 2. These amounts are on a total Company basis. Schedule A-3 and related workpapers reflect the Test Year Period amounts on both a total Company and a New Mexico jurisdictional basis. EPE witness Hernandez co-sponsors the jurisdictional amounts related to this adjustment.

Q15. WHAT ADJUSTMENT DID YOU MAKE TO PURCHASED POWER EXPENSES?

A. Base Period purchased power expenses were increased by $20,271,566 related to the annual battery capacity charges referenced above. This amount includes the annual battery capacity charge of $19,618,200, on a total Company basis, related to the Buena Vista, Carne, and Santa Teresa battery energy storage system facilities. Please refer to the direct testimony of EPE witness Martinez for support of these capacity charges. In addition, the capacity charges include $653,366 which represents one year of amortization plus carrying costs of the regulatory asset related to the New Mexico portion of Buena Vista battery capacity charges that were approved by the NMPRC in Case No. 19-00348-UT as a system resource. The regulatory asset as of September 2025 includes the deferred battery capacity charges and carrying costs recorded through September 2025 and is requested for recovery over a two-year period. The Buena Vista battery capacity charges will continue to be deferred in a regulatory asset for the period of October 2025 through the date rates are effective from this case and the annual capacity charges are included in base rates. This additional regulatory asset will be requested for recovery in a future base rate case proceeding. Schedule A-3 and related workpapers reflects the Test Year Period Purchased Power amount on both a total Company and a New Mexico jurisdictional basis. EPE witness Hernandez co-sponsors the jurisdictional amounts related to this adjustment.

2. ADJUSTMENT 10 – REGULATORY COMMISSION EXPENSE

Q16. PLEASE EXPLAIN THE PURPOSE OF THE REGULATORY COMMISSION EXPENSE ADJUSTMENT.

A. The adjustment is intended to reflect the appropriate amount of regulatory commission expense recorded in FERC account 928 that EPE seeks to recover in this rate case. It includes the amortization of projected future costs and excludes certain costs, such as those recovered through separate riders, along with other applicable items.

Q17. WHAT ADJUSTMENT DID YOU MAKE FOR REGULATORY COMMISSION EXPENSE?

A. I sponsor Adjustment No. 10 with the exclusion of rate case expenses which are sponsored by EPE witness George Novela. This adjustment includes the following:

1. Inclusion of estimated costs to be incurred to litigate this case, which EPE witness Novela supports and explains in his direct testimony. As Mr. Novela explains, the estimated total cost of this case is $2,015,800. The costs include legal, accounting, return and cost of capital, depreciation study, travel and miscellaneous expenses, and other expert consultants. EPE is requesting rate case expenses to be recovered over a two-year period.
2. Removal of amortization of prior rate case expenses.
3. Removal of regulatory commission case expenses recovered through separate riders.

This adjustment results in a reduction to Base Period Regulatory Commission expense of $748,137 on a total Company basis. The Company's requested Test Year Period amount of Regulatory Commission expense is shown on both a total Company and a New Mexico jurisdictional basis on Schedule A-3 and related workpapers. EPE witness Hernandez co-sponsors the jurisdictional amounts related to this adjustment. The requested balance in Schedule A-3 also includes costs for ongoing New Mexico regulatory proceedings.

3. ADJUSTMENT 13 – REGULATORY ASSETS AND LIABILITIES AMORTIZATION EXPENSE

Q18. WHAT IS THE PURPOSE OF THE ADJUSTMENT FOR REGULATORY ASSETS AND LIABILITIES AMORTIZATION?

A. The purpose of this adjustment is to reflect the appropriate amount of regulatory assets and liabilities amortization expense in FERC account 407 and 407.3 that EPE seeks to recover in this rate case. It includes the estimated future amortization for certain regulatory assets and liabilities and excludes certain items, such as those recovered through separate riders, along with other relevant adjustments.

Q19. WHAT ADJUSTMENT DID YOU MAKE FOR REGULATORY ASSETS AND LIABILITIES AMORTIZATION?

A. I sponsor Adjustment No. 13 on Schedule A-3 with EPE witnesses Prieto and Hernandez as referenced below. This adjustment presents EPE's requested amortization of $7,221,728 for regulatory assets, on a total Company basis. The regulatory assets and amortization periods are as follows:

1. In NMPRC Case No. 09-00171-UT, the NMPRC extended the depreciable life of Palo Verde an additional 20 years for New Mexico rate making purposes, reducing the depreciation expense collected from New Mexico customers in rates, effective January 2010. In April 2011, the Nuclear Regulatory Commission renewed the operating license for all three units at Palo Verde for an additional 20 years; therefore, the incremental difference in Palo Verde depreciation for the New Mexico jurisdiction of $5,290,460 is being amortized

to account 407.3 over the remaining life of Palo Verde and will be fully depreciated in April 2046. The amount requested represents one year of amortization for the New Mexico regulatory asset related to the extended depreciable life of Palo Verde. Please refer to EPE witness Prieto's direct testimony.

2. The Final Order in Case No. 15-00109-UT, the 2015 Four Corners Power Plant ("Four Corners") Abandonment, which was issued after the 2015 Rate Case Final Order, provided for the deferral by EPE of $1,400,433 of final decommissioning costs for Four Corners Units 4 and 5 to be recovered over a seven-year period beginning in EPE's next base rate case, NMPRC Case No. 20-00104-UT. These costs are currently being amortized over a seven-year period consistent with the Final Order in the 2020 Rate Case. These costs will be fully amortized in June 2028.

3. The Final Order in Case No. 21-00180-UT granted EPE's request to defer in a regulatory asset, the non-capitalized Western Energy Imbalance Market ("EIM") implementation costs. EPE is seeking recovery of $396,559 in costs, including carrying costs, in this proceeding over a two-year period.

4. The Final Order on Remand to the 2020 Rate Case, approved EPE's updated filed rates effective January 1, 2024. The updated rates include approximately $0.6 million in additional annual base revenue requirement related to amounts found to be unlawfully excluded by the NMPRC's prior order in the case. The

Final Order on Remand also approved EPE's request to record additional revenue from the date of the Supreme Court remand to December 31, 2023, as a regulatory asset for recovery in EPE's next rate case. EPE is seeking recovery of $421,236 in costs, including carrying costs, in this proceeding over a two-year period.

5. The Final Order in NMPRC Case No. 24-00113-UT, related to the New Mexico Automated Metering System Time Varying Rate Pilot Program ("AMS TVRPP"), approved the deferral of the program costs to a regulatory asset. EPE is seeking recovery of $581,145 in costs, including carrying costs, in this proceeding over a two-year period.

6. EPE deferred to a regulatory asset the New Mexico portion of bad debt expense and other COVID-19 related expenses. The New Mexico COVID-related regulatory asset is net of the related regulatory liability. EPE is requesting recovery of $4,075,560 in costs, excluding carrying costs, in this proceeding over a two-year period. Please refer to the testimony of EPE witness Prieto for additional details related to these COVID-19 related costs.

7. As reflected in the testimony of EPE witness Hernandez, the amortization related to the Texas regulatory assets in the amount of $2,253,968 will not be allocated to the New Mexico jurisdiction.

8. The unrecovered plant and regulatory study costs related to legacy meters required to be removed from rate base in accordance with NMPRC Case No. 21-00269-UT as discussed in EPE witness Prieto's direct testimony.

9. Reacquired debt costs in the amount of $5,599,564, amortized over the life of the bonds issued to reacquire the debt, approved in NMPRC Case No. 06-00258-UT, and reaffirmed in Case No. 15-00127-UT. These costs will be fully amortized in June 2035.

Additionally, EPE excluded amounts related to regulatory assets which will be fully amortized by June 2026 or recovered through separate riders. The adjustment results in a net increase to Base Period regulatory asset amortization of $583,317 on a total Company basis. The Company's requested Test Year Period amount of regulatory asset amortization expense is shown on both a total Company and a New Mexico jurisdictional basis on Schedule A-3 and related workpapers. EPE witness Hernandez co-sponsors the jurisdictional amounts related to this adjustment.

B. ADJUSTMENTS TO RATE BASE

Q20. HAVE YOU MADE ADJUSTMENTS TO THE COMPANY'S BASE PERIOD RATE BASE?

A. Yes, I have. I have made the adjustments listed below:

- Adj. 32 – Nuclear Fuel
- Adj. 33 – Regulatory Assets and Liabilities and Other Additions/Deductions

1. ADJUSTMENT 32 – NUCLEAR FUEL

Q21. PLEASE EXPLAIN THE ADJUSTMENT RELATED TO NUCLEAR FUEL.

A. Because nuclear fuel costs are financed through the Rio Grande Resource Trust and are recovered through EPE's fuel and purchased power cost adjustment clause ("FPPCAC"), nuclear fuel balances are removed from rate base.

2. ADJUSTMENT 33 – REGULATORY ASSETS AND LIABILITIES AND OTHER ADDITIONS/DEDUCTIONS

Q22. PLEASE SUMMARIZE THE ADJUSTMENT TO COMMISSION APPROVED REGULATORY ASSETS AND LIABILITIES.

A. I co-sponsor Adjustment No. 33 on Schedule A-3 with EPE witnesses Prieto, Steven A. Sierra, and Hernandez as referenced below. This adjustment is made to adjust the Unamortized Regulatory Assets and Liabilities and other additions and deductions to rate base are as follows:

1. New Mexico unamortized amount of $2,931,661, net of one year's amortization, related to the extended depreciable life of Palo Verde in

NMPRC Case No. 09-00171-UT in January 2010 and an additional extension in April 2011. Please refer to EPE witness Prieto's direct testimony.

2. The amounts related to the Texas regulatory assets of $5,083,140 that will not be allocated to the New Mexico jurisdiction.

3. The net book value of non-advanced (legacy) meters which were charged to a regulatory asset in accordance with NMPRC Case No. 21-00269-UT, were removed via the adjustment as this amount is not requested in rate base. The remaining amount of $23,633,725 represents the Texas portion and this amount will not be allocated to the New Mexico jurisdiction. Please refer to the direct testimony of EPE witness Prieto.

4. The net Pensions and other post-employment benefits ("OPEB") asset and addition to rate base of $12,543,000 on a total Company basis as discussed in EPE witness Sierra's direct testimony.

5. The unamortized amount of other additions to rate base recorded in FERC account 186 for the Palo Verde Water Agreement as per the Final Order from the New Mexico Supreme Court in NMPRC Case No. 20-00104-UT. The Palo Verde Water Agreement in the total company amount of $2,066,018 secures a reliable source of cooling water through 2050 for PVGS. The adjustment reflects the removal of one third of the Palo Verde Water Agreement.

6. Unamortized New Mexico Reacquired Debt Cost of $1,798,020, reduced by one year's amortization, as approved in NMPRC Case No. 06-00258-UT, and reaffirmed in Case No. 15-00127-UT.

Taken together, these additions to rate base are offset by other deductions to rate base related to customer deposits and customer advances for construction in total company amounts of $11,208,714 and $62,681,119, respectively. These items are deducted from rate base because they are funded by customers.

This adjustment decreases the Base Period amount of Regulatory Assets and Liabilities and other additions/deductions in rate base to a net liability of $25,834,269 on a total Company basis. The Company's requested Test Year Period amount of Regulatory Assets and Liabilities and other additions/deductions is shown on both a total Company and a New Mexico jurisdictional basis on Schedule A-3 and related workpapers. EPE witness Hernandez co-sponsors the jurisdictional amounts related to this adjustment.

VI. <u>ANALYSIS OF 12-MONTH ROLLING AVERAGE COMPONENT OF EPE'S FUEL ADJUSTMENT FACTOR</u>

Q23. WHY IS EPE RAISING THE 12-MONTH ROLLING AVERAGE COMPONENT OF EPE'S FUEL ADJUSTMENT FACTOR IN THIS CASE?

A. As I discuss below, in the Final Order in EPE's last fuel continuation filing the Commission required EPE to either support the 12-month rolling average or propose a shorter period of time.

Q24. FOR CONTEXT, PLEASE PROVIDE A HIGH-LEVEL OVERVIEW OF HOW THE CURRENT FUEL ADJUSTMENT FACTOR IS CALCULATED.

A. The current fuel adjustment factor operates on a two-month lag, so that fuel and purchased power costs on a bill reflect a rolling 12-month average of actual costs, adjusted for prior over/under collections. The recovery of all fuel and purchased power costs through this fuel adjustment factor ensures that only actual costs are collected, without risk of permanent over/under collection.

The adjusted current month fuel adjustment factor is composed of two factors: (1) the current month fuel adjustment factor based on the current month over/under collection and (2) a rolling 12-month average factor based on a twelve-month average of actual fuel costs. The first component, the current month fuel adjustment factor, is calculated by dividing the current month over/under collection by the kWh billed to customers for that month. The second component is the rolling 12-month average factor which was approved in NMPRC Case No. 20-00104-UT and Case No. 23-00046-UT, as mentioned above. The 12-month average factor is a monthly factor for the past twelve months, including the current month, that is calculated by dividing each of the twelve months' total fuel costs by the corresponding kWh for that month. This monthly fuel factor for each of the twelve months is summed and divided by 12 to determine the rolling 12-month average factor. The sum of the current month fuel adjustment factor and the rolling 12-month average factor results in the adjusted current month fuel adjustment factor that is utilized to bill customers two months later. For example, in September 2025, the customers will be billed on the adjusted current month fuel adjustment factor calculated in July 2025 composed of: (1) the current month fuel adjustment factor based on the July 2025 current month over/under collection and (2) a rolling 12-month average factor based on the August 2024 through July 2025 factors.

Q25. WHAT IS THE REGULATORY HISTORY OF THE ROLLING 12-MONTH AVERAGE COMPONENT OF THE FUEL ADJUSTMENT FACTOR?

A. EPE's current FPPCAC includes a component based on a rolling 12-month average of actual fuel and purchased power costs as approved in the Final Order in Case No. 20-00104-UT as noted above. Originally, the rolling 12-month average component was equal to actual fuel and purchased power costs for two months prior. The change to a rolling 12-month average of actual fuel and purchased power costs was proposed by EPE, in Case No. 20-00104-UT to respond to a City of Las Cruces recommendation made in EPE's 2018 FPPCAC Continuation filing in NMPRC Case No. 18-0006-UT. Intervenors in EPE's last fuel continuation filing, NMPRC Case No. 23-00046-UT, contended that the rolling 12-month average fails to provide prompt credits to customers when electric fuel costs and purchased power costs are declining. The NMPRC found that this was not the case but also noted that there might be an alternative to the 12-month rolling average that may provide credits to customers more timely. The final order in that case required EPE to provide "testimony that either supports continued use of the 12-month rolling average or recommends moving to a shorter period of time to true up to actual figures."

Q26. WHICH ALTERNATIVE HAS EPE SELECTED?

A. EPE has decided to support the continued use of the 12-month rolling average.

Q27. DO YOU PROVIDE AN ANALYSIS TO SUPPORT THE CONTINUED USE OF THE 12-MONTH ROLLING AVERAGE COMPONENT OF THE FUEL ADJUSTMENT FACTOR?

A. Yes. Please see Exhibit JIR-1 to my Direct Testimony for an analysis that supports the continued use of the 12-month rolling average component of EPE's fuel adjustment factor pursuant to the Final Order in EPE's last fuel continuation filing case in Case No. 23-00046-UT.

Q28. PLEASE SUMMARIZE THE CHANGES MADE TO THE FUEL ADJUSTMENT FACTOR FOR THIS ANALYSIS.

A. EPE prepared an analysis for the twenty-four months ended September 2025 using a one-month factor that was equal to the actual fuel and purchased power costs divided by the kWh billed for the month. This one-month factor replaced the 12-month rolling average component of the fuel adjustment factor for the period of October 2023 through September 2025. Since the fuel adjustment factor calculated is billed two months later, the revenues for the period of October 2023 through September 2025 were calculated using the revised fuel adjustment factor resulting from the change.

Q29. WHY DID EPE USE A ONE-MONTH FACTOR FOR THE ANALYSIS?

A. EPE utilized the one-month factor in its analysis, as this was the methodology in place prior to the adoption of the 12-month rolling average component of the fuel adjustment factor pursuant to NMPRC Case No. 20-00104-UT.

Q30. DID EPE CONSIDER USING A DIFFERENT PERIOD OTHER THAN A ONE-MONTH FACTOR TO REPLACE THE 12-MONTH ROLLING AVERAGE COMPONENT OF THE FUEL ADJUSTMENT FACTOR IN ITS ANALYSIS?

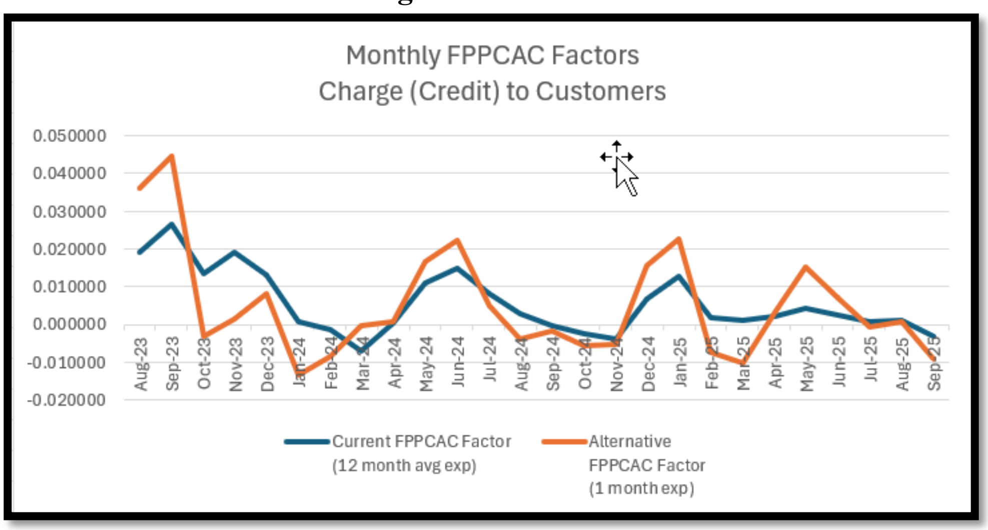
A. No. Due to the seasonality of the utility business, any period less than twelve months will not smooth out the highs and lows of the seasons. Therefore, EPE opted to use the one-month factor in its analysis.

Q31. DOES THE ANALYSIS SUPPORT THE CONTINUED USE OF THE 12-

MONTH ROLLING AVERAGE COMPONENT OF THE FUEL ADJUSTMENT FACTOR?

A. Yes. EPE has analyzed the effect of using the 12-month rolling average fuel and purchased power costs in calculating the monthly FPPCAC. When comparing the resulting FPPCAC monthly factors billed since October 2023 to factors that would have been billed using a one-month of fuel and purchased power costs, it is evident that using the 12-month average fuel and purchased power costs has reduced the variability in the monthly factors as shown in the table below. In Figure JIR-1 below, the month represents the month the factor was calculated to be billed two months later.

Figure JIR-1



There is no methodology that will completely eliminate fluctuations in the FPPCAC factor billed to customers due to the volatility of fuel and purchased power costs. However, the 12-month rolling average helps to stabilize changes in the factor from month-to-month and helps mitigate the impact of the market fluctuations, while allowing for a more timely match of the cost of fuel billed to customers with the concurrent cost of fuel EPE is experiencing.

Q32. WHAT IS THE PURPOSE OF A BALANCING ACCOUNT?

A. In accordance with the provisions of Rule 550, the purpose of the balancing account is "to insure [ensure] that only the appropriate revenue is recovered through the application of the factor". Rule 550 also states that "Unless otherwise ordered by the commission the methodology for calculating a monthly-adjustable factor shall employ the use of a balancing account. The balancing account shall compensate for under-collections and over-collections of revenue by increasing or decreasing the factor for the next following billing month."

Q33. HOW DOES THE EPE BALANCING ACCOUNT WORK WITH THE 12-MONTH ROLLING AVERAGE?

A. The balancing account works in conjunction with the 12-month rolling average as prescribed by Rule 550.12(B). The adjustment factor calculated to recover or return the monthly over or under-recovery of fuel and purchase power costs either increases or decreases the 12-month rolling average factor and is applied to the next billing month.

Q34. WHAT ARE THE OTHER BENEFITS OF USING A 12-MONTH ROLLING AVERAGE COMPONENT IN THE FUEL ADJUSTMENT FACTOR?

A. By utilizing the 12-month rolling average factor of actual fuel expenses as a component of the overall fuel adjustment factor, any highs or lows due to fluctuations in actual fuel and purchased power costs or seasonality of the business will be spread over time instead of billed in one month.

Q35. DOES THIS CONCLUDE YOUR TESTIMONY?

A. Yes, it does.

Amended Filing

EL PASO ELECTRIC COMPANY
2026 NEW MEXICO RATE CASE
ALTERNATIVE FACTOR TO THE 12-MONTH AVERAGE COMPONENT OF EPE'S FUEL ADJUSTMENT FACTOR
AUGUST 2023 THROUGH SEPTEMBER 2025

	Aug-23 (A)	Sep-23 (A)	Oct-23	Nov-23	Dec-23	Jan-24	Feb-24	Mar-24	Apr-24	May-24
1 NM FUEL AND PURCHASED POWER (F&PP) EXP	5,278,550	5,468,631	1,260,122	997,082	1,182,858	(415,379)	61,583	(83,879)	183,861	1,035,804
2 BALANCING ACCOUNT										
(a) INCREASED / (DECREASED) F&PP EXPENSE FOR THE MONTH	817,240	1,495,129	2,435,666	3,592,707	(1,714,502)	(838,512)	(155,827)	(1,431,924)	(1,140,218)	56,124
(b) OTHER F&PP COST ADJUSTMENT (B)	-	-	-	-	-	-	-	-	-	-
(c) OTHER ADJUSTMENTS	-	-	-	-	-	-	-	-	-	-
(d) BALANCING ACCOUNT TOTAL	817,240	1,495,129	2,435,666	3,592,707	(1,714,502)	(838,512)	(155,827)	(1,431,924)	(1,140,218)	56,124
3 (a) APPLICABLE F&PP EXPENSE BEFORE ADJUSTMENT (ITEMS 1 + 2(d))	6,095,790	6,963,760	3,695,788	4,589,789	(531,644)	(1,253,891)	(94,244)	(1,515,803)	(956,357)	1,091,928
(b) ADJUSTMENT	-	-	-	-	-	-	-	-	-	-
(c) APPLICABLE FUEL AND PURCHASED POWER EXPENSE	$ 6,095,790	$ 6,963,760	$ 3,695,788	$ 4,589,789	$ (531,644)	$ (1,253,891)	$ (94,244)	$ (1,515,803)	$ (956,357)	$ 1,091,928
4 APPLICABLE KWH SALES										
(a) TOTAL ENERGY BILLED CURRENT MONTH	214,594,906	202,912,132	150,503,238	121,555,423	124,483,998	136,424,050	126,784,767	116,086,489	114,429,737	134,263,468
5 FUEL REVENUES BILLED (KWH SALES X CURRENT MONTH FUEL ADJUSTMENT FACTOR)										
(a) FUEL REVENUES BILLED CURRENT MONTH	$ 3,660,124	$ 3,371,053	$ 5,410,290	$ 5,428,301	$ (375,817)	$ 178,033	$ 1,045,974	$ (1,571,927)	$ (973,454)	$ (32,223)
6 (INCREASED) OR DECREASED F&PP EXPENSE										
(a) (INCREASE) / DECREASE F&PP EXPENSE (ITEM 5 (a) - 3 (c))	(2,435,666)	(3,592,707)	1,714,502	838,512	155,827	1,431,924	1,140,218	(56,124)	(17,097)	(1,124,151)
(b) PRIOR PERIOD ADJUSTMENTS	-	-	-	-	-	-	-	-	103,279	(92,972)
(c) TOTAL OVER / (UNDER) RECOVERY	$ (2,435,666)	$ (3,592,707)	$ 1,714,502	$ 838,512	$ 155,827	$ 1,431,924	$ 1,140,218	$ (56,124)	$ 86,182	$ (1,217,123)
7 F&PP COST ADJUSTMENT FACTOR - TO (INCREASE) / DECREASE BILLS										
(a) CURRENT MONTH FUEL ADJUSTMENT FACTOR (ITEM 6 (c) / ITEM 4 (a))	(0.011350)	(0.017706)	0.011392	0.006898	0.001252	0.010496	0.008993	(0.000483)	0.000753	(0.009065)
(b) CURRENT MONTH ACTUAL FUEL EXPENSE (ITEM 1 / ITEM 4(a)) * (1)	(0.024598)	(0.026951)	(0.008373)	(0.008203)	(0.009502)	0.003045	(0.000486)	0.000723	(0.001607)	(0.007715)
(c) ADJUSTED CURRENT MONTH FUEL ADJUSTMENT FACTOR	(0.035948)	(0.044657)	0.003019	(0.001305)	(0.008250)	0.013541	0.008507	0.000240	(0.000854)	(0.016780)
8 CUMULATIVE BALANCE OF OVER/(UNDER)										
(a) PRIOR MONTH'S OVER/(UNDER) RECOVERY BALANCE	(2,312,366)	(3,930,791)	(6,028,371)	(1,878,203)	2,553,016	994,341	1,587,753	2,572,144	1,084,096	30,060
(b) OVER/(UNDER) RECOVERY CURRENT MONTH (ITEM 6 (c))	(2,435,666)	(3,592,707)	1,714,502	838,512	155,827	1,431,924	1,140,218	(56,124)	86,182	(1,217,123)
(c) SECOND PRECEDING MONTH RECOVERY (ITEM 2 (a) or 2 MO PRIOR ITEM 8 (b))	817,241	1,495,127	2,435,666	3,592,707	(1,714,502)	(838,512)	(155,827)	(1,431,924)	(1,140,218)	56,124
(d) CUMULATIVE OVER / (UNDER) RECOVERY BALANCE	$ (3,930,791)	$ (6,028,371)	$ (1,878,203)	$ 2,553,016	$ 994,341	$ 1,587,753	$ 2,572,144	$ 1,084,096	$ 30,060	$ (1,130,939)

(A) August and September 2023 amounts per the corresponding NM 550, WP-A, except for item 7 (b) and 7 (c).

(B) Line 2(b) represents the balancing account adjustment related to the following:

Balancing Account Adjustment 1 - Pursuant to the Final Order in NMPRC Case No. 21-00064-UT, EPE is authorized to amortize uncollected amounts of the $5.7 million of incremental FPPCAC costs from the Severe Winter Event over a twelve-month period, from July 2024 through June 2025. The monthly amount is $476,131.

Balancing Account Adjustment 2 - Represents the amortization of Hecate Solar penalty credits over a two-year period, from May 2025 - April 2027, in accordance with the Direct Testimony of James Schichtl at pages 20-21 in NMPRC Case No. 25-00038-UT - Application for Approval of El Paso Electric Company's Renewable Energy Act Plan for 2026, and Ninth Revised Rate No. 38 - RPS Cost Rider. The monthly amount is ($600,229).

Amounts may not add or tie to other schedules due to rounding.

EL PASO ELECTRIC COMPANY
2026 NEW MEXICO RATE CASE
ALTERNATIVE FACTOR TO THE 12-MONTH AVERAGE COMPON
AUGUST 2023 THROUGH SEPTEMBER 2025

		Jun-24	Jul-24	Aug-24	Sep-24	Oct-24	Nov-24	Dec-24	Jan-25	Feb-25	Mar-25	Apr-25	May-25
1	NM FUEL AND PURCHASED POWER (F&PP) EXP	2,024,600	1,418,529	815,423	281,891	(195,833)	(379,534)	726,905	1,148,590	(247,255)	(587,952)	(98,536)	681,064
2	BALANCING ACCOUNT												
	(a) INCREASED / (DECREASED) F&PP EXPENSE FOR THE MONTH	(86,182)	1,217,123	1,775,863	(370,410)	(1,594,834)	(636,414)	(721,178)	(316,869)	1,181,504	2,090,061	(797,097)	(576,791)
	(b) OTHER F&PP COST ADJUSTMENT (B)	-	476,131	476,131	476,131	476,131	476,131	476,131	476,131	476,131	476,131	476,131	(124,098)
	(c) OTHER ADJUSTMENTS	-	-	-	-	-	-	-	-	-	-	-	-
	(d) BALANCING ACCOUNT TOTAL	(86,182)	1,693,254	2,251,994	105,721	(1,118,703)	(160,283)	(245,047)	159,262	1,657,635	2,566,192	(320,966)	(700,889)
3	(a) APPLICABLE F&PP EXPENSE BEFORE ADJUSTMENT (ITEMS 1 + 2(d))	1,938,418	3,111,783	3,067,417	387,612	(1,314,536)	(539,817)	481,858	1,307,852	1,410,380	1,978,240	(419,502)	(19,825)
	(b) ADJUSTMENT	-	-	-	-	-	-	-	-	-	-	-	-
	(c) APPLICABLE FUEL AND PURCHASED POWER EXPENSE	$ 1,938,418	$ 3,111,783	$ 3,067,417	$ 387,612	$ (1,314,536)	$ (539,817)	$ 481,858	$ 1,307,852	$ 1,410,380	$ 1,978,240	$ (419,502)	$ (19,825)
4	APPLICABLE KWH SALES												
	(a) TOTAL ENERGY BILLED CURRENT MONTH	170,881,426	207,520,433	209,633,571	202,737,301	159,590,564	127,471,958	121,762,254	143,183,136	140,845,848	112,959,521	119,917,451	130,972,822
5	FUEL REVENUES BILLED (KWH SALES X CURRENT MONTH FUEL ADJUSTMENT FACTOR)												
	(a) FUEL REVENUES BILLED CURRENT MONTH	$ 145,933	$ 3,482,193	$ 4,662,251	$ 1,024,026	$ (593,358)	$ (222,948)	$ (699,646)	$ (782,209)	$ 2,207,477	$ 2,555,031	$ (889,188)	$ (1,350,461)
6	(INCREASED) OR DECREASED F&PP EXPENSE												
	(a) (INCREASE) / DECREASE F&PP EXPENSE (ITEM 5 (a) - 3 (c))	(1,792,485)	370,410	1,594,834	636,414	721,178	316,869	(1,181,504)	(2,090,061)	797,097	576,791	(469,686)	(1,330,636)
	(b) PRIOR PERIOD ADJUSTMENTS	16,622	-	-	-	-	-	-	-	-	-	-	-
	(c) TOTAL OVER / (UNDER) RECOVERY	$ (1,775,863)	$ 370,410	$ 1,594,834	$ 636,414	$ 721,178	$ 316,869	$ (1,181,504)	$ (2,090,061)	$ 797,097	$ 576,791	$ (469,686)	$ (1,330,636)
7	F&PP COST ADJUSTMENT FACTOR - TO (INCREASE) / DECREASE BILLS												
	(a) CURRENT MONTH FUEL ADJUSTMENT FACTOR (ITEM 6 (c) / ITEM 4 (a))	(0.010392)	0.001785	0.007608	0.003139	0.004519	0.002486	(0.009703)	(0.014597)	0.005659	0.005106	(0.003917)	(0.010160)
	(b) CURRENT MONTH ACTUAL FUEL EXPENSE (ITEM 1 / ITEM 4(a)) * (1)	(0.011848)	(0.006836)	(0.003890)	(0.001390)	0.001227	0.002977	(0.005970)	(0.008022)	0.001756	0.005205	0.000822	(0.005200)
	(c) ADJUSTED CURRENT MONTH FUEL ADJUSTMENT FACTOR	(0.022240)	(0.005051)	0.003718	0.001749	0.005746	0.005463	(0.015673)	(0.022619)	0.007415	0.010311	(0.003095)	(0.015360)
8	CUMULATIVE BALANCE OF OVER/(UNDER)												
	(a) PRIOR MONTH'S OVER/(UNDER) RECOVERY BALANCE	(1,130,939)	(2,992,984)	(1,405,451)	1,965,246	2,231,250	1,357,594	1,038,049	(864,633)	(3,271,563)	(1,292,962)	1,373,890	107,107
	(b) OVER/(UNDER) RECOVERY CURRENT MONTH (ITEM 6 (c))	(1,775,863)	370,410	1,594,834	636,414	721,178	316,869	(1,181,504)	(2,090,061)	797,097	576,791	(469,686)	(1,330,636)
	(c) SECOND PRECEDING MONTH RECOVERY (ITEM 2 (a) or 2 MO PRIOR ITEM 8 (b))	(86,182)	1,217,123	1,775,863	(370,410)	(1,594,834)	(636,414)	(721,178)	(316,869)	1,181,504	2,090,061	(797,097)	(576,791)
	(d) CUMULATIVE OVER / (UNDER) RECOVERY BALANCE	$ (2,992,984)	$ (1,405,451)	$ 1,965,246	$ 2,231,250	$ 1,357,594	$ 1,038,049	$ (864,633)	$ (3,271,563)	$ (1,292,962)	$ 1,373,890	$ 107,107	$ (1,800,320)

(A) August and September 2023 amounts per the corresponding NM 550, WP-A, except for item 7 (b) and 7 (c).

(B) Line 2(b) represents the balancing account adjustment related to the following:

Balancing Account Adjustment 1 - Pursuant to the Final Order in NMPRC Case No. 21-00064-UT, EPE is authorized to amortize uncollected amounts of the $5.7 million of incremental FPPCAC costs from the Severe Winter Event over a twelve-month period, from July 2024 through June 2025. The monthly amount is $476,131.

Balancing Account Adjustment 2 - Represents the amortization of Hecate Solar penalty credits over a two-year period, from May 2025 - April 2027, in accordance with the Direct Testimony of James Schichtl at pages 20-21 in NMPRC Case No. 25-00038-UT - Application for Approval of El Paso Electric Company's Renewable Energy Act Plan for 2026, and Ninth Revised Rate No. 38 - RPS Cost Rider. The monthly amount is ($600,229).

Amounts may not add or tie to other schedules due to rounding.

Amended Filing

EL PASO ELECTRIC COMPANY
2026 NEW MEXICO RATE CASE
ALTERNATIVE FACTOR TO THE 12-MONTH AVERAGE COMPON
AUGUST 2023 THROUGH SEPTEMBER 2025

		Jun-25	Jul-25	Aug-25	Sep-25	Total	Source:
1	NM FUEL AND PURCHASED POWER (F&PP) EXP	693,169	1,197,423	825,394	31,287	23,304,398	Per NM 550 WP-A, approx Line 33, NM Allocated Fuel & Purchased Power.
2	BALANCING ACCOUNT						
	(a) INCREASED / (DECREASED) F&PP EXPENSE FOR THE MONTH	469,686	1,330,636	503,529	(1,343,788)	5,240,727	Effective October 2023, calc =over/(under) current month 8 (c) or 2 months prior line 8 (b) * (1)
	(b) OTHER F&PP COST ADJUSTMENT (B)	(124,099)	(600,230)	(600,230)	(600,230)	2,712,423	Per NM 550 WP-A, approx Line 34a, Balancing Account Adjustment.
	(c) OTHER ADJUSTMENTS	-	-	-	-	-	Manual input
	(d) BALANCING ACCOUNT TOTAL	345,587	730,406	(96,701)	(1,944,018)	7,953,150	Calc sum
3	(a) APPLICABLE F&PP EXPENSE BEFORE ADJUSTMENT (ITEMS 1 + 2(d))	1,038,756	1,927,829	728,693	(1,912,731)	31,257,548	Calc
	(b) ADJUSTMENT	-				-	Manual input
	(c) APPLICABLE FUEL AND PURCHASED POWER EXPENSE	$ 1,038,756	$ 1,927,829	$ 728,693	$ (1,912,731)	$ 31,257,548	Calc
4	APPLICABLE KWH SALES						
	(a) TOTAL ENERGY BILLED CURRENT MONTH	172,932,825	201,560,656	205,367,681	193,198,903	4,062,574,558	kWh billed to NM customers per NM 550 WP-A, approx Line 38, FPPCAC Revenue Billed in Month Year, where month is the current month, or approx line 43 New Mexico kWh at Meter Balancing Account Adjustment.
5	FUEL REVENUES BILLED (KWH SALES X CURRENT MONTH FUEL ADJUSTMENT FACTOR)						
	(a) FUEL REVENUES BILLED CURRENT MONTH	$ 535,227	$ 3,095,972	$ 1,421,144	$ (140,262)	$ 30,591,536	Effective October 2023, calc = (current month kWh line 4 (a) * adjusted current month fuel adjustment factor, from two months prior line 7 (c)) * (1)
6	(INCREASED) OR DECREASED F&PP EXPENSE						
	(a) (INCREASE) / DECREASE F&PP EXPENSE (ITEM 5 (a) - 3 (c))	(503,529)	1,168,143	692,451	1,772,469	(666,012)	Calc
	(b) PRIOR PERIOD ADJUSTMENTS	-	175,645	-	-	202,573	Per NM 550 WP-A, approx line 41, Prior Period Adjustments
	(c) TOTAL OVER / (UNDER) RECOVERY	$ (503,529)	$ 1,343,788	$ 692,451	$ 1,772,469	$ (463,439)	Calc sum
7	F&PP COST ADJUSTMENT FACTOR - TO (INCREASE) / DECREASE BILLS						
	(a) CURRENT MONTH FUEL ADJUSTMENT FACTOR (ITEM 6 (c) / ITEM 4 (a))	(0.002912)	0.006667	0.003372	0.009174		Calc; positive = credit to customers; negative = charge to customers
	(b) CURRENT MONTH ACTUAL FUEL EXPENSE (ITEM 1 / ITEM 4(a)) * (1)	(0.004008)	(0.005941)	(0.004019)	(0.000162)		Calc; positive = credit to customers; negative = charge to customers
	(c) ADJUSTED CURRENT MONTH FUEL ADJUSTMENT FACTOR	(0.006920)	0.000726	(0.000647)	0.009012		Calc sum; positive = credit to customers; negative = charge to customers
8	CUMULATIVE BALANCE OF OVER/(UNDER)						
	(a) PRIOR MONTH'S OVER/(UNDER) RECOVERY BALANCE	(1,800,320)	(1,834,163)	840,261	2,036,241	(2,312,366)	Effective October 2023 = prior month line 8 (d)
	(b) OVER/(UNDER) RECOVERY CURRENT MONTH (ITEM 6 (c))	(503,529)	1,343,788	692,451	1,772,469	(463,439)	Effective October 2023 = line 6 (c)
	(c) SECOND PRECEDING MONTH RECOVERY (ITEM 2 (a) or 2 MO PRIOR ITEM 8 (b))	469,686	1,330,636	503,529	(1,343,788)	5,240,726	Effective October 2023 = 2 month prior line 8 (b) * (1) or current month line 2 (b)
	(d) CUMULATIVE OVER / (UNDER) RECOVERY BALANCE	$ (1,834,163)	$ 840,261	$ 2,036,241	$ 2,464,922	$ 2,464,922	Calc

(A) August and September 2023 amounts per the corresponding NM 550, WP-A, except for item 7 (b) and 7 (c).

(B) Line 2(b) represents the balancing account adjustment related to the following:

Balancing Account Adjustment 1 - Pursuant to the Final Order in NMPRC Case No. 21-00064-UT, EPE is authorized to amortize uncollected amounts of the $5.7 million of incremental FPPCAC costs from the Severe Winter Event over a twelve-month period, from July 2024 through June 2025. The monthly amount is $476,131.

Balancing Account Adjustment 2 - Represents the amortization of Hecate Solar penalty credits over a two-year period, from May 2025 - April 2027, in accordance with the Direct Testimony of James Schichtl at pages 20-21 in NMPRC Case No. 25-00038-UT - Application for Approval of El Paso Electric Company's Renewable Energy Act Plan for 2026, and Ninth Revised Rate No. 38 - RPS Cost Rider. The monthly amount is ($600,229).

Amounts may not add or tie to other schedules due to

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 JULISSA I. REZA IN SUPPORT OF THE FOREGOING AMENDED FILING DIRECT TESTIMONY

I, ***Julissa I. Reza***, 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 *Manager – Regulatory Accounting.*

3. I have reviewed the foregoing Amended Filing Direct Testimony of Julissa I. Reza, 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 Julissa I. Reza, 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/ Julissa I. Reza
JULISSA I. REZA