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

TAMERA L. HENDERSON

ON BEHALF OF

EL PASO ELECTRIC COMPANY

MARCH 2026

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EL PASO ELECTRIC COMPANY
DIRECT TESTIMONY OF
TAMERA L. HENDERSON

I. INTRODUCTION AND QUALIFICAITONS

Q1. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A. My name is Tamera L. Henderson. 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 Tax.

Q3. PLEASE SUMMARIZE YOUR EDUCATIONAL BACKGROUND AND PROFESSIONAL EXPERIENCE.

A. I have a Bachelor of Business Administration with a concentration in Accounting and a Master of Accountancy, both from the University of Texas at El Paso. I am a Certified Public Accountant in the State of Texas. I have been employed by EPE since August of 2006. My entire time served at EPE has been in the Tax Department. I have served the Company in the capacity of Tax Accountant, Tax Supervisor, Tax Manager and currently, as Director of Tax. Prior to being hired by EPE, I worked for approximately one year as an outsourced Accountant for EPE's Payroll department. I have attended numerous tax, accounting, and regulatory seminars.

Q4. WHAT ARE YOUR PRINCIPAL AREAS OF RESPONSIBILITY?

A. As Director of Tax I am responsible for managing EPE's tax department. I oversee the preparation of federal and state income tax returns and maintain the tax accounting data for the Company. This includes the preparation of tax accounting and related tax data usen in regulatory filings.

Q5. HAVE YOU PREVIOUSLY FILED TESTIMONY BEFORE UTILITY REGULATORY BODIES?

A. Yes. I have filed testimony before The Public Utility Commission of Texas.

II. PURPOSE OF TESTIMONY

Q6. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

A. The purpose of my direct testimony is to support EPE's federal and state income tax amounts found in the H-9 through H-13 schedules of the Rate Filing Package ("RFP"). My testimony will also address the calculation of income tax expense on a standalone basis and any relevant changes to tax law since EPE's last general rate case, Docket No. 20-00104-UT (the "2020 Rate Case"). I also sponsor EPE's taxes other than income amounts, referenced on the H-8 schedules.

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

A. In my role as Director of Tax, I have detailed knowledge regarding the income tax accounts used to determine income tax expense as well as the amounts included in current income taxes payable, unamortized investment tax credits, accumulated deferred income taxes, and taxes other than income paid by EPE.

Q8. WERE THE RULE 530 SCHEDULES PREPARED BY YOU OR UNDER YOUR DIRECT SUPERVISION?

A. Yes, they were. A summary of the schedules I sponsored in this case is included in Section IX below.

Q9. ON WHAT BASIS WERE THE REFERENCED SCHEDULES PREPARED?

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 adjusts the Base Period amounts to reflect the effects of annualizations, normalizations, and known and measurable changes to arrive at Test Year Period amounts as addressed by EPE witness Steven A. Sierra.

III. BACKGROUND OF INCOME TAX ACCOUNTING AND RATEMAKING

Q11. CAN YOU PLEASE DESCRIBE THE ACCOUNTING FOR INCOME TAXES REQUIRED UNDER GENERALLY ACCEPTED ACCOUNTING PRINCIPLES ("GAAP")?

A. Yes. Accounting for income taxes under GAAP is contained in the Accounting Standards Codification ("ASC") in section ASC 740 (formerly SFAS No. 109, Accounting for Income Taxes). There are several components to the calculation: currently payable income taxes, deferred income taxes, and investment tax credits.

Q12. WHAT IS THE FIRST COMPONENT, CURRENTLY PAYABLE INCOME TAXES?

A. Currently payable income tax expense represents the estimated amount of current year income taxes payable based on current year taxable income. Taxable income for the year is determined in accordance with the Internal Revenue Code ("IRC"). For purposes of preparing an income tax return each year, the IRC contains procedures for determining if and when an item is "taxable" or "deductible".

Q13. WHAT IS THE SECOND COMPONENT, DEFERRED INCOME TAXES?

A. The IRC rules for determining what is taxable or deductible may differ from what is reportable as "revenue" or "expense" under GAAP. For instance, certain expenses recorded on the financial statements under GAAP in one year may be deductible on the tax return in a different period. There are also instances where the amounts shown as deductions on the tax return in one year are not reflected on the financial statements until a later year. As a result, at the end of each reporting period, there will likely be accumulated differences of reported assets and liabilities resulting from different book and tax return treatment of revenues and expenses. These differences are referred to as temporary differences. By recognizing deferred income taxes for temporary differences, total income tax expense reflects the amount of taxes that will be paid currently, and in the future, based upon current period revenues and expenses.

Q14. CAN YOU PROVIDE AN EXAMPLE OF "TEMPORARY DIFFERENCES"?

A. Yes. One common temporary difference is depreciation. For book purposes, GAAP requires that the asset be depreciated over its estimated useful life in a systematic and rational manner. As a result, straight-line depreciation over the useful life of assets is used for book purposes. For income tax purposes, the asset may be depreciated using an accelerated depreciation method that is generally shorter than the estimated useful life. Initially, tax depreciation will exceed book depreciation. In later years, the reverse will be true because given the same capitalized asset cost over the life of the asset, total depreciation will be the same. Because the total depreciation for both book and taxes purposes will ultimately be the same, the difference is referred to as a temporary difference.

Q15. WHAT IS THE ACCOUNTING FOR TEMPORARY DIFFERENCES UNDER ASC 740?

A. Under GAAP, because the financial statements reflect accrual and not cash-basis accounting, deferred income taxes are recorded on temporary differences. As a result, income tax expense under GAAP includes both a currently payable component (as previously described, based on the tax return) as well as a deferred income tax component (based on temporary differences). Such deferred income taxes reflect the liability or asset for income taxes payable or receivable in the future stemming from transactions recorded in the financial statements currently. The balance sheet liability or asset for future taxes is referred to as Accumulated Deferred Income Tax ("ADIT").[1] In other words, to the extent that accelerated tax depreciation is claimed on the income tax return in an amount that exceeds book

[1] The use of the acronym ADIT refers to deferred taxes recorded for both federal and state income tax.

depreciation reported on the financial statements, a liability for future taxes results. This future tax liability is due to the fact that greater depreciation claimed in early years will "use up" the tax basis of assets and result in higher taxes in the future.

Under ASC 740, a calculation of required ADIT is performed at the end of each reporting period. The required ADIT is measured by multiplying the temporary differences by the currently applicable income tax rates. Comparing the ADIT at the current balance sheet date to the ADIT at the previous balance sheet date results in "deferred income tax expense." For regulated entities, such as EPE, the process of recording deferred income taxes on temporary differences is referred to as "normalization," "deferred tax accounting," or "comprehensive interperiod income tax allocation."

Q16. DOES CLAIMING DEDUCTIONS FOR INCOME TAX PURPOSES IN EXCESS OF EXPENSES RECORDED FOR BOOK PURPOSES PROVIDE INCENTIVES TO THE COMPANY THAT BENEFIT CUSTOMERS?

A. Yes. By claiming tax deductions for such things as accelerated depreciation, the Company reduces its current income tax payments. But, with respect to temporary differences, tax payments will be higher in the future when the temporary differences reverse. As a result, ADIT balances are "interest free loans" from the U.S. Treasury. This was the objective Congress intended when it included accelerated depreciation provisions in the IRC. Congress believed that allowing companies to increase their tax depreciation deductions (and thereby reducing current income tax payments) would lower the financing costs of their investment in capital assets and thus companies would be incented to make such expenditures. For accounting purposes, using the tax basis of capital assets is both a cost to be recognized in the financial statements when claimed (i.e., deferred tax expense) and a liability for future taxes due when the turnaround occurs and book depreciation exceeds tax depreciation (i.e., ADIT).

Q17. HOW IS THIS "INTEREST FREE LOAN" OR ADIT REFLECTED IN THE COMPANY'S RATES AS FILED?

A. The interest free loan represents non-investor-supplied cost-free capital and has therefore been deducted from rate base to provide ratepayers the benefit of such cost-free capital. Schedule H-12 contains the Company's ADIT.

Q18. ARE ALL BOOK/TAX DIFFERENCES "TEMPORARY DIFFERENCES" AND SIMPLY A MATTER OF WHEN THE ITEM IS INCLUDED ON THE TAX RETURN VERSUS WHEN THE ITEM IS SHOWN ON THE FINANCIAL STATEMENTS?

A. No. Most book/tax differences are temporary, and, over time, the same amount will be included on the financial statements and tax returns. However, certain items of revenue and expense are, over time, treated differently for financial reporting purposes than for income tax purposes. These are referred to as permanent differences.

Permanent differences do not result in deferred income taxes. In the period reported, current income taxes will be adjusted to reflect the increased deduction or non-deductibility of these costs and there will be no deferred income taxes since these amounts will either never be included in the financial statements or deducted on the tax return thereby permanently decreasing or increasing current tax expense. An example of a permanent difference in EPE's tax calculation is the cost of meals and entertainment. The cost of meals and entertainment are reported as expenses in the financial statements but, under the IRC, are not completely deductible on the income tax return, and therefore, result in a permanent difference that increases current tax expense.

Q19. IS THE DISTINCTION BETWEEN PERMANENT AND TEMPORARY DIFFERENCES IMPORTANT IN THE INCOME TAX CALCULATION?

A. Yes. Permanent differences need to be separately identified and included in the income tax calculation because they do not require deferred income tax accounting.

Permanent differences either increase or decrease the total income tax expense for a given period permanently. Therefore, the permanent differences for the Test Year Period are included in the revenue requirement for this rate case.

Q20. IS THERE ANOTHER COMPONENT OF THE INCOME TAX CALCULATION?

A. Yes. In addition to current and deferred income taxes, a third element of the tax computation is the Investment Tax Credit ("ITC").

Q21. CAN YOU PLEASE SUMMARIZE WHAT THE ITC IS AND HOW IT IS TREATED FOR ACCOUNTING/RATEMAKING PURPOSES?

A. The ITC, which has gone in and out of existence over the years, lowers income tax expense permanently if certain qualifying investments are made. It is intended as an incentive for companies to invest in qualifying assets. To make sure that its objectives are met for regulated utilities, the IRC prescribes methods of sharing the benefit between customers and shareholders.

The ITC is a direct reduction of income taxes payable in a given year. Unlike accelerated depreciation and other book-tax temporary differences that will eventually reverse or turn around, the ITC is comparable to a rebate. The ITC provides an incentive to capital investment by granting a tax credit (a direct, dollar-for-dollar offset to current taxes payable) based on a percentage applied to investment in tangible personal property, which for EPE includes most generation, transmission, and distribution assets.

The accounting for the ITC is contained in ASC 740, codifying the accounting for ITC previously contained in Accounting Principles Board Opinions 2 and 4, *Accounting for the Investment Credit*. Most regulated utilities, like EPE, account for the ITC by reducing current income taxes payable in the year the credit is earned for the full amount of the credit but recognize an equal and offsetting amount of deferred tax expense. The amount of the credit is then amortized to reduce income tax expense over the book life of the property giving rise to the ITC.

In 1972, for ratemaking purposes, the IRS required utilities to elect how they intended to share the ITC between customers and shareholders. Most utilities, including EPE, chose "Option 2" and elected to share the ITC as described in the preceding paragraph by including the annual amortization to income tax expense as a reduction to cost of service. In accordance with this election, the unamortized ITC basis is not deducted from rate base. The resulting reduced income tax expense benefits customers when it is included in rates.

IV. EFFECTS OF CHANGES IN TAX LAWS

Q22. SINCE EPE'S LAST GENERAL RATE CASE, HAVE THERE BEEN ANY SIGNIFICANT CHANGES IN TAX LAW?

A. Yes, on August 16, 2022, President Biden signed into law The Inflation Reduction Act of 2022 ("IRA").

Q23. CAN YOU PLEASE BRIEFLY DESCRIBE THE IRA?

A. The purpose of the IRA legislation was to fight inflation through deficit reduction and to advance climate initiatives. In general, the provisions within the IRA apply to tax years beginning after December 31, 2022. The IRA contains significant benefits for clean energy and renewable generation investments. To achieve the goal of providing these benefits, without adding to the deficit, the IRA reinstated and revised the Corporate Alternative Minimum Tax ("CAMT") which was repealed with the Tax Cuts and Jobs Act of 2017 ("TCJA").

Q24. WHAT ARE THE MAIN ELEMENTS OF FEDERAL TAX REFORM UNDER THE IRA THAT ARE APPLICABLE TO UTILITIES SUCH AS EPE?

A. The IRA changes certain elements of the IRC. Several of the provisions are applicable to utilities, including:

- Restoration and extension of the renewable electricity production tax credit ("PTC") and the clean electricity investment tax credit ("ITC").
- Creation of new tax credits designed to incentivize investment in renewable energy.
- Establishment of a non-deductible 1% excise tax on certain corporate share repurchases.
- Imposition of a 15% CAMT based upon adjusted financial statement income ("AFSI").

Q25. HOW DOES THE IRA CURRENTLY AFFECT THE COMPANY AND THIS FILING?

A. The 1% excise tax is not applicable to EPE. EPE ceased to be a publicly traded company on July 29, 2020, the date of our merger. Therefore, the Company no longer has publicly traded stock that could be repurchased. The CAMT applies to large corporations with annual AFSI exceeding $1 billion. The CAMT is currently not applicable to EPE or this filing because the Company's AFSI does not exceed $1 billion. The restoration and extension of the PTC and ITC and the new renewable energy tax credits have the greatest *potential* impact on the Company in future rate cases. However, the PTC and ITC authorized by the IRA do not apply to EPE in this filing because the applicable rate base assets at the end of the Test Year Period are directly assigned to Texas.

Q26. SINCE EPE'S LAST GENERAL RATE CASE, IS THERE ANY ADDITIONAL SIGNIFICANT CHANGES IN TAX LAW?

A. Yes, on July 4, 2025, President Trump signed into law the legislation commonly referred to as The One Big Beautiful Bill ("OBBBA").

Q27. CAN YOU PLEASE BRIEFLY DESCRIBE THE OBBBA?

A. The passed legislation enacted a wide range of policy changes related to tax, border security, energy, federal spending and debt. It is a complex piece with hundreds of provisions that affect individuals, businesses, and government programs. Broadly speaking, the OBBBA extends many expiring provisions of the TCJA and amends other provisions of the IRC.

Q28. WHAT ARE THE MAIN ELEMENTS OF THE OBBBA APPLICABLE TO UTILITIES SUCH AS EPE?

A. Several of the provisions are applicable to utilities, including:

- Phase out of the ITC and PTC for wind and solar property.
- Phase out of ITC for battery storage.

- Changes to the definition of "beginning of construction" and removal of the 5% safe harbor.
- Foreign Entities of Concern restrictions.
- Removes clean energy facilities, property and technology from the list of 5-year MACRS recovery.
- Restores immediate expense for Domestic Research and Development.
- Elimination of the Commercial Clean Vehicle Tax Credit.

Q29. HOW DOES THE OBBBA CURRENTLY AFFECT THE COMPANY AND THIS FILING?

A. The Company, in the long term, will be most affected by the changes to, and phase out of, clean energy credits. EPE has embarked on a large solar initiative, which was driven in part by the benefits of these credits. As it relates to this filing, there is no monetary impact. As mentioned earlier in my testimony, the facilities that are currently generating PTCs are directly assigned to Texas.

V. <u>NORMALIZATION REQUIREMENTS</u>

Q30. IS NORMALIZATION ACCOUNTING REQUIRED FOR A UTILITY TO REFLECT CERTAIN DEDUCTIONS AND CREDITS IN ITS FEDERAL TAX RETURN?

A. Yes. The IRC requires that regulated utilities must use the normalization method and not the flow-through method to calculate the tax expense related to temporary differences (IRC Section 168), Contributions In Aid of Construction, Investment Tax Credits, Excess Deferred Taxes, and Net Operating Loss Carryforwards created by accelerated depreciation in order to avoid certain penalties.

Q31. WHAT IS THE FEDERAL ENERGY REGULATORY COMMISSION'S ("FERC") POSITION ON DEFERRED INCOME TAXES?

A. The FERC Uniform System of Accounts embraces normalization of deferred income taxes by requiring comprehensive interperiod income tax allocation for all book-tax timing (temporary) differences. FERC Order Nos. 144 and 144-A provide guidance in this area. This has been the FERC methodology since the early 1980s.

Q32. DID EPE FOLLOW NORMALIZED ACCOUNTING IN PREPARING THE SCHEDULES FOR THIS RATE CASE?

A. Yes.

VI. <u>EXCESS DEFERRED INCOME TAXES ("EXCESS ADIT")</u>

Q33. WHAT IS EXCESS ADIT?

A. As discussed above, deferred income taxes or ADIT results when there is a temporary difference between a company's income tax expense for book purposes and the amount of currently payable taxes to the IRS. The currently payable tax expense is included in EPEs cost of service, and the future tax expense (ADIT) is included as a reduction to rate base as cost-free capital. This future tax expense or ADIT is calculated based on the tax rate in effect when the temporary difference occurs. When there is a subsequent change to the tax rate through legislative action, it changes the temporary book/tax difference and the calculation of ADIT. The difference between the originally calculated ADIT and the revised ADIT resulting from the tax rate change is excess ADIT.

Q34. HAS THERE BEEN A CORPORATE INCOME TAX RATE CHANGE IN RECENT YEARS?

A. Yes. The TCJA changed the federal corporate statutory income tax rate from 35% to 21% effective January 1, 2018. The TCJA also eliminated bonus depreciation for regulated utilities, for assets acquired and placed into service after December 31, 2017.

Q35. HOW DO THE REDUCTION IN THE FEDERAL CORPORATE INCOME TAX RATE AND THE ELIMINATION OF BONUS DEPRECIATION

GENERALLY IMPACT THE COMPANY'S TAX EXPENSE INCLUDED IN ITS APPLIED FOR CUSTOMER RATES?

A. The reduction in the federal income tax rate reduces the income tax expense reflected in EPE's cost of service. As explained above, the income tax expense the Company recovers in rates includes both currently payable taxes and income taxes deferred for payment in the future. Over the last several years, EPE deferred significant amounts of income tax payments by deducting accelerated depreciation, including bonus depreciation. Those deferred income tax payments were calculated based on the corporate federal income tax rate of 35% in effect at that time.

The reduction in the federal income tax rate reduces the amount of current income taxes EPE must pay and the amount of deferred income taxes it will pay in the future. Both the reduction in the federal income tax rate and the Company's inability to deduct bonus depreciation reduce the amount of deferred income tax amounts that accrue each year. Most of the excess ADIT on the Company's books at the September 30, 2025, Base Period is related to the TCJA rate change.

Q36. WHAT ARE THE RULES THAT GOVERN THE CALCULATION OF AMORTIZATION OF EXCESS ADIT?

A. The IRC normalization rules require the division of excess ADIT into two categories, "protected" and "unprotected." Excess ADIT resulting from accelerated depreciation is classified as "protected", while excess ADIT resulting from temporary differences not related to accelerated depreciation is classified as "unprotected". The classification of excess ADIT is crucial in calculating the amortization of excess ADIT. In IRC § 168(i)(9)(A)(i), the amortization of protected excess ADIT is required to be calculated utilizing the Average Rate Assumption Method ("ARAM") in order to avoid a normalization violation. The TCJA (Section 13001(d)(d)(B)) defines ARAM as the:

> "method under which the excess in the reserve for deferred taxes is reduced over the remaining lives of the property as used in its regulated books of account which gave rise to the reserve for deferred taxes. Under such method, during the time period in which the timing differences for the property reverse, the amount of the adjustment to the reserve for the deferred taxes is calculated by multiplying (1) the ratio of the aggregate deferred taxes for the property to the aggregate timing differences for the property as of the beginning of the period in question, by (2) the amount of timing differences which reverse during such period."

Revenue Proclamation ("Rev. Proc.") 2020-39 provides further guidance on the amortization method of protected excess ADIT, referred to as "ETR" (Excess Tax Reserves). Rev. Proc. § 4(1) states "taxpayers must use ARAM to calculate the reversal of their ETR if the taxpayer's regulatory books are based upon the vintage account data necessary to use ARAM."

Q37. WHAT WOULD BE THE CONSEQUENCES OF A NORMALIZATION VIOLATION AND HOW WOULD IT AFFECT THE COMPANY AND ITS CUSTOMERS?

A. If the normalization rules were violated, there would be two negative results: (1) income taxes would become payable for the amount of amortization in excess of the ARAM calculation and, more importantly, and (2) the Company would not be permitted to use accelerated depreciation methods for income tax purposes in the future. Instead, book depreciation would have to be used for income tax purposes. If this were to happen, it would be devasting for the Company and its customers. If EPE is not able to use accelerated tax depreciation for any of its assets, there would be no future ADIT associated with the depreciation-related temporary differences (i.e., protected ADIT) for those assets. Not only is protected ADIT a significant source of cost-free capital that the Company uses to fund the assets needed to serve its customers, in addition, there would be no protected ADIT rate base offset in future rate cases.

Q38. DOES THE COMPANY HAVE THE VINTAGE RECORDS NEEDED TO COMPUTE AMORTIZATION OF PROTECTED EXCESS ADIT USING ARAM?

A. Yes. The Company utilizes Power Tax software, which is commonly used throughout the utility industry to store the vintage account data related to its plant in service balances, calculate federal tax depreciation and calculate the amortization of protected excess ADIT using ARAM. Vintage account data includes two components. The first is the year the property is placed in service, or the vintage year. The second is the account data. Account data refers to plant in service accounts adopted in the FERC Uniform System of Accounts, i.e., FERC Accounts 301399.1. No further subdivision is required since tax amounts related to each FERC account are also depreciated using a common tax depreciation methodology and rate. Since the Company has the vintage account records for its plant in service, the IRC requires the Company to utilize ARAM to avoid a normalization violation. Amortizing protected excess ADIT using another method could result in a normalization violation.

Q39. HOW IS THE ANNUAL AMORTIZATION OF PROTECTED EXCESS ADIT CALCULATED?

A. The amortization of excess ADIT using ARAM does not begin until book depreciation exceeds tax depreciation, which is calculated for each vintage account record for the Company's plant in service. ARAM amortization is similar to the reversal of accumulated ADIT in that you continue to accumulate deferred income taxes until book depreciation exceeds tax depreciation, then you begin amortizing the deferred ADIT over the remaining book life of the underlying asset. Congress provided for the use of accelerated tax depreciation in order to provide an incentive for the investment in certain capital assets. The normalization rules preserve this incentive by, in part, (i) requiring that excess ADIT be amortized no faster than the rate at which the ADIT would have been reduced had the tax rate not changed and the excess not been created and (ii) requiring that this determination be made on an asset-by-asset basis (i.e., vintage account records) if the required property records are available. As a result, if the property records are available, ARAM requires the development of an average rate of amortization equal to (i) the amount of excess ADIT for each asset or asset class divided by (ii) the total amount of ADIT that has been provided on that same asset. Once the book depreciation exceeds tax depreciation, the average rate of amortization is calculated and applied to the annual ADIT reversal to calculate the amortization of the excess ADIT on an annual basis.

Q40. DOES THE TOTAL AMORTIZATION OF PROTECTED EXCESS ADIT CHANGE ANNUALLY?

A. Yes. Because the calculation of the amortization of protected excess ADIT does not begin until book depreciation exceeds tax depreciation for each vintage account, the Company's total amortization will change annually as ADIT begins to reverse for each asset and vintage.

Q41. HOW DID THE COMPANY CALCULATE THE AMORTIZATION OF THE EXCESS ADIT FROM THE TCJA IN THIS FILING?

A. The actual amortization of protected excess ADIT from the TCJA cannot be finalized for any year until both the book depreciation and federal income tax depreciation are finalized, which occurs when the federal income tax return is filed for that year. The amortization of the protected excess ADIT from the TCJA that is included in income tax expense in this filing is the excess activity related to the Company's most recently filed 2024 tax return and can be seen in Schedule H-09 and WP H-09.4.

Q42. IS THE COMPANY REQUESTING ANY UNPROTECTED EXCESS AMORTIZATION RESULTING FROM THE TCJA IN THIS FILING?

A. No.

Q43. WHY IS THE COMPANY NOT REQUESTING ANY AMORTIZATION OF ADDITIONAL UNPROTECTED EXCESS ADIT RESULTING FROM THE TCJA IN THIS FILING?

A. In compliance with the final order in the 2020 Rate Case, Case No. 20-000104-UT, the Company has already returned the TCJA unprotected excess ADIT accrued prior to January 1, 2018, and the excess ADIT resulting from the TCJA that accrued from January 1, 2018 through December 31, 2020 (i.e., the "stub period") via a rate rider.

Q44. ARE THERE ADDITIONAL EXCESS ADIT BALANCES THAT ARE INCLUDED IN THIS FILING?

A. Yes. Although there are no new excess ADIT issues since the 2020 Rate Case, the Company continues to amortize the excess ADIT from federal income tax rate changes in the 1980s. The Company also has excess state ADIT resulting from the normalization of state income taxes and excess state ADIT that relate to prior years phase in of state rate reductions. These amounts can be found in the work papers to Schedule H-09.

VII. <u>FEDERAL INCOME TAXES</u>

Q45. HOW HAVE FEDERAL INCOME TAXES INCLUDED IN COST OF SERVICE BEEN CALCULATED?

A. Federal income taxes have been calculated using the return method for the Test Year Period, as required by the Instructions and Schedules to Rule 530.

Q46. WHAT IS THE RETURN METHOD?

A. The calculation of federal income taxes provided on Schedule H-09 is commonly referred to as the return method because it calculates federal income taxes using an after-tax return as the starting point. Under this method, equity return, or total return less interest, is adjusted for items for which there is no tax deduction to offset amounts recovered through revenues — such as book amortization of Allowance for Equity Funds Used During Construction, other flow-through differences, permanent differences, ITC amortization, and the amortization of excess ADIT. The return method calculates federal income tax expense in total, with no segregation between current and deferred federal income taxes. The return method tax calculation provided on Schedule H-09 reflects a stand-alone approach to calculating federal income taxes.

Q47. WHAT IS MEANT BY A STAND-ALONE APPROACH?

A. The stand-alone methodology calculates federal income taxes on utility revenues and expenses that are included in the utility's revenue requirement. This approach appropriately allocates federal income taxes between customers and shareholders using the benefits and -burdens criteria outlined by FERC Opinion No. 173. Under this methodology, federal income tax expense relates to, and results from, the provision of utility service to customers. Additionally, the stand-alone federal income tax calculation includes an adjustment to synchronize interest. Synchronized interest represents the portion of return that is deductible for tax purposes and is calculated by multiplying the weighted cost of debt by rate base. Use of synchronized interest in the tax calculation effectively synchronizes the calculation of federal income tax expense with rate base and rate of return. Synchronized interest may be more or less than the actual interest deducted on the tax return.

Q48. WHY IS THE STAND-ALONE APPROACH THE PROPER METHODOLOGY TO USE IN CALCULATING FEDERAL INCOME TAXES FOR RATEMAKING PURPOSES?

A. The stand-alone approach includes in cost of service only federal income taxes that result from the provision of utility service to customers. Federal income taxes requested by the Company are based on revenues and expenses included in the cost-of-service calculation. There are no additions to or reductions from tax expense resulting from revenues or expenses not included in the Company's request. It is neither appropriate nor equitable to increase or reduce cost of service by tax costs or benefits that are not related to the rendition of utility service to customers.

Said another way, income taxes have no independent existence of their own. They are based on revenues and expenses. Once the Commission decides on the appropriate revenues and expenses that are necessary for the provision of electric service, the related income taxes can be determined.

Q49. WHAT IS THE AMOUNT OF FEDERAL INCOME TAX EXPENSE THE COMPANY IS REQUESTING TO BE INCLUDED IN RATES?

A. The Total Company amount of federal income tax expense that the company is requesting be included in its overall cost of service is reflected on Schedule A as calculated on Schedule H-09. The New Mexico jurisdictional federal income tax expense that the Company is requesting be included in its cost of service is reflected on Schedule A-3 and related workpapers.

VIII. <u>STATE INCOME TAXES</u>

Q50. WHAT IS THE AMOUNT OF STATE INCOME TAX EXPENSE THE COMPANY IS REQUESTING BE INCLUDED IN COST OF SERVICE?

A. The Company is requesting the Total Company amount of state income tax expense in cost of service reflected on Schedule H-9.

Q51. IN WHAT JURISDICTIONS DOES THE COMPANY FILE INCOME TAX RETURNS?

A. The Company files state income tax returns in New Mexico, Arizona, and Texas jurisdictions.

Q52. IS THE INCOME TAX EXPENSE FROM EACH OF THESE JURISDICTIONS INCLUDED IN THIS FILING?

A. Yes. EPE includes state tax expense from each of the jurisdictions in its cost of service and the associated state ADIT in rate base.

Q53. WHY IS EPE INCLUDING STATE INCOME TAXES FOR JURISDICTIONS OUTSIDE OF NEW MEXICO?

A. EPE is including state income taxes for each of its taxing jurisdictions in which it has property or payroll (i.e., employees). Property and payroll generally cause nexus for state income tax purposes, which obligates EPE to pay income taxes in those jurisdictions. EPE's property and payroll in each of these jurisdictions are integral to the Company being able to serve its customers in New Mexico. Therefore, state income taxes for all three jurisdictions are included in this filing.

Q54. HOW DID YOU CALCULATE THE CURRENT AND DEFERRED STATE INCOME TAX AMOUNTS?

A. The Company is subject to state income taxes in New Mexico, Texas, and Arizona.

The calculation of state income taxes reflected on Schedule H-9 applies the applicable state income tax rate and apportionment factors to the taxable amounts in each state to arrive at a total state income tax expense on a total company basis. The New Mexico jurisdictional state income tax expense requested in the cost of service is located in Schedule A-3 and related workpapers.

IX. SPONSORED RULE 530 TAX SCHEDULES AND ADJUSTMENTS

A. TAX SCHEDULES

Q55. PLEASE DESCRIBE SCHEDULE H-9, FEDERAL INCOME TAXES PER BOOKS.

A. Schedule H-9 shows the calculation of federal and state income tax expense for the Base Period, Test Year Period adjustments, jurisdictional revenue adjustments, and the Test Year Period. The calculation of income tax expense in Schedule H-9 is used in the determination of the cost of service for the Test Year Period.

Q56. PLEASE DESCRIBE SCHEDULE H-10, RECONCILIATION OF TEST YEARBOOK NET INCOME TO TAXABLE NET INCOME.

A. Schedule H-10 reconciles book income and current taxable income for the Base Period, the Test Year Period adjustments, jurisdictional revenue adjustments, and the Test Year Period. Because Schedule H-10 is a comparison to the most recently filed federal income tax return, amounts include both operating and nonoperating activities. Schedule H-10 contains explanations of all items in the reconciliation for both the Test Year Period and the tax return.

Q57. PLEASE DESCRIBE SCHEDULE H-11, INCOME TAX EFFECT AS A RESULT OF EPE JOINING IN A CONSOLIDATED FEDERAL INCOME TAX RETURN.

A. This schedule is not applicable. This schedule provides descriptions of any tax effect on the filing utility because of its inclusion within a consolidated income tax return for the most recent tax year. EPE did file as part of a consolidated group in its most recently filed tax return for the calendar year ended December 31, 2024. However, the taxes contained in this filing are presented on a stand-alone basis and contain no consolidated effects.

Q58. PLEASE DESCRIBE SCHEDULE H-12, ACCUMULATED DEFERRED INCOME TAXES.

A. Schedule H-12 provides detail of the ADIT activity for each of the 12 months ended September 30, 2025, and ADIT balances for the Base Period, the Test Year Period adjustments, jurisdictional revenue adjustments, and the Test Year Period. The ADIT accounts included in rate base are those that relate to underlying amounts included in rate making (*i.e.*, in rate base, cost of service, or weighted average cost of capital). ADIT accounts that relate to amounts excluded from rate making are excluded from rate base, consistent with the stand-alone methodology.

Q59. PLEASE DESCRIBE SCHEDULE H-13, INVESTMENT TAX CREDITS.

A. Schedule H-13 provides detail of the accumulated deferred ITC for the Base Period, the Test Year Period adjustments, jurisdictional revenue adjustments, and the Test Year Period.

B. TAX ADJUSTMENTS

Q60. WERE ADJUSTMENTS MADE TO INCOME TAX EXPENSE IN THE BASE PERIOD?

A. Adjustments were made to federal and state income taxes in accordance with the stand-alone methodology to remove items not included in cost of service or rate base in this filing. These adjustments are reflected on Schedules H-9 (Schedule A-3, Adjustments Nos. 23, 24, 25, and 26) and H-10 and include:

- The Company's election under Section 46(f)(2) of the IRC does not permit amortization of ITC to reduce income tax expense in cost of service at a rate more rapidly than ratably — no faster than over the book life of the assets that generated the ITC. The stripped book depreciation rate requested is derived from the proposed depreciation rate calculations supported by EPE witness John Spanos. This rate represents the life or investment portion of the depreciation rate without regard to amounts for cost of removal or salvage. The stripped depreciation rate is multiplied by the ITC amortization base to calculate the annual amount of ITC amortization included in cost of service. The stripped depreciation rate is used in this computation to avoid a potential normalization violation that could result if the ITCs were amortized in cost of service at a rate more rapid than ratably. The ITC amortization for the Test Year Period is calculated at Workpaper H-13.1. For each class of assets generating the ITC, the Company applied the stripped depreciation rate to the ITC amortization base to arrive at the ITC amortization used to reduce income tax expense.

- For all state income taxes, adjustments were made to state income tax amounts to include associated federal income tax impacts for the Test Year Period.

Q61. WERE ADJUSTMENTS MADE TO ADIT IN THE BASE PERIOD?

A. Yes. Adjustments were made to ADIT Base Period amounts where necessary to reflect adjustments to the underlying rate making items in accordance with the stand-alone methodology. These adjustments are reflected on Schedule H-12 (Schedule A-3, Adjustment No. 35) and include:

- ADIT balances for depreciation and basis differences were adjusted to remove amounts related to PVGS Unit 3 to correspond to the removal of Palo Verde Generation Station ("PVGS") Unit 3 from rate base. These adjustments are reflected on Schedule H-12, column (c)

Q62. PLEASE DESCRIBE ADFIT-RATE CASE EXPENSE.

A. The Company did not have any ADFIT associated with rate case expense reflected on the books on September 30, 2025.

Q63. WERE ADJUSTMENTS MADE TO SFAS 109 REGULATORY ASSETS AND LIABILITIES IN THE BASE PERIOD?

A. Yes. Adjustments were made to SFAS 109 Regulatory Asset and Liability Base Period amounts where necessary to reflect adjustments to the underlying ADIT amounts. These adjustments are reflected on Schedule A-3, Adjustment No. 34 and include:

- Regulatory asset and liability amounts were adjusted to remove amounts where the underlying assets and liabilities are not included in rate making or the amount is related to amounts removed from ADIT. The regulatory asset and liability amounts removed were for AEFUDC (page 2, column e, line 1), and ITC (page 2, column e, line 5.

X. TAXES OTHER THAN INCOME

Q64. WHAT IS THE PURPOSE OF THIS SECTION OF YOUR TESTIMONY?

A. In this section of my testimony, I first discuss the Company's property taxes. I then discuss the remaining taxes other than income that the Company incurs.

A. PROPERTY TAXES

Q65. WHAT WAS THE TOTAL AMOUNT OF PROPERTY TAXES DURING THE BASE PERIOD?

A. The total amount of property taxes for the Company in the Base Period is shown on Schedule H-8.

Q66. WHAT IS THE NET REQUESTED RECOVERY AMOUNT FOR THE COMPANY'S PROPERTY TAXES?

A. The total amount of requested property taxes can be found on Schedule H-8.

Q67. HOW ARE THE PROPERTY TAXES FOR THE COMPANY DETERMINED?

A. The property taxes charged to the Company are the amounts imposed by taxing authorities to which the Company is subject. Property taxes are capitalized to construction work in process for assets currently under construction based on an assessed value or are expensed for assets in electric plant in service.

Q68. PLEASE DESCRIBE THE VARIOUS TAXING AUTHORITIES THAT LEVY PROPERTY TAXES AGAINST THE COMPANY'S PROPERTY.

A. The Company is subject to property taxation by many different taxing jurisdictions. These taxing jurisdictions include, but are not limited to, counties, cities, independent school districts, fire districts, and industrial districts. Also, various taxing jurisdictions overlap, and, for example, a single piece of utility property may be the basis for property tax levied by as many as six or more jurisdictions.

Q69. HOW ARE THE PROPERTY TAX AMOUNTS IMPOSED BY THE TAXING JURISDICTIONS DETERMINED?

A. Property tax is typically assessed against the appraised or taxable value of the Company's property located within the jurisdiction of a taxing authority. Generally, the property tax appraisal process is a two-step process for a regulated utility. The first step is to establish market value for all of the utility's property, collectively. This is referred to as a "unit" valuation. The second step is to allocate that market value of the unit to the taxing jurisdictions in which the utility owns taxable property.

Once the taxable value for a tax jurisdiction is determined and final, the jurisdiction calculates and sends a bill to the taxpayer. The billed amount is determined by multiplying the jurisdiction's tax rate by the taxable value of EPE's property in that jurisdiction.

Q70. PLEASE DESCRIBE SCHEDULE H-8, AD VALOREM TAXES AND PLANT BALANCES.

A. This schedule shows the amount of ad valorem taxes assessed, penalties paid, and discounts taken for the three calendar years shown on Schedule H-8, as well as the net plant balances at the beginning of each of those years.

Q71. HAS THE COMPANY MADE ANY ADJUSTMENTS TO ITS BASE PERIOD PROPERTY TAX AMOUNT?

A. Yes. The Company has made adjustments to its Base Period property tax amounts to reflect an effective rate of tax assessed on adjusted net plant in service balances on September 30, 2025. The adjustment is included in Workpaper A-3, Adjustment No. 15. An adjustment was also made to remove property taxes related to PVGS Unit 3, shown on Schedule A-3, Adjustment No. 16, page 2, column (c), line 9.

B. REVENUE-RELATED TAXES

Q72. WHAT IS THE PURPOSE OF THIS SECTION OF YOUR TESTIMONY?

A. In this section of my testimony, I sponsor the Company's revenue-related taxes. By "revenue-related taxes", I mean the Company's directly incurred local franchise fees; sales, use and gross receipts taxes; and other miscellaneous taxes plus state regulatory assessments.

Q73. WHAT WAS THE TOTAL AMOUNT OF REVENUE-RELATED TAXES DURING THE BASE PERIOD?

A. The total amount of revenue-related taxes for the Company in the Base Period is shown on Schedule H-8.

Q74. WHAT IS THE NET REQUESTED RECOVERY AMOUNT FOR THE COMPANY'S REVENUE-RELATED TAXES?

A. The total amount of requested revenue-related taxes can be found on Schedule H-8.

Q75. HAS THE COMPANY MADE ANY ADJUSTMENTS TO ITS BASE PERIOD REVENUE-RELATED TAXES?

A. Yes. Adjustments were made to revenue-related taxes that were necessary to reflect adjustments to the underlying amounts in cost of service. The adjustments were calculated based on an effective tax rate determined by dividing the applicable taxes expensed by taxable Company revenues. These effective tax rates were adjusted for the effective uncollectible expenses rate and then applied to requested revenues to determine the amount of taxes included in the requested cost of service. These adjustments are reflected on Schedule H-8 and are calculated in Workpaper A-3, Adjustment No. 18 through Adjustment No. 22.

C. PAYROLL TAXES

Q76. WHAT WAS THE TOTAL AMOUNT OF PAYROLL TAXES DURING THE TEST YEAR PERIOD?

A. The total amount of payroll taxes for the Company in the Test Year Period is shown on Schedule H-8.

Q77. WHAT IS THE NET REQUESTED RECOVERY AMOUNT FOR THE COMPANY'S PAYROLL TAXES?

A. The total amount of requested payroll taxes can be found on Schedule H-8.

Q78. HAS THE COMPANY MADE ANY ADJUSTMENTS TO ITS BASE PERIOD PAYROLL TAXES?

A. Yes. Payroll taxes were adjusted to reflect salary and wage levels and remove the portion of payroll taxes related to PVGS Unit 3, as discussed in the testimony of

EPE witness Sierra. These adjustments are reflected on Schedule H-8 and are calculated in Workpaper A-3, Adjustment No. 17.

Q79. ARE THESE EXPENSES NECESSARY AND REASONABLE?

A. Yes. All of the above-described taxes are necessary because they are required by law to allow the Company to operate in its applicable jurisdictions. The amounts are reasonable because the taxes are imposed by law and calculated in accordance with applicable law and reflect the requested rate base and cost of service.

CONCLUSION

Q80. PLEASE STATE YOUR CONCLUSIONS.

A. EPE's per books and Test Year Period federal and state income tax amounts found in the H-9 schedules and included in the Company's requested cost of service and rate base are reasonable and necessary and calculated in accordance with Rule 530 and the Commission's rules. Additionally, the amounts of EPE's taxes other than income found in the H-8 schedules and included in the Company's requested cost of service are also reasonable and necessary and calculated in accordance with applicable law.

Q81. DOES THIS CONCLUDE YOUR TESTIMONY?

A. Yes, it does.

TAX SHARING AGREEMENT

This Tax Sharing Agreement (this "Agreement"), dated effective as of July 29, 2020, is made and entered into as of July 29, 2020, by and among Sun Jupiter Topco LLC, a Delaware Limited Liability Company ("Parent"), Sun Jupiter Parent LLC, a Delaware Limited Liability Company, Sun Jupiter Holdings LLC, a Delaware Limited Liability Company and El Paso Electric Company, a Texas Corporation (each party, a "Sun Jupiter Affiliate" and collectively, the "Sun Jupiter Affiliates").

RECITALS

WHEREAS, all of the Sun Jupiter Affiliates are members of an affiliated group of corporations within the meaning of section 1504(a) of the Internal Revenue Code of 1986, as amended (the "Code"), of which Parent is the common parent (the "Sun Jupiter Group");

WHEREAS, some or all of the Sun Jupiter Affiliates may be included in a group of entities headed by Parent or another Sun Jupiter Affiliate that is entitled to file Tax Returns (as defined below) with respect to state or local Taxes (as defined below) on a consolidated, combined, or unitary basis (a "State Group"); and

WHEREAS, the Sun Jupiter Affiliates desire to set forth their agreement regarding the allocation of Taxes and the rights and responsibilities of the Sun Jupiter Affiliates with respect to Tax Returns, Tax Contests (as defined below) and other related Tax matters.

AGREEMENT

NOW, THEREFORE, in consideration of the mutual obligations and undertakings contained herein, the Sun Jupiter Affiliates agree as follows:

1. DEFINITIONS.

1.1 Previously Defined Terms. Each term defined in the first paragraph of this Agreement and the Recitals shall have the meaning specified above whenever used in this Agreement.

1.2 Other Definitions. When used in this Agreement, the following terms shall have the following respective definitions:

"Combined Tax Return" shall have the meaning specified in Section 3.2 of this Agreement.

"Consolidated Tax Return" shall have the meaning specified in Section 3.1 of this Agreement.

"Deconsolidation Event" shall mean any event or transaction that causes one or more Sun Jupiter Affiliates to no longer be eligible to file a Consolidated Tax Return or a Combined Tax Return.

"Estimated Payment Date" shall mean each of the due dates prescribed in section 6655(c) of the Code.

"Estimated Tax Sharing Amount" shall have the meaning specified in Section 4.4(a) of this Agreement.

"Federal Income Tax Liability" shall mean, for each taxable period, the Tax liability imposed under Subtitle A of the Code (including the Taxes imposed by section 11 of the Code), and any interest, additions to Tax or penalties applicable or related thereto.

"Final Determination" shall mean the final resolution of any Tax for a taxable period that, under applicable law, is not subject to further appeal, review or modification through proceedings or otherwise.

"Independent Tax Return" shall have the meaning specified in Sections 3.3 and 3.4 of this Agreement.

"Item" shall mean any item of income, gain, deduction, Loss or credit received, earned, paid or incurred by a Sun Jupiter Affiliate.

"Loss" shall mean the excess for a taxable period of a Sun Jupiter Affiliate's deductions for federal or state income Tax purposes over its income for such purposes computed in the manner used to compute its Separate Return Tax Liability (or its State or Local Tax Sharing Amount in the applicable state or local taxing jurisdiction).

"Payment Account" shall have the meaning specified in Section 8 of this Agreement.

"Payment Sections" shall have the meaning specified in Section 8 of this Agreement.

"Pre-Deconsolidation Period" shall mean any taxable period beginning on or before the date of a Deconsolidation Event.

"Separate Return Tax Liability" shall mean, for each taxable period, a Sun Jupiter Consolidated Member's allocable share of the Federal Income Tax Liability of the Sun Jupiter Group determined in accordance with the methodology set forth in sections 1.1552-1(a)(1) and 1.1502-33(d)(3) of the Treasury regulations.

"State Group Head" shall mean Parent or any other Sun Jupiter Affiliate that is the parent of a State Group.

"State or Local Tax Sharing Amount" shall have the meaning specified in Section 5.2 of this Agreement.

"Sun Jupiter Combined Member" shall mean, with respect to any State Group, a Sun Jupiter Affiliate that is included in such State Group and is not a disregarded entity with respect to such State Group.

"Sun Jupiter Consolidated Member" shall mean a Sun Jupiter Affiliate that is a member (within the meaning of section 1.1502-1(b) of the Treasury regulations) of the Sun Jupiter Group.

"Tax" shall mean any federal, state or local tax, impost, rate, charge, fee, duty, levy, or other assessment or charge of any kind whatsoever, together with any related interest, penalties or other additions to tax, imposed by a taxing authority.

"Tax Asset" shall mean any Item that has accrued for Tax purposes, but has not been realized during the taxable period in which it has accrued, and that could reduce a Tax in another taxable period, including a net operating loss, net capital loss, investment tax credit, foreign tax credit, charitable deduction or any other Tax credits.

"Tax Contest" shall have the meaning specified in Section 4.6 of this Agreement.

"Tax Return" shall mean any return, report, certificate, election, form or similar statement or document (including, any related or supporting information or schedule attached thereto and any information return, amended Tax Return, claim for refund or declaration of estimated Tax) supplied to, or filed with, or required to be supplied to, or filed with, a taxing authority in connection with the determination, assessment or collection of any Tax or the administration of any laws, regulations or administrative requirements relating to any Tax.

"Tax Sharing Amount" shall have the meaning specified in Section 4.1 of this Agreement.

2. AGENCY.

Each Sun Jupiter Affiliate hereby designates Parent as its sole and exclusive agent and attorney-in-fact in respect to all matters pertaining to (a) the payment of such Taxes as are imposed in the United States of America and calculated on a consolidated, combined or unitary basis, and (b) compliance with all laws applicable to such Taxes, and hereby authorizes Parent to take on its behalf such action (including execution of documents) as Parent in its sole discretion, may deem appropriate in any and all matters (including audits and other proceedings) relating to any Tax Return described in Sections 3.1 or 3.2 of this Agreement.

3. TAX RETURN PREPARATION.

3.1 Consolidated Federal Tax Returns. Parent shall have exclusive control over all matters relating to the preparation and filing of any consolidated federal income Tax Return of the Sun Jupiter Group (a "Consolidated Tax Return").

3.2 Consolidated, Combined or Unitary State or Local Tax Returns. Parent shall have exclusive control over all matters relating to the preparation and filing of any state or local Tax Return filed on a consolidated, combined, or unitary basis (including, without limitation, any Tax based in whole or in part by net income or gross income or any franchise, gross receipt, net capital or other similar Taxes) with respect to any State Group (a "Combined Tax Return").

3.3 Separately Filed State or Local Income Tax Returns. The applicable Sun Jupiter Affiliate shall have exclusive control over all matters relating to the preparation and filing of any of its state or local income Tax Returns other than any Combined Tax Returns (together with Tax Returns described in Section 3.4 of this Agreement, an "Independent Tax Return").

3.4 Non-Income State or Local Tax Returns. The applicable Sun Jupiter Affiliate shall have exclusive control over all matters relating to the preparation and filing of any of its non-income state or local Tax Returns (together with Tax Returns described in Section 3.3 of this Agreement, an "Independent Tax Return") .

4. ALLOCATION, PAYMENT AND REFUND OF FEDERAL INCOME TAXES.

4.1 Allocation of Federal Income Taxes. For each taxable period, each Sun Jupiter Consolidated Member shall be liable for and pay to Parent (or to such other person as is directed by Parent), at the times and in the manner set forth in Section 4.4 of this Agreement, cash in an amount equal to such Sun Jupiter Consolidated Member's Separate Return Tax Liability (the "Tax Sharing Amount") in order to reimburse Parent for such Sun Jupiter Consolidated Member's allocable share of the Federal Income Tax Liability of the Sun Jupiter Group.

4.2 Payment of the Consolidated Return Tax Liability. Parent shall pay, on behalf of itself and each Sun Jupiter Consolidated Member, to the Internal Revenue Service the Federal Income Tax Liability of the Sun Jupiter Group in the manner specified by the Code and the Treasury regulations promulgated thereunder.

4.3 Use of Items by the Sun Jupiter Group. For the avoidance of doubt, Parent shall pay any Sun Jupiter Consolidated Member for any Item that reduces the Federal Income Tax Liability of the Sun Jupiter Group.

4.4 Payment of Tax Sharing Amounts.

(a) Tax Sharing Installment Payments. Not later than fifteen (15) days prior to an Estimated Payment Date with respect to any taxable period, each Sun Jupiter Consolidated Member shall provide to Parent a reasonable estimate of the related installments of its Federal Income Tax Liability computed as if such Sun Jupiter Consolidated Member files a separate federal income Tax Return (computed in accordance with any estimated payment method under section 6655 of the Code chosen by Parent) and the basis for such estimate, setting forth the proposed treatment for United States federal income Tax purposes of all Items taken into account in determining such estimate. Parent shall review such estimate, and notify each Sun Jupiter Consolidated Member of any changes to such estimate not later than six (6) days prior to the applicable Estimated Payment Date (such estimate of the related installments, as adjusted by Parent, shall constitute the "Estimated Installment of the Separate Return Tax Liability"). Not later than five (5) days prior to the Estimated Payment Date, each Sun Jupiter Consolidated Member shall pay to Parent (or to such other person as is directed by Parent) the Estimated Installment of the Separate Return Tax Liability (the "Estimated Tax Sharing Amount").

(b) Tax Sharing True-Up Payments. As soon as reasonably practicable after the Consolidated Tax Return for a taxable period is filed, Parent shall deliver to each Sun Jupiter Consolidated Member the information reasonably necessary for such Sun Jupiter Consolidated Member to calculate its Tax Sharing Amount for such taxable period. Within fifteen (15) days after delivery of such information, each Sun Jupiter Consolidated Member shall deliver to Parent a schedule reflecting such Sun Jupiter Consolidated Member's Tax Sharing Amount for such taxable period. Parent shall review such estimate, and shall notify each Sun Jupiter Affiliate of any changes to the schedule as soon as reasonably practicable. Within five (5) days after Parent notifies an Sun Jupiter Consolidated Member of its acceptance of or any changes to the schedule, Parent shall pay to such Sun Jupiter Consolidated Member, or such Sun Jupiter Consolidated Member shall pay to Parent (or to such other person as is directed by Parent), as appropriate, an amount equal to the difference between (i) the sum of the Estimated Tax Sharing Amounts paid by such Sun Jupiter Consolidated Member for such taxable period and (ii) the Tax Sharing Amount set forth with respect to such Sun Jupiter Consolidated Member on the schedule (as adjusted by Parent), together with any interest or penalties assessed on account of such difference by any taxing authority.

4.5 Redetermination of Tax Sharing Amount. If, pursuant to a Final Determination, the treatment of any Item in determining the Sun Jupiter Group's Federal Income Tax Liability for a taxable period is different than that used to calculate any of the Sun Jupiter Consolidated Member's Tax Sharing Amount in respect of such taxable period (including a Final Determination to the effect that a Sun Jupiter Affiliate previously considered an Sun Jupiter Consolidated Member is not an Sun Jupiter Consolidated Member or vice versa), then the amount of any such Tax Sharing Amount (and any Tax Sharing Amounts with respect to prior open years) shall be redetermined by treating such Item in the manner finally determined by Parent, reasonably and in good faith, to be appropriate. The difference between the Tax Sharing Amounts of an Sun Jupiter Consolidated Member and the amounts thereof as redetermined shall be paid within thirty (30) days following such Final Determination by Parent to such Sun Jupiter Consolidated Member, or paid by such Sun Jupiter Consolidated Member to Parent (or to such other person as is directed by Parent), as appropriate, together with interest. Interest shall be computed under section 6621(a)(1) of the Code if the Tax Sharing Amounts are greater than the redetermined amounts, and under section 6621(a)(2) of the Code if the redetermined amounts are greater than the Tax Sharing Amounts. In addition to interest, any such payments shall include penalties which are fairly attributable to the redetermination with respect to such Item.

4.6 Contest. In the event of an audit or administrative or judicial proceeding involving an asserted liability for Taxes (a "Tax Contest") of the Sun Jupiter Group, Parent shall have the sole right to decide whether to contest such Tax Contest, and shall have full control over such Tax Contest. To the extent that a Tax Contest involves an Item attributable to a particular Sun Jupiter Consolidated Member, such member will reimburse Parent for all third-party out-of-pocket expenses associated with such Tax Contest that are attributable to such Item.

4.7 Refunds and Credits. Each Sun Jupiter Consolidated Member shall be entitled to all refunds and credits resulting from an Item attributable to such Sun Jupiter Consolidated Member in determining such member's Tax Sharing Amount. Upon receipt of any refund resulting from an Item attributable to a Sun Jupiter Consolidated Member, Parent shall pay over such refund to the applicable Sun Jupiter Consolidated Member.

5. ALLOCATION, PAYMENT AND REFUND OF STATE AND LOCAL TAXES.

5.1 Elections. Parent, in its sole discretion, may elect to have any State Group file a Combined Tax Return.

5.2 Allocation of State or Local Tax. For each state or local jurisdiction in which a State Group files a Combined Tax Return, each Sun Jupiter Combined Member included in such Combined Tax Return shall be liable for and pay to the applicable State Group Head (or to such other person as is directed by Parent), at the times and in the manner set forth in Section 5.5 of this Agreement, cash in an amount equal to such Sun Jupiter Combined Member's allocable share of the Tax liability of such State Group (the "State or Local Tax Sharing Amount") in order to reimburse such State Group Head for such Sun Jupiter Combined Member's allocable share of the Tax liability of such State Group. For purposes of this Section 5.2, each Sun Jupiter Combined Member's allocable share of the Tax liability of such State Group shall be determined in a manner consistent with the principles set forth in Section 4.1 of this Agreement, subject to any comparable provisions of applicable state or local tax law, if any. Any Tax liability not allocated pursuant to the preceding sentence shall be allocated to each Sun Jupiter Combined Member in a manner as if such Tax liability is separately incurred by such Member.

5.3 Payment of State or Local Tax. As directed by Parent, for each state or local Tax jurisdiction in which a State Group files a Combined Tax Return, the relevant State Group Head shall pay, on behalf of itself and each Sun Jupiter Combined Member included in such State Group, the annual Tax liability of the State Group to the state or local taxing authority in accordance with the laws of the state or local jurisdiction.

5.4 Use of Items by the State Group. For the avoidance of doubt, the State Group Head shall pay any Sun Jupiter Combined Member for any Item that reduces the State Group's Tax liability with respect to its Combined Tax Return.

5.5 Computation and Time of Payment. All payments required under Section 5.2 of this Agreement shall be determined and made in a manner consistent with the principles set forth in Section 4.4 of this Agreement; provided, however, that the timing with respect to each installment of a State or Local Tax Sharing Amount shall be determined by applying the rules specified in Section 4.4(a) of this Agreement to the applicable provisions of the relevant state or local tax law.

5.6 Redetermination. If, pursuant to a Final Determination, the treatment of any Item in determining a State Group's tax liability for a taxable period is different than that used under Section 5.2 of this Agreement to calculate the State or Local Tax Sharing Amounts in respect of such taxable period, such State or Local Tax Sharing Amounts (and any State or Local Tax Sharing Amounts with respect to prior open years) shall be redetermined by Parent, and the Sun Jupiter Affiliates shall make such payments as are necessary to comply with the redetermined amount, in a manner consistent with the principles set forth in Section 4.5 of this Agreement.

5.7 Contest. In the event of any Tax Contest involving a State Group, Parent shall have the sole right to decide whether to contest such Tax Contest, and shall have full control over such Tax Contest. To the extent that a Tax Contest involves an Item attributable to a particular Sun Jupiter Combined Member, such member will reimburse Parent for all third-party out-of-pocket expenses associated with such Tax Contest that are attributable to such Item.

5.8 Refunds and Credits. Each Sun Jupiter Combined Member shall be entitled to all refunds and credits resulting from an Item attributable to such Sun Jupiter Consolidated Member in determining its State or Local Tax Sharing Amount. Upon receipt of any refund resulting from an Item attributable to a Sun Jupiter Combined Member, Parent shall pay over such refund to the applicable Sun Jupiter Combined Member.

6. PAYMENT AND REFUND OF INDEPENDENT TAX RETURNS

6.1 Tax Liability and Payment. Any Sun Jupiter Affiliate required to file an Independent Tax Return shall pay on its own behalf any Tax liability with respect to such Independent Tax Return to the appropriate taxing authority in accordance with the relevant law.

6.2 Contests. In the event of any Tax Contest involving a Sun Jupiter Affiliate with respect to its Independent Tax Returns, such Sun Jupiter Affiliate shall have the sole right to decide whether to contest such Tax Contest, and shall have full control over such Tax Contest.

6.3 Refunds. Each Sun Jupiter Affiliate shall be entitled to all refunds and credits with respect to its Independent Tax Returns.

7. DECONSOLIDATION EVENTS.

7.1 Tax Allocations. Although no Sun Jupiter Affiliate has any plan or intent to effectuate any transaction that would constitute a Deconsolidation Event, the Sun Jupiter Affiliates have set forth how certain Tax matters with respect to a Deconsolidation Event would be handled in the event that, as a result of changed circumstances, a transaction that constitutes a Deconsolidation Event occurs at some future time.

7.2 Allocation of Tax Items. In the case of a Deconsolidation Event, all Tax computations for (1) any Pre-Deconsolidation Periods ending on and including the date of the Deconsolidation Event and (2) the immediately following taxable period of applicable Sun Jupiter Affiliate(s), shall be made pursuant to the principles of section 1.1502-76(b) of the Treasury Regulations or of a corresponding provision under the laws of other applicable jurisdictions, determined by Parent. Parent shall be entitled to make any election allowable under section 1502 of the Code and any Treasury regulations promulgated thereunder in respect of the Deconsolidation Event, including, without limitation, any election pursuant to section 1.1502-36 of the Treasury regulations, and any corresponding provisions under the laws of other applicable jurisdictions, determined by Parent.

7.3 Allocation of Tax Assets. In the case of a Deconsolidation Event, the applicable Sun Jupiter Affiliate and the remaining members of the Sun Jupiter Group shall cooperate in determining the allocation of any Tax Assets among each of the Sun Jupiter Affiliates. All Sun Jupiter Affiliates agree that in the absence of controlling legal authority or unless otherwise provided under this Agreement, Tax Assets shall be allocated to the legal entity that is required under Section 4 and Section 5 of this Agreement to bear the liability for the Tax associated with such Tax Asset, or in the case where no party is required hereunder to bear such liability, the party that incurred the cost or burden associated with the creation of such Tax Asset.

8. RESTRICTION ON PAYMENTS.

If an Sun Jupiter Affiliate is prohibited from making a payment as required by Section 4 or Section 5 of this Agreement by law or contractual obligation, and such prohibition is so acknowledged by Parent, then no such payment will be made under such Sections (collectively, the "Payment Sections"). Parent shall, however, keep an account reflecting the net balance of payments that would have been made had payments been made under the Payment Sections (the "Payment Account"). For purposes of keeping such account, interest shall be computed under section 6621(a)(1) of the Code if money is owed to Parent and under section 6621(a)(2) of the Code if money is owed to an Sun Jupiter Affiliate. If a prohibition referenced in the first sentence of this Section 8 is eliminated, then the affected Sun Jupiter Affiliate shall notify Parent in a timely manner, and within ten (10) days of such notification the amount reflected in the Payment Account shall be paid to Parent or the Sun Jupiter Affiliate, as appropriate.

9. CHANGE IN LAW.

If, after the date this Agreement is executed and delivered, as a result of an amendment to the Code, the promulgation of proposed, temporary or final regulations, the issuance of a ruling by the Internal Revenue Service, the decision of any court, or a change in any comparable applicable state or local Tax law, Parent believes that it is necessary or helpful to amend the provisions of this Agreement in order to preserve the rights and benefits contemplated herein, each of the Sun Jupiter Affiliates agrees to negotiate in good faith all such amendments and modifications as shall be necessary or appropriate in order to preserve as nearly as possible for the Sun Jupiter Affiliates the rights and benefits contemplated herein. Notwithstanding the preceding sentence, in the event of an amendment to section 6655(c) of the Code (or a comparable provision under state or local Tax law), this Agreement shall be amended so that the timing and amounts of Tax Sharing Amounts and/or State or Local Tax Sharing Amounts shall be revised to conform to such amendment.

10. COOPERATION.

Each Sun Jupiter Affiliate shall: (i) furnish Parent or the applicable State Group Head in a timely manner such information and documents as Parent or the applicable State Group Head may request for purposes of (A) preparing any Tax Return for which Parent or the applicable State Group head has filing responsibility under this Agreement, (B) evaluating, contesting, or defending any Tax Contest, and (C) making any determination or computation necessary or appropriate under this Agreement; (ii) make its employees available to provide explanations of documents and other materials and such other information as Parent or the applicable State Group Head may reasonably request in connection with the foregoing; (iii) cooperate in any Tax Contest of a Consolidated Tax Return or Combined Tax Return; (iv) retain and provide on demand books, records, documentation, or other information relating to any Tax Return until ninety (90) days after the expiration of the applicable statute of limitations (giving effect to any extension, waiver, or mitigation thereof); and (v) take such other actions as Parent or the applicable State Group Head may reasonably deem appropriate in connection therewith.

11. GENERAL PROVISIONS.

11.1 Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of Delaware.

11.2 Notices. All notices or other communications required or permitted hereunder shall be in writing and shall be deemed given or delivered when delivered personally or when sent by registered or certified mail in accordance with the names and addresses shown on Schedule A, or in accordance with such name and address as a Sun Jupiter Affiliate may indicate by a notice delivered to the other Sun Jupiter Affiliates.

11.3 Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of all the Sun Jupiter Affiliates and their respective successors and assigns. Nothing herein, expressed or implied, is intended or may be construed to confer upon any person other than the Sun Jupiter Affiliates and their successors and assigns any right, remedy or claim under or by reason of this Agreement.

11.4 Duration. Unless terminated earlier by agreement of all Sun Jupiter Affiliates, this Agreement shall remain in force and effect for all taxable periods for which any Sun Jupiter Group files Consolidated Tax Returns or any State Group files Combined Tax Returns. Notwithstanding any termination of this Agreement, the provisions hereof shall remain in effect (and each Sun Jupiter Affiliate shall continue to have all of the rights and obligations hereunder) with respect to any taxable period (or portion thereof) preceding the date of such termination.

11.5 New Affiliates. If at any time any other entity becomes an affiliate of Parent or the applicable State Group Head, such entity may become a party to this Agreement by executing together with Parent or the applicable State Group Head an agreement in substantially the same form as set forth in Schedule B. Unless otherwise specified, such new entity shall have all rights and obligations of an Sun Jupiter Affiliate under this Agreement.

11.6 Affiliates. Each Sun Jupiter Affiliate shall cause to be performed, and hereby guarantees the performance of, all actions, agreements and obligations set forth herein to be performed by any of the Sun Jupiter Affiliates.

11.7 Authorization, Etc. Each of the Sun Jupiter Affiliates hereby represents and warrants that is has the power and authority to execute, deliver and perform this Agreement, that this Agreement has been duly authorized by all necessary corporate action on the part of such Sun Jupiter Affiliate, that this Agreement constitutes a legal, valid and binding obligation of such Sun Jupiter Affiliate and that the execution, delivery and performance of this Agreement by such Sun Jupiter Affiliate does not contravene or conflict with any provision of law or of its charter or bylaws or any agreement, instrument or order binding on such Sun Jupiter Affiliate.

11.8 Entire Agreement; Amendments. This Agreement contains the entire understanding of the Sun Jupiter Affiliates with respect to the subject matter hereof and supersedes all prior agreements, understandings and intentions between or among any of the Sun Jupiter Affiliates. The Sun Jupiter Affiliates may amend, modify or supplement this Agreement, but only by mutual agreement in writing.

11.9 Headings. The headings and subheadings used in this Agreement are used for convenience of reference only and are not to be considered in construing or interpreting this Agreement.

11.10 Counterparts. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

[Remainder of Page Intentionally Blank]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement on the dates accompanying their respective signatures, but effective as of the date first above written.

Sun Jupiter Topco LLC

By: ____________________________
Name: Preston T. Scherer
Title: Authorized Signatory
Dated: July 29, 2020

Sun Jupiter Parent LLC

By: ____________________________
Name: Preston T. Scherer
Title: Authorized Signatory
Dated: July 29, 2020

Sun Jupiter Holdings LLC

By: ____________________________
Name: Preston T. Scherer
Title: Authorized Signatory
Dated: July 29, 2020

El Paso Electric Company

By: ____________________________
Name: ____________________________
Title: ____________________________
Dated: ____________________________

IN WITNESS WHEREOF, the parties hereto have executed this Agreement on the dates accompanying their respective signatures, but effective as of the date first above written.

Sun Jupiter Topco LLC

By: ___________________________
Name: ___________________________
Title: ___________________________
Dated: ___________________________

Sun Jupiter Parent LLC

By: ___________________________
Name: ___________________________
Title: ___________________________
Dated: ___________________________

Sun Jupiter Holdings LLC

By: ___________________________
Name: ___________________________
Title: ___________________________
Dated: ___________________________

El Paso Electric Company

By: Nathan T. Hirschi
Name: Nathan T. Hirschi
Title: Senior Vice President and Chief Financial Officer
Dated: July 29, 2020

Schedule A

Sun Jupiter Topco LLC (EIN: 84-2665086)
277 Park Avenue 35th Floor
New York, NY 10172

Sun Jupiter Parent LLC (EIN: 84-2641326)
277 Park Avenue 35th Floor
New York, NY 10172

Sun Jupiter Holdings LLC (EIN: 61-1933163)
277 Park Avenue 35th Floor
New York, NY 10172

El Paso Electric Company (EIN: 74-0607870)
P.O. Box 982, Loc 112
El Paso, TX 79960

Schedule B

WHEREAS, Sun Jupiter Topco LLC, a Delaware limited liability company ("Parent"), owns, directly or indirectly, all of the outstanding stock or interests in the undersigned;

WHEREAS, the undersigned is not a party to the Tax Sharing Agreement, made and entered into as of July 29, 2020, by and among Parent and each of the Sun Jupiter Affiliates (as defined therein) (the "Agreement"); and

WHEREAS, the undersigned and Parent desire to have their tax sharing and other tax-related arrangements governed by the Agreement.

NOW, THEREFORE, in consideration of mutual obligations and undertakings contained in the Agreement, the parties agree that tax sharing and other tax-related arrangements between and among the undersigned and the other Sun Jupiter Affiliates will be governed by the terms of the Agreement, and that the Agreement is hereby amended to include the name of the undersigned among the entities listed thereon.

IN WITNESS WHEREOF, the parties have executed this agreement on the dates accompanying their respective signatures, but effective as of ______________.

[NAME]	**Sun Jupiter Topco LLC**
By: ________________________	By: ________________________
Title: ______________________	Title: ______________________
Dated: _____________________	Dated: _____________________

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 TAMERA L. HENDERSON IN SUPPORT OF THE FOREGOING AMENDED FILING DIRECT TESTIMONY

I, ***Tamera L. Henderson***, 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 - Tax.*

3. I have reviewed the foregoing Amended Filing Direct Testimony of Tamera L. Henderson, 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 Tamera L. Henderson, 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/ Tamera L. Henderson
TAMERA L. HENDERSON