

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

VICTOR MARTINEZ

ON BEHALF OF

EL PASO ELECTRIC COMPANY

MARCH 2026

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EXHIBITS

Exhibit VM-1	EIM Net Benefits for Test Year
Exhibit VM-2	EPE 2024 Load Curves

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ACRONYMS	
A&G	Administrative and General
APS	Arizona Public Service Company
BV1	Buena Vista Energy Center 1
BESS	Battery Energy Storage Systems
E&O	Engineering and Operations
EIM	Energy Imbalance Market
ELCC	Effective Load Carrying Capability
EMS	Energy Management System
EPE	El Paso Electric Company
FERC	Federal Energy Regulatory Commission
IRP	Integrated Resource Plan
MW	Megawatts
NFTF	Nuclear Fuel Task Force
NMPRC	New Mexico Public Regulation Commission
NRC	Nuclear Regulatory Commission
O&M	Operations & Maintenance
PVGS	Palo Verde Generating Station
PVGS-PA	Palo Verde Generating Station Participation Agreement
PPA	Purchased Power Agreement
REA	Renewable Energy Act
REC	Renewable Energy Certificates
RFP	Request for Proposal
RPS	Renewable Portfolio Standard
STP	Sant Teresa Project
SCED	Security-Constrained Economic Dispatch
WRF	Water Resource Facility
WWTP	Waste Water Treatment Plant

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I. INTRODUCTION AND QUALIFICATIONS

Q1. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A. My name is Victor Martinez, and 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 "Company") as the Director
of Energy Resources.

**Q3. PLEASE SUMMARIZE YOUR EDUCATIONAL AND BUSINESS
BACKGROUND.**

A. In 2004, I graduated from the University of Texas at El Paso with a Bachelor of
Business Administration degree in Computer Information Systems and
International Business.

In April 2005, I began working for EPE in the position of Real Time Power
Marketer, where my duties included evaluating and balancing EPE's bulk electrical
system through the hourly purchase and sale of energy in the wholesale market. In
addition, my duties included the purchase of supplemental power to decrease
generation costs for EPE customers while working closely with EPE's System
Operations and Power Generation divisions to maintain a reliable, safe, and
cost-effective electrical system.

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1 Trading and Fuels. The Long-term Trading and Fuels group is responsible for long-
2 term wholesale power transactions, natural gas contract negotiations, and PROMOD
3 model base cases for financial planning. My duties as a Forward Marketer included
4 procuring natural gas on a monthly and mid-term basis, assisting with nuclear fuel
5 contracts, and estimating long-term natural gas requirements, along with future
6 market prices, to maintain an economic and reliable fuel supply.

7 In May 2014, I was promoted to Interim Supervisor for Real Time Trading.
8 In that capacity, I oversaw operations for all real-time power trading activity.

9 In August 2014, I was promoted to Supervisor of Day Ahead and Long-Term
10 Trading. My responsibilities included maximizing the value of EPE's assets through
11 power sales and purchases, system fuel purchases, renewable energy certificates
12 ("RECs"), and emissions transactions. I also oversaw the analyses and evaluations of
13 potential day-ahead, intermediate, and long-term agreements for purchase and sale
14 of energy. I supervised the development and evaluation of standard and non-standard
15 deal structures to maximize EPE's resources and minimize fuel and purchased power
16 costs. Additionally, I provided guidance in negotiations of inter-utility, power
17 marketer, fuel provider, and power producer contractual matters.

18 In January 2020, I was promoted to Manager of Resource Planning, Resource
19 Management Regulatory and Quality Assurance. My responsibilities included
20 managing and supervising the Resource Planning department, which is responsible
21 for leading EPE's resource planning duties to meet Renewable Energy Act ("REA")

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1 responsibilities and activities to obtain an optimal mix of supply-side and demand-
2 side resources that cost-effectively and reliably meet the Company's near-term and
3 long-term forecasted annual peak and energy demand requirements. In that capacity,
4 I interfaced with EPE's Economic Forecasting, Transmission, Operations,
5 Regulatory, and Energy Efficiency departments, among others, and stakeholder
6 groups to incorporate short-term and long-term considerations into EPE's Integrated
7 Resource Plan ("IRP"). Furthermore, I managed and supported EPE's Resource
8 Planning's Request for Proposal ("RFP") processes to identify, select, procure, and
9 implement new generation resources to fulfill EPE's dual obligations to meet New
10 Mexico's incremental renewable portfolio standard ("RPS") requirements and to
11 continue providing safe, reliable and cost-effective electricity to meet EPE's
12 customer demand. In this capacity, I verified the inputs into the Company's PLEXOS
13 and AURORA capacity expansion models and assisted with and corroborated the
14 reasonableness of those analyses. In September 2023, I was promoted to my current
15 role as Director of Energy Resources.

16
17 **Q4. PLEASE DESCRIBE YOUR PRINCIPAL AREAS OF RESPONSIBILITY IN**
18 **YOUR CURRENT ROLE OF EPE DIRECTOR OF ENERGY RESOURCES.**

19 **A.** In my current role, I act in a supervisory capacity over Company employees
20 responsible for the sales and purchases of power in the energy imbalance, real-time,
21 day ahead, intermediate, and long-term power markets, fuel procurement and

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1 strategy, RECs, and emission allowances. My primary responsibilities are to ensure
2 that my team follows the Company's Energy Resources Policies and Procedures
3 approved by executive management when entering into these transactions. The
4 Energy Resource Policies and Procedures are designed to guide the identification
5 of opportunities that optimize the Company's energy resources while reducing fuel
6 and purchased power costs, ultimately delivering cost savings and benefits to our
7 customers. However, we routinely strategize and explore solutions to manage
8 higher penetration of renewables on EPE's system as EPE progresses toward New
9 Mexico's clean energy goals.

10 I also regularly represent the Company in regulatory proceedings and
11 processes in its Texas and New Mexico jurisdictions as well as at the Federal
12 Energy Regulatory Commission ("FERC"). Lastly, I am responsible for and
13 oversee EPE's ownership stake in the Palo Verde Generating Station ("Palo Verde"
14 or "PVGS"), which includes participating in Owner committee meetings, reviewing
15 and approving capital and operations and maintenance ("O&M") budgets,
16 monitoring plant performance, and ensuring that EPE's interests are represented in
17 operational and strategic decisions. My oversight also involves evaluating major
18 capital projects, compliance with regulatory requirements, and long-term planning
19 to maintain the reliability and economic value of this critical resource for EPE's
20 customers.

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1 **Q5. HAVE YOU PREVIOUSLY PRESENTED TESTIMONY BEFORE**
2 **REGULATORY BODIES?**

3 **A.** Yes, I have testified before the New Mexico Public Regulation Commission
4 ("NMPRC" or "Commission") and the Public Utility Commission of Texas.
5

6 **II. PURPOSE OF TESTIMONY**

7 **Q6. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

8 **A.** The purpose of my testimony is to provide support for the reasonableness of: capacity
9 costs associated with three battery energy storage systems ("BESS"); capital additions
10 placed in service at Palo Verde since EPE's last rate case, Case No. 20-00104-UT
11 ("2020 Rate Case"), and Palo Verde O&M expenses; and miscellaneous issues
12 addressed in the last section of my testimony. Additionally, I sponsor or co-sponsor
13 certain schedules filed as part of this case, identified below.
14

15 **Q7. HOW IS YOUR TESTIMONY ORGANIZED?**

16 **A.** My testimony is presented in four sections. The first section describes EPE's resource
17 mix used to meet its dual obligations to serve New Mexico load and to progress
18 toward the State's clean energy mandates. This section provides context for the
19 capacity costs, investments, and O&M expenses addressed in my testimony and the
20 testimony of other EPE witnesses.

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1 The next section of my testimony describes and supports the reasonableness
2 of annual capacity costs incurred pursuant to Commission approved agreements for
3 three BESS facilities – the Buena Vista Energy Center 1 BESS ("BV1 BESS"), the
4 Santa Teresa Energy Storage Project ("Santa Teresa BESS"), and the Carne Energy
5 Storage Project ("Carne BESS") – that EPE is seeking to include in its proposed base
6 rates. EPE witness Julissa I. Reza addresses and supports the deferred BV1 capacity
7 cost amounts incurred by EPE under the Commission approved purchased power
8 agreement ("PPA") since that facility went into operation in 2023, and EPE witness
9 Adrian Hernandez addresses jurisdictional allocation.

10 The third section of my testimony describes and supports the capital additions
11 placed in service at Palo Verde since the 2020 Rate Case, through the end of the
12 September 30, 2025 Base Period, as adjusted for October 2025. I also address and
13 support the reasonableness of Palo Verde Test Year Period O&M expenses.

14 The fourth section of my testimony first supports the reasonableness of
15 investments related to recent upgrades to EPE's Energy Management System
16 ("EMS") which supports EPE's participation in the Energy Imbalance Market
17 ("EIM"). I then describe a life extension analysis for Newman Unit 3 to provide
18 additional support for capital additions for that unit addressed in the Direct Testimony
19 of EPE witness Jeffery M. Hughes.

20

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

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

- Schedule P-11: Reserve Margin Information—provides details on the Company's reserve margin calculations and supporting data.
- Schedule E-3: Fuel Inventories by Plant Location—presents the fuel inventory balances for each generating facility
- Schedule H-2: Cost of Fuel—details the cost components and calculations for fuel used during the Base Period.
- Schedule P-7: Power Plant Maintenance Information—summarizes maintenance activities and expenditures for the Company's power plants.

My involvement in these schedules supports my testimony regarding resource adequacy, fuel management, and operational reliability.

III. OVERVIEW OF EPE'S NEW MEXICO RESOURCES

Q9. AS DIRECTOR OF ENERGY RESOURCES, WHAT IS YOUR ROLE IN ENSURING THAT EPE MEETS CUSTOMER DEMAND?

A. As Director of Energy Resources, I am responsible for overseeing the operation and optimization of EPE's generation assets and energy procurement to ensure reliable service for our customers. I supervise the team that manages the real-time and day-ahead dispatch of EPE's generation resources, making sure that units are committed

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1 and dispatched in a manner that meets customer demand while respecting
2 transmission constraints, reliability standards, and cost-effectiveness. This includes
3 making unit commitment decisions based on forecasted load, resource availability,
4 fuel economics, and system reliability requirements.

5 In this role I also ensure that EPEs' fuel supplies, such as natural gas and
6 nuclear fuel, are procured and managed efficiently to support reliable generation
7 and minimize costs. My team also actively participates in regional energy markets,
8 including the California Independent System Operator EIM to optimize power
9 purchases and sales, respond to market price signals, and leverage opportunities for
10 cost savings.

11 Another key part of my role is ensuring compliance with regulatory
12 requirements and company policies. When regulatory changes occur, such as
13 changes to EPE's RPS requirements or market rules, I guide the department in
14 adapting strategies and procedures to maintain compliance and operational
15 excellence. I also promote continuous improvement by encouraging ongoing
16 evaluation of system performance, operational practices, and emerging
17 technologies to identify opportunities for efficiency gains, cost reductions, and
18 enhanced reliability. Through these activities, I help ensure that EPE meets
19 customer demand with safe, reliable, and affordable electricity while also meeting
20 increasing RPS requirements.

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**Q10. PROVIDE AN OVERVIEW OF RESOURCES USED TO SERVE
NEW MEXICO LOAD.**

A. EPE utilizes a diverse portfolio of resources to meet the dual obligations to reliably serve its New Mexico customers and meet the incremental RPS requirements under the Renewable Energy Act. EPE operates a fleet of local generating units within New Mexico and the surrounding region which are interconnected to EPE's transmission network and provide essential capacity and energy for native load. The Direct Testimony of EPE witness Hughes addresses the specifics of EPE's local generation fleet, including operational performance and recent capital additions.

In addition to local generation, EPE's resource portfolio includes remote generation, most notably its ownership interest in PVGS located in Arizona. PVGS provides significant baseload, carbon-free energy—representing approximately 40% of EPE's total energy mix. My testimony in Section V provides a detailed discussion of PVGS operations, capital investments, and its role in supporting EPE's resource adequacy.

To meet both customer demand and the incremental RPS, EPE also contracts with third-party providers for renewable energy and energy storage. These contracts include utility-scale solar and BESS, which are integrated into EPE's supply mix. EPE routinely engages in competitive solicitations to procure additional resources to meet New Mexico's increasing RPS requirements while

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1 ensuring reliability and affordability for customers. The resource selections from
2 these solicitations have included long-term contracts for projects that provide firm
3 capacity and renewable energy to EPE's system. As discussed in more detail below,
4 EPE has added renewable energy and energy storage resources since the last rate
5 case and continues to evaluate additional opportunities to expand its renewable
6 energy resource portfolio.

7 EPE also supplements its owned and contracted resources with market
8 purchases, leveraging regional energy markets to ensure reliability and cost-
9 effectiveness. Market purchases are used to balance supply and demand, especially
10 during periods of peak load or resource outages. Through this integrated strategy,
11 EPE ensures safe, reliable, and affordable service for New Mexico customers while
12 meeting the state's increasing RPS requirements.

13
14 **Q11. HOW DOES EPE OPERATE THE SYSTEM?**

15 **A.** EPE operates its system as an integrated system and dispatches its resources to
16 reliably and economically serve customer demand. On a real-time basis, EPE utilizes
17 a combination of its own generating units, market purchases, purchased power
18 agreements, and energy storage agreements to meet system load while maintaining
19 compliance with applicable reliability standards.

20 EPE uses security-constrained economic dispatch ("SCED"), which
21 considers both system reliability constraints and economic factors, when

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1 determining the commitment and dispatch of generation resources. Under SCED,
2 EPE evaluates available resources, transmission limitations, real-time operating
3 conditions, and market opportunities to ensure that customer load is served at the
4 lowest reasonable cost while maintaining the reliable operation of EPE's bulk
5 electric system.

6 EPE's system operations also coordinate with regional entities and
7 neighboring utilities to ensure appropriate interchange scheduling, contingency
8 planning, and real-time situational awareness. This includes dispatching
9 participating units through the EIM when economic opportunities exist, while
10 retaining operational control of EPE's own transmission system.

11

12 **Q12. HOW HAS THE NEW MEXICO RPS IMPACTED EPE'S RESOURCE MIX**
13 **SINCE THE 2020 RATE CASE?**

14 **A.** The increase in RPS from no less than 15 percent of EPE's total retail sales to New
15 Mexico customers in 2019 to 40 percent in 2025 impacts EPE's resource mix.

16 EPE has expanded its renewable energy portfolio through new
17 procurements selected through a competitive solicitation process. The Company
18 issued RFPs in 2021 and 2023 to procure short-term and/or long-term cost effective
19 reliable electric resources to meet its RPS goals. The Commission has already
20 approved the following three large-scale solar and BESS projects selected from
21 those RFPs to serve New Mexico customers. The BV1 Project, operational in 2023,

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1 provides 100 MW solar and 50 MW battery storage to EPE's system
2 jurisdictionally allocated between Texas and New Mexico. The Carne Project and
3 the Santa Teresa Project, projected to be online in 2026, will increase the solar
4 energy and battery storage to New Mexico. The Commission has also approved the
5 Buena Vista 2 Project which also came online in 2023 and provides 20 MW of solar
6 energy annually to New Mexico customers.

7 The Company has also added renewable energy to its power supply
8 portfolio through the expansion of community solar and distributed generation. The
9 temporary reallocation of resources between jurisdictions have further diversified
10 EPE's resource portfolio. In response to notices that the Hecate Project which had
11 been an approved REA plan procurement would not become operational, and the
12 Carne Project would be delayed, EPE obtained Commission authorization to
13 temporarily reallocate energy and RECs from Texas to New Mexico customers.

14 The new resources projected to come online in 2026, together with the
15 Company's ongoing resource planning efforts, position EPE to meet its RPS targets
16 through 2029. EPE's 2025 IRP¹ outlines a long-term strategy for progressing
17 beyond these targets, incorporating additional renewable resources and storage to
18 achieve higher RPS percentages in alignment with New Mexico's clean energy
19 goals.

¹ NMPRC Case No. 24-00260-UT, *El Paso Electric Company's Integrated Resource Plan Filing for the Period of 2025-2044 Pursuant to 17.7.3 NMAC* (Sept. 2, 2025).

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1

2 **Q13. HOW DOES ENERGY STORAGE SUPPORT EPE’S DUAL OBLIGATIONS**
3 **TO SERVE LOAD AND MEET NEW MEXICO RPS?**

4 **A.** Energy storage is a critical component of EPE’s strategy to meet both increasing
5 customer demand and New Mexico’s RPS requirements. According to EPE’s 2025
6 IRP, BESS are increasingly required to be deployed alongside new solar resources,
7 such as the Buena Vista, Carne, and Santa Teresa projects, to provide firm capacity
8 and operational flexibility. Storage allows EPE to shift renewable generation—
9 especially solar—into the evening "net peak" hours when customer demand
10 remains high but solar output declines. This helps EPE maximize the use of
11 renewable energy, reduce curtailment, ensure reliability, and maintain grid
12 reliability.

13 However, the 2025 IRP also makes clear that current battery storage
14 technologies have limitations. Most BESS installations are designed for 4-hour or
15 8-hour durations, which means they can provide firming and load shifting for short
16 periods but cannot sustain output through extended periods of low renewable
17 production, such as multi-day weather events or prolonged system peaks. As a
18 result, while energy storage is essential for integrating higher levels of renewables
19 and supporting RPS compliance, it cannot fully replace the need for dispatchable
20 gas generation at this time. EPE’s modeling shows that a balanced portfolio—
21 including storage, renewables, and local gas generation—is necessary to ensure

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1 reliability and cost-effectiveness as the resource mix evolves.

2
3 **Q14. DOES EPE’S LOCAL GAS GENERATION CONTINUE TO BE USED AND**
4 **USEFUL FOR NEW MEXICO SERVICE IN LIGHT OF INCREASED**
5 **RELIANCE ON RENEWABLE RESOURCES?**

6 **A.** Yes. The 2025 IRP confirms that local gas generation remains a vital part of EPE’s
7 resource mix for New Mexico, even as renewable penetration increases. Gas-fired
8 units such as Montana, Newman, and Rio Grande provide essential dispatchable
9 capacity, system stability, and backup during periods when renewable output is
10 insufficient or intermittent. The 2025 IRP’s resource adequacy modeling and
11 load/resource tables show that, under all scenarios—including aggressive adoption
12 of renewables and storage—local gas generation is still required to meet peak
13 demand, maintain planning reserve margins, and respond to system contingencies.

14 Moreover, the 2025 IRP highlights that gas generation offers operational
15 flexibility that batteries and renewables alone cannot yet provide, especially for
16 multi-day reliability events or during extreme weather. As EPE transitions toward
17 a cleaner portfolio, local gas generation will continue to play a key role in ensuring
18 reliable service for New Mexico customers.

19
20 **Q15. IS THERE OTHER DATA TO DEMONSTRATE THE ONGOING NEED**
21 **FOR LOCAL GAS GENERATION FOR THE PROVISION OF RELIABLE**

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SERVICE TO EPE'S NEW MEXICO CUSTOMERS?

A. Yes. EPE's load curves presented in the 2025 IRP, included as Exhibit VM-2 to my testimony, clearly demonstrate the ongoing need for local gas generation to provide reliable service. EPE's load curves, which include the Company's top system peak hours, a representative summer day load profile, and a net-load illustration, demonstrate that system demand remains high during evening periods when solar generation is declining or unavailable, underscoring the continued need for local dispatchable generation to provide reliable service to EPE's New Mexico customers. EPE is a summer-peaking utility, with system peaks typically occurring in the late afternoon and early evening, precisely when solar generation is declining or unavailable. The 2025 IRP's typical daily load profiles for residential, commercial, and industrial customers show that the "net peak" period, when demand remains high but renewable output drops, is when local gas generation is most critical.

The 2025 IRP's modeling further shows that, even with substantial additions of renewables and storage, there are periods—such as extended cloudy days, low-wind events, or multi-day heat waves—when battery storage alone cannot meet sustained demand. During these times, local gas units are dispatched to maintain system reliability, provide voltage support, and respond to contingencies. The 2025 IRP's Effective Load Carrying Capability ("ELCC") analysis confirms that while storage and renewables contribute to reliability, they

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1 cannot fully replace the operational flexibility and sustained output of gas
2 generation.

3 In summary, EPE's load curves and resource adequacy analysis confirm
4 that local gas generation remains necessary for reliable service to New Mexico
5 customers, especially as the system transitions to higher levels of renewable energy.
6

7 **IV. BESS CAPACITY CHARGES**

8 **Q16. WHAT IS EPE REQUESTING WITH RESPECT TO BESS COSTS IN THIS**
9 **RATE CASE?**

10 **A.** EPE is seeking to include the annual capacity charges for three BESS projects—
11 BV1 BESS, Carne BESS, and Santa Teresa BESS—in its proposed base rates. EPE
12 is also seeking recovery of the capacity costs EPE has already incurred under the
13 BV1 PPA since that resource came online in 2023. These BESS resources are
14 critical for meeting New Mexico's RPS requirements and ensuring reliable service
15 to EPE's customers. By including these Commission-approved BESS costs in base
16 rates, EPE seeks recovery of the actual and reasonable costs incurred for these
17 resources, consistent with regulatory approvals.
18

19 **A. BUENA VISTA 1 BESS**

20 **Q17. WHAT IS EPE REQUESTING WITH RESPECT TO BV1 PPA CAPACITY**
21 **CHARGES IN THIS RATE CASE?**

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1 **A.** EPE is seeking to include the annual capacity charges for the BV1 PPA in its
2 proposed base rates. EPE's request aims to recover the actual costs incurred
3 consistent with regulatory approvals and the Company's obligation to provide safe,
4 reliable, and affordable service.

5

6 **Q18. PLEASE DESCRIBE BV1 AND HOW IT IS USED IN NEW MEXICO.**

7 **A.** The BV1 Facility provides 100 MWh solar energy and 50 MW battery storage to
8 EPE's system under a 20-year PPA, jurisdictionally allocated between New Mexico
9 and Texas.

10 BV1 began serving New Mexico customers in July 2023. As documented in
11 EPE's latest REA Plan, the BV1 BESS provides firm, dispatchable capacity that
12 enables EPE to shift renewable generation to periods of peak demand, enhance grid
13 reliability, and maximize the use of clean energy resources for New Mexico service.

14

15 **Q19. WHAT ARE THE ANNUAL CAPACITY CHARGES INCURRED UNDER**
16 **THE BV 1 PPA THAT EPE IS REQUESTING TO INCLUDE IN BASE**
17 **RATES?**

18 **A.** Pursuant to the terms of the BV1 PPA, EPE incurs a charge of \$5.46 per kW per
19 month for the capacity provided by the BV 1 BESS. The total Company annual
20 capacity charge incurred during the Base Period is \$3,276,000 (\$670,096 New
21 Mexico jurisdictional). EPE has been incurring these BV1 capacity costs since the

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1 resource became commercially operational in July 2023. EPE witness Reza
2 addresses the recovery of these deferred costs, and EPE witness Hernandez
3 addresses jurisdictional allocations.
4

5 **Q20. ARE THE ANNUAL BV1 CAPACITY COSTS INCURRED CONSISTENT**
6 **WITH THE APPROVALS GRANTED IN CASE NO. 19-00348-UT?**

7 **A.** Yes, they are. The Commission approved BV1 PPA includes the fixed capacity
8 payment of \$5.46/kW-month over the twenty-year term of the contract. The BESS
9 component of the BV1 PPA will provide reliable and economic capacity to EPE
10 customers over the expected 20-year service life of the facility and will continue to
11 support EPE's progress toward renewable energy goals set by the REA.
12

13 **B. SANTA TERESA BESS**

14 **Q21. PLEASE PROVIDE AN OVERVIEW OF THE SANTA TERESA PROJECT.**

15 **A.** The Santa Teresa Project is a large-scale renewable energy facility comprised of
16 150 MW of solar photovoltaic generation paired with 150 MW of BESS with an
17 expected commercial operation date of June 30, 2026. The project is designed to
18 provide firm, dispatchable renewable energy to meet EPE's growing customer
19 demand and compliance with New Mexico's RPS. The battery storage component
20 allows EPE to shift solar generation to peak hours, mitigate curtailment, and
21 enhance grid reliability. The Santa Teresa Project will play a key role in EPE's

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1 strategy to deliver clean, reliable, and affordable electricity to New Mexico
2 customers.

3
4 **Q22. WHAT PORTION OF THE SANTA TERESA PROJECT ESA IS**
5 **APPROVED FOR USE IN NEW MEXICO?**

6 **A.** Fifty MW of the 150 MW battery energy storage component of the Santa Teresa
7 Project has been approved as an REA procurement for New Mexico. This is
8 consistent with EPE's 2026 REA Plan and Commission orders, which recognize
9 the need for additional renewable and storage resources in New Mexico.

10
11 **Q23. WHAT TEST YEAR PERIOD SANTA TERESA PROJECT CAPACITY**
12 **CHARGES IS EPE PROPOSING IN THIS CASE?**

13 **A.** EPE is proposing to recover the annual capacity costs for the 50 MW portion of the
14 150 MW facility approved for New Mexico, which is \$7.77 million. As addressed
15 in the direct testimony of Julissa Reza, EPE seeks to adjust its Base Period costs to
16 include the \$7.77 million in annual capacity charges associated with the 50 MW STP
17 BESS. EPE witness George Novela provides further support for this proposal,
18 consistent with the Final Order in Case No. 25-00038-UT.

19
20 **Q24. ARE THE ANNUAL STP CAPACITY COSTS KNOWN AND**
21 **MEASURABLE, WILL THE PROJECT BE IN SERVICE WHEN RATES**

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1 **TAKE EFFECT, AND ARE THE COSTS CONSISTENT WITH THE**
2 **APPROVALS GRANTED IN CASE NO. 25-00038-UT?**

3 **A.** Yes. Under the Commission approved Energy Storage Agreement with Santa Teresa
4 Storage, LLC, the capacity charges for the Santa Teresa BESS are set at \$12.95 per
5 kW per month for the installed capacity allocated to New Mexico customers over
6 the 20-year contract. The STP is planned to be in service in June 2026. Therefore,
7 the STP annual capacity costs are known and measurable, and the facility will be in
8 service within four months of filing EPE's rate application.

9
10 **C. CARNE BATTERY STORAGE**

11 **Q25. PLEASE PROVIDE AN OVERVIEW OF THE CARNE PROJECT.**

12 **A.** The Carne Project is a major renewable energy and storage initiative dedicated to
13 serving EPE's New Mexico customers. Selected through EPE's 2021 New Mexico
14 RFP, the Carne Project consists of a 130 MW solar photovoltaic facility paired with
15 a 65 MW BESS. This project is specifically designed to help EPE meet
16 New Mexico's increasing RPS requirements and to provide reliable, clean energy
17 to the region.

18 The Carne Project is structured as a long-term power purchase and energy
19 storage agreement, ensuring that both the solar and storage components are
20 dedicated to New Mexico load. The BESS is engineered to provide four hours of
21 firm, dispatchable capacity, allowing EPE to shift solar generation to periods of

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1 peak demand, reduce curtailment, and enhance grid reliability. This operational
2 flexibility is critical as EPE integrates higher levels of renewable energy and works
3 to maintain system stability.

4
5 **Q26. WHAT TEST YEAR PERIOD CARNE CAPACITY CHARGES IS EPE**
6 **PROPOSING IN THIS CASE?**

7 **A.** EPE is proposing to recover the annual capacity costs for the 65 MW BESS
8 facility approved for New Mexico, which is \$8,572,200. As addressed in the direct
9 testimony of Julissa Reza, EPE seeks to adjust its Base Period costs to include the
10 \$8,572,200 in annual capacity charges associated with the Carne BESS. EPE
11 witness Novela provides further support for this request.

12
13 **Q27. ARE THE ANNUAL CARNE CAPACITY COSTS KNOWN AND**
14 **MEASURABLE, WILL THE PROJECT BE IN SERVICE WHEN THE**
15 **RATES TAKE EFFECT, AND ARE THE COSTS CONSISTENT WITH THE**
16 **APPROVALS GRANTED IN CASE NO. 22-00093-UT?**

17 **A.** Yes. The contract price for the Carne battery storage component is \$10.99 per
18 kW-month. This price is established in the executed energy storage agreement for
19 the 65-MW battery portion of the Carne Project and is consistent with the approvals
20 granted by the Commission in Case No. 22-00093-UT. The Carne BESS facility is

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1 anticipated to be in service within two months of filing EPE's rate case application.²

2 Therefore, the annual capacity costs are known and measurable and the resource will
3 be in service when the rates take effect.

4
5 **V. PALO VERDE GENERATION STATION**

6 **A. OVERVIEW**

7 **Q28. PLEASE SUMMARIZE EPE'S COST OF SERVICE AND RATE BASE**
8 **ADDITIONS REQUESTS FOR PVGS.**

9 **A.** EPE is requesting total Company rate base capital additions of \$211,646,830
10 (\$28,861,156 New Mexico jurisdictional) placed in service at PVGS from October
11 1, 2024 through September 30, 2025, adjusted for October 2025. The Company's
12 requested capital additions include a credit adjustment of \$172 thousand for
13 October 2025, reflected in witness Prieto's Exhibit CSP-1. EPE is also requesting
14 \$110,473,512 in total Company Test Year Period non-fuel O&M, including
15 Administrative and General ("A&G"), for PVGS (\$16,551,656 New Mexico
16 jurisdictional basis). These capital and O&M amounts are adjusted as addressed by
17 EPE witnesses Cynthia S. Prieto, and Steven A. Sierra. I will discuss total Company
18 capital investments and operating costs in my testimony. EPE witness Hernandez

² Additional Information on the Carne BESS facility status will be provided in EPE's Carne Project Quarterly Status Report for the quarter ending March 2026, to be filed on March 31, 2026 in Docket 22-00093-UT.

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1 discusses the allocation of total Company costs to the New Mexico jurisdiction in
2 his testimony.

3

4 **Q29. HAVE PVGS UNIT 3 RELATED CAPITAL ADDITIONS BEEN REMOVED**
5 **FROM NEW MEXICO?**

6 **A.** Yes. EPE witness Hernandez's testimony discusses the removal of PVGS Unit 3
7 and one-third of common plant through the jurisdictional allocation process.

8

9 **Q30. WHAT CONTROL DOES EPE HAVE OVER PVGS?**

10 **A.** EPE is a minority owner of PVGS. While EPE still exercises reasonable oversight,
11 it does not have the same comprehensive authority that it does over its local
12 generating units.

13

14 **Q31. IS PVGS A RELIABLE ECONOMIC RESOURCE FOR THE COMPANY'S**
15 **CUSTOMERS?**

16 **A.** Yes, it is. The plant is a critical asset to the Southwest, generating more than
17 32 million megawatt-hours of carbon-free electricity annually making it the 2nd
18 largest clean-air energy producer in the country. PVGS has long been a source of
19 power at low fuel prices for EPE's customers. PVGS contributes to a portfolio of
20 generation resources that provides long-term security to customers through its fuel
21 diversity.

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1

2 **Q32. WHAT STEPS HAVE EPE AND THE OTHER PARTICIPANTS TAKEN**
3 **FOR THE CONTINUED AVAILABILITY OF THIS RESOURCE?**

4 **A.** The U.S. Nuclear Regulatory Commission ("NRC") originally granted PVGS a
5 40-year operating license. The participants applied for an extension of the operating
6 license. In April 2011, the NRC granted this request. As a result, the operating
7 licenses for all three PVGS units have been extended 20 years beyond the original
8 40-year licenses, allowing Unit 1 to operate through June 1, 2045; Unit 2 through
9 April 24, 2046; and Unit 3 through November 25, 2047.

10

11 **Q33. WHAT IS THE OWNERSHIP STRUCTURE OF PVGS?**

12 **A.** PVGS is owned by seven southwestern utilities ("Owners" or "Participants") with
13 various ownership interests: Arizona Public Service Company ("APS")
14 (29.10 percent), EPE (15.80 percent), the Salt River Project Agricultural
15 Improvement and Power District (20.40 percent), Southern California Edison
16 Company (15.80 percent), Public Service Company of New Mexico (7.29 percent),
17 Southern California Public Power Authority (5.91 percent), and Los Angeles
18 Department of Water and Power (5.70 percent).

19

20 **Q34. HOW IS PVGS OPERATED?**

21 **A.** APS is the operator of PVGS pursuant to a contract among the Owners, entitled the

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1 Arizona Nuclear Power Project Participation Agreement ("PVGS-PA"), which
2 became effective August 23, 1973, and has been amended sixteen times. The
3 PVGS-PA calls for five Owner committees: Administrative Committee,
4 Engineering & Operations ("E&O") Committee, Nuclear Fuel Task Force
5 ("NFTF") Committee, Audit Committee, and Termination Funding Committee. I
6 serve as a member of the Administrative, E&O, and NFTF Committees. Internal
7 Audit, Plant Accounting, and System Operations department employees represent
8 EPE on the other three committees.

9
10 **Q35. PLEASE DESCRIBE PVGS.**

11 **A.** PVGS is a nuclear generating station, located on an approximately 4,000-acre site
12 approximately 50 miles west of Phoenix, Arizona. The facility consists of three
13 separate, virtually identical generating units and a variety of common support
14 facilities. The Design Electrical ratings of the facilities are 1,334 MW for Unit 1;
15 1,336 MW for Unit 2; and 1,334 MW for Unit 3. EPE's share of the total PVGS
16 design capacity is 633 MW. PVGS also has a switchyard, operated by Salt River
17 Project, which operates at 500 kV.

18 The major physical elements can be classified into two categories:
19 (1) structures and buildings comprising each generation unit and (2) structures and
20 buildings comprising the common areas of the plant. Each unit consists of (1) the
21 following structures: main steam support structure, three cooling towers, and two

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1 essential spray ponds; and (2) the following buildings: containment, turbine,
2 corridor, auxiliary, control, radwaste, emergency diesel generator, fuel, and
3 operations support. The major common area plant consists of a three-building
4 administrative complex, a three-building training facility, maintenance, and
5 warehouse facilities, a low-level radwaste processing and storage facility, security
6 and emergency response facilities, three evaporation ponds and the water resource
7 facility, steam generator and reactor head storage facility, and a dry cask fuel
8 storage facility.

9
10 **B. PVGS CAPITAL REVIEW PROCEDURES**

11 *1. MONITORING AND APPROVAL PROCESS OF CAPITAL COSTS*

12 **Q36. HOW DOES EPE MONITOR PVGS CAPITAL ACTIVITIES AND COSTS?**

13 **A.** EPE monitors PVGS capital activities and costs primarily through the
14 E&O Committee's Capital Improvement Budget and Capital Project Approval
15 process ("Capital Budget Procedure"). EPE participated in the original
16 development of this procedure, which provides a process for all Owners to review,
17 approve and control PVGS capital improvement costs. The PVGS Owners must
18 unanimously approve all capital improvements. A unanimous vote is likewise
19 required for the capital budget each year. Once the budget is approved, APS can
20 proceed with construction only on those projects for which E&O Committee
21 approval has been received.

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Q37. WHAT IS EPE'S REVIEW PROCESS FOR THE PVGS CAPITAL BUDGET?

A. EPE reviews the annual PVGS Capital Budget as part of the overall budget package, to ensure that budget items and levels match the requirements determined necessary for safe and efficient operation by the E&O Committee. EPE analyzes the capital budget line items for consistency with activities from prior years and with ongoing repair, replacement, and improvement efforts. EPE regularly attends and participates in plant meetings to better understand and evaluate capital budget needs.

EPE reviews budget submittals to ensure that each project is properly classified and presented. Specifically, EPE verifies that projects are correctly identified as either capital or O&M expenditures, are assigned to the appropriate budget category, and that any carryover work from a prior budget year is accurately reflected.

EPE also reviews individual projects to confirm that projected total costs remain within the capital improvement work authorization variance limits established under the Capital Budget Procedure. In addition, EPE evaluates projected indirect capital improvement overhead and distributable costs and compares those amounts to historical experience. Finally, EPE reviews the economic justification supporting each capital project.

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1 **Q38. DOES BUDGET APPROVAL ALLOW APS TO PROCEED WITH**
2 **CONSTRUCTION OF SPECIFIC PROJECTS?**

3 **A.** No. Capital budget approval only indicates Owner concurrence to fund the capital
4 project program at a certain level for a budget year. APS is not able to proceed with
5 project implementation until each project has been reviewed and approved by
6 PVGS staff, senior management, and the applicable Owner Committee(s). When
7 the budget contains a previously approved project by the Owners, and that project
8 is ongoing, then APS can continue with construction of that project based on prior
9 approval by the Owners.

10

11 **Q39. DOES EPE COMPARE ACTUAL PVGS CAPITAL COSTS TO BUDGET**
12 **AMOUNTS?**

13 **A.** Yes. EPE monitors variance explanations for budgeted amounts on a monthly basis.
14 This monthly analysis allows comparison of individual projects against budget, and
15 against the total amount approved for the individual project. EPE can further
16 investigate any material variances and communicate with APS to address any
17 concerns.

18

19 **Q40. WHAT DO YOU CONCLUDE ABOUT THIS PROCESS FOR THE REVIEW**
20 **AND APPROVAL OF CAPITAL EXPENDITURES?**

21 **A.** The review and approval process vets projects through multiple layers of review to

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1 confirm they are necessary and reasonable. Review and approval are required by
2 PVGS management and unanimous approval is required by the Owners. The
3 approval process ensures that capital improvements at PVGS are consistent with
4 the needs of all the Owners and in the interest of their customers.

5
6 *2. PVGS CAPITAL ADDITIONS TO RATE BASE*

7 **Q41. WHAT AMOUNT OF PVGS CAPITAL ADDITIONS IS INCLUDED IN THE**
8 **TEST YEAR PERIOD?**

9 **A.** The Company is including \$211,646,830 in PVGS total Company capital additions
10 to rate base since the 2020 Rate Case through the Base Period ending September
11 30, 2025, adjusted for October 2025 as reflected in witness Prieto's Exhibit CSP-1.
12 EPE witness Prieto addresses the adjustments to these capital amounts. With the
13 exclusion of PVGS Unit 3 and 1/3 common capital additions, as addressed by EPE
14 witness Hernandez, the New Mexico jurisdictional amount of PVGS capital
15 additions is \$28,861,156.

16
17 *3. MAJOR CAPITAL PROJECTS*

18 **Q42. WHAT CRITERIA HAVE YOU USED TO DISTINGUISH MAJOR**
19 **INDIVIDUAL CAPITAL ADDITION PROJECTS FROM OTHER**
20 **PROJECTS IN YOUR TESTIMONY?**

21 **A.** The distinction was based on total cost amount. "Major Individual Capital

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Additions" are projects with a total Company cost of \$3.5 million or more that were placed in service from January 2020 through September 30, 2025, excluding PVGS Unit 3. These projects and costs are identified in Table VM-1 below. These project costs are stated as EPE's total Company share only and include PVGS Distributable and Overhead cost allocations.

TABLE VM-1

Work Order	Title	Description	Rate Base Addition Total Company	Category	Unit
200250	S.C.O.R.E Supply Chain Optimization	Replacement of legacy supply chain management system because the legacy system is no longer supported. The replacement supports ongoing changes and implantation of newer technology around supply chain, work management, and procurement	7,557,290	Information Technology	Common
180071	WRF Clarifier Life Extension (T6)	The WRF solids contact clarifier system structures have exceeded their design life expectancy. Refurbishment is necessary to extend the life of the clarifiers	4,432,759	Water Resource Facility	Water Reclamation
		Strategic Modernization Program replaces several			

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Work Order	Title	Description	Rate Base Addition Total Company	Category	Unit
200015	Main Generator Stator Rewind	The expected life of the main generator stator windings is approximately 30 years; stator rewinds include extending the design life of the main generator stator winding and associated equipment and mitigating stator cooling water leaks.	3,888,841	Plant Equipment & Replacements	Unit 1
190056	WRF Clarifier Life Extension (T3)	The WRF solids contact clarifier system structures have exceeded their design life expectancy. Refurbishment is necessary to extend the life of the clarifiers	3,888,617	Water Resource Facility	Water Reclamation
240007	Digital SMP Phase II U2	Strategic Modernization Program replaces several plant control systems both analog and digital with newly designed upgrade equipment. Addresses obsolescence, removes single point vulnerabilities, and minimizes spare part inventories.	3,680,439	Unit 2	Plant Modifications
200041	WRF Clarifier Life Extension (T4)	The WRF solids contact clarifier system structures have exceeded their design life expectancy. Refurbishment is necessary to extend the life of the clarifiers	3,547,134	Water Resource Facility	Water Reclamation

The remaining \$136.7 million, excluding PV Unit 3, generally fall into the following project categories:

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- 1 • Plant Equipment and Replacements include tools used to perform
- 2 maintenance and replacements of retired equipment: \$68.0 million
- 3 • Plant Modifications are changes to the plant design, including simulator and
- 4 process computers: \$28.7 million,
- 5 • Water Resources includes all facility modifications, replacements, and
- 6 process computers specific to the Water Resource Facility: \$12.1 million,
- 7 • Information Technology is non-process computer hardware and software as
- 8 well as licenses: \$8.8 million,
- 9 • General Plant consists of communications-related equipment, rolling stock,
- 10 land purchases, roads, and parking lots: \$4.5 million,
- 11 • Buildings include initial construction and remodel of buildings and
- 12 facilities: \$6.3 million,
- 13 • Overheads in support of Capital Improvements and Distributables in
- 14 support of Plant Modifications and Plant Replacements: \$8.3 million, and
- 15 • Miscellaneous consists of all remaining projects not assigned to a category,
- 16 which includes circuit breaker replacements, planning and oversight, and
- 17 other small replacements: (\$16 thousand).

18

19 **Q43. WHAT OTHER CAPITAL ADDITIONS ARE INCLUDED IN THE TEST**
20 **YEAR PERIOD FOR PVGS?**

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1 **A.** As indicated above, and on EPE witness Prieto exhibit CSP-1, EPE is including a
2 credit of \$172 thousand of total Company PVGS capital additions closed to plant in
3 October 2025.

4
5 **Q44. ARE THE PVGS CAPITAL EXPENDITURES INCLUDED IN EPE'S**
6 **REQUEST REASONABLE AND NECESSARY?**

7 **A.** Yes. PVGS is a critical asset to EPE as it is highly reliable, provides a significant
8 amount of EPE's energy and capacity, and provides long-term security to customers
9 through fuel diversity. Capital additions that maintain the plant are necessary. They
10 support the long-term viability of the plant, satisfy regulatory requirements,
11 improve safety, and support the people who work at the site. The capital projects
12 represented by these costs have undergone a rigorous and thorough budget and
13 project review process. EPE, as well as all other PVGS Owners, have concurred
14 that the projects and related costs are reasonable and necessary for PVGS to safely
15 and efficiently generate electricity for the long term.

16
17 **VI. PVGS OPERATIONS AND MAINTENANCE EXPENSE**

18 **A. GENERAL DISCUSSION**

19 **Q45. DOES EPE MONITOR AND REVIEW PVGS O&M COSTS?**

20 **A.** Yes. EPE reviews the annual O&M budget package, including budget assumptions
21 and O&M budget. EPE reviews the package to ensure that the budget is reasonable
22 based upon expected plant performance and the refueling and maintenance outage

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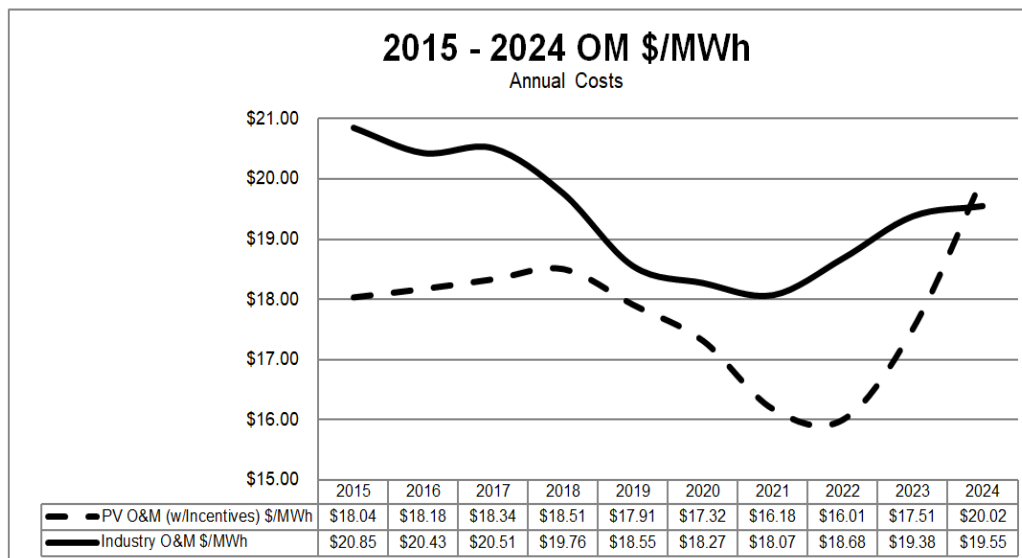
1 schedules and is consistent with the budgeted staffing levels and needs (*e.g.*, loads,
2 insurance premiums, and NRC fees). In addition to a total budget, APS provides
3 separate refueling and maintenance outage budgets which EPE reviews to verify
4 that the amounts and scope are both reasonable and consistent with planned outage
5 dates. The views and questions submitted by other Owners on the proposed O&M
6 budget are also reviewed and considered by EPE prior to EPE participating in the
7 budget approval process. Unanimous approval of the Owners is required under the
8 PVGS-PA.

9
10 **Q46. HOW DO PVGS OPERATING COSTS COMPARE TO THE INDUSTRY?**

11 **A.** Because PVGS is unique to the industry in supporting a Water Resource Facility
12 ("WRF"), those costs have been removed in Figure VM-1 below to give an accurate
13 comparison to the industry. The graph below shows the Electric Utility Cost Group
14 data in comparison to the PVGS operating cost per MWh to the industry average.
15 PVGS expenditures (excluding the WRF) and higher capacity factors has operating
16 costs per MWh that were within the industry average. In Figure VM-1 there is an
17 increase that is visible over the 2022-2024 time period. This increase is reflective
18 of changes that were made particularly in staffing and compensation in order to
19 ensure the attraction and retention of quality personnel. These personnel were
20 essential to arrest a trend of declining plant performance that had been seen in the
21 years prior to the change.

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FIGURE VM-1



EUCG Data – all costs in nominal dollars. Costs include WRF.
Industry Data Source is copyrighted by EUCG, Inc.

B. TEST YEAR PERIOD COSTS

Q47. WHAT IS THE PVGS O&M EXPENSE INCLUDED IN THE TEST YEAR PERIOD?

A. EPE included \$110.5 million of total Company Palo Verde Test Year Period non-fuel O&M expenses, including A&G costs, (\$16.6 million New Mexico jurisdictional basis). The total Company PVGS O&M cost information is included in Schedule H-1 sponsored by EPE witness Sierra.

Q48. WHAT DOES THIS AMOUNT REPRESENT?

A. This amount represents EPE's Test Year Period total Company share of the costs to

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1 perform the day-to-day operational activities and maintenance tasks on Units 1, 2,
2 3, Water Resource Facility, and common plant at PVGS that were included in the
3 approved PVGS budget. EPE witness Hernandez's testimony discusses the
4 exclusion of O&M costs for PVGS Unit 3 and one third of common plants through
5 the jurisdictional allocation process.

6
7 **Q49. PLEASE DESCRIBE THE WATER RESOURCE FACILITY AT PVGS AND**
8 **ITS ROLE IN PLANT OPERATIONS.**

9 **A.** The WRF is an integral support facility that enables PVGS to operate safely and
10 reliably by providing a continuous supply of cooling water for plant operations. The
11 WRF receives treated effluent water from municipal wastewater treatment
12 facilities, processes that water to meet plant quality requirements, and stores it on
13 site for use in Palo Verde's cooling systems.

14 The facility is responsible for treating, managing, and delivering water used
15 in the station's cooling towers, which are essential to the operation of all three
16 generating units. This process includes removing minerals and other constituents
17 that could damage equipment, storing treated water in on-site reservoirs, and
18 ensuring sufficient availability to support continuous plant operation under varying
19 operating conditions.

20 The WRF is operated and maintained as part of PVGS overall infrastructure
21 and represents a necessary and ongoing component of plant operations. Its

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1 operation allows PVGS to continue providing reliable, carbon-free baseload energy
2 to customers, and the associated costs are a necessary and unavoidable part of
3 operating the facility.

4
5 **Q50. DOES THE WATER RESOURCES FACILITY IMPACT THE YEARLY**
6 **SPEND AT PALO VERDE?**

7 **A.** Yes, as already discussed, Palo Verde is the only nuclear power plant in the world
8 that has its own water resources facility. Operation of the WRF represents
9 approximately \$11.9 million in the Test Year Period for PVGS total Company that
10 are not incurred by other nuclear power plants. The Water Resources Facility O&M
11 level corresponds to approximately 10.2% of Palo Verde's total operating cost.

12
13 **Q51. HAVE THERE BEEN CHANGES TO THE INCENTIVE STRUCTURE**
14 **UTILIZED BY PALO VERDE?**

15 **A.** Yes. Palo Verde's incentive structure has undergone changes over the past several
16 years to ensure alignment with operational priorities and evolving industry
17 standards. Metrics have been strategically added, removed, or modified each year
18 to reinforce behaviors that promote safety, reliability, efficiency, and regulatory
19 compliance. For example, between 2020 and 2025, changes included replacing
20 OSHA Recordables with Serious Injuries or Fatalities, introducing and later
21 removing metrics such as Voluntary Protection Permit, INPO Operational Focus

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1 Index, and Equipment Performance Index, as well as adjustments to financial and
2 performance indicators like Capital Budget and Scrams. EPE is not seeking any
3 financially based incentive compensation in this proceeding. Refer to the direct
4 testimony of EPE witness Sierra. These refinements reflect senior leadership's
5 commitment to maintaining focus on the most impactful areas of performance.

6
7 **Q52. WHAT PROGRAM OR PROCESS IS IN PLACE TO ADDRESS**
8 **OVERSIGHT AND MANAGEMENT OF O&M EXPENDITURES AT**
9 **PVGS?**

10 **A.** From an Owner oversight perspective, the PVGS O&M budget is developed by the
11 operator, APS, and submitted annually to the Owners for review and approval. The
12 budget package includes key assumptions related to plant staffing, refueling and
13 maintenance outage duration, and planned work scope, which are reviewed by the
14 Owners through established committee processes.

15 As a non-operating Owner, EPE participates in the review and approval of
16 the PVGS O&M budget through the E&O Committee and the Administrative
17 Committee, both of which require unanimous Owner approval. During the year,
18 APS provides regular budget status updates, variance explanations, and cost reports
19 to the Owners, including monthly Executive Cost Reports and updates at E&O
20 Committee meetings. This process allows the Owners, including EPE, to monitor
21 PVGS O&M expenditures, ask questions, and seek clarification regarding budget

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1 performance, cost drivers, and variances, while day-to-day management and
2 execution of O&M activities remain the responsibility of APS as the operating
3 agent.

4
5 **Q53. PLEASE DESCRIBE PVGS COST CONTROL EFFORTS?**

6 **A.** Based on information provided to the Owners by APS, PVGS has undertaken
7 initiatives in recent years aimed at improving equipment reliability and supporting
8 strong summer performance. These initiatives have included targeted capital
9 investments, work process improvements, and efforts to enhance long-term
10 workforce sustainability.

11 From the Owner perspective, EPE has observed that these efforts have been
12 accompanied by higher O&M expenditures, reflecting increased focus on
13 reliability, staffing, and plant performance. At the same time, Owner oversight
14 reports indicate improvements in outage duration, equipment reliability, and
15 capacity factor, which are key performance metrics monitored by the Owners.

16 EPE evaluates PVGS cost control efforts through its participation in Owner
17 committees by reviewing budget performance, variance explanations, and
18 comparative industry data, including operating cost per megawatt-hour. This
19 oversight allows EPE to assess whether PVGS O&M expenditures remain
20 reasonable and aligned with the goal of delivering safe, reliable, and efficient
21 service to customers, while operational decisions and cost execution remain the

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responsibility of APS.

Q54. ARE THE TEST YEAR PERIOD EXPENDITURES REASONABLE?

A. Yes. These costs are reasonable and representative of the Test Year Period. Proposed budgets are closely scrutinized before an O&M budget is adopted. Palo Verde continues to take a strategic view of costs and invest in the plant and people to maintain excellent material condition of the station and knowledge and performance of the people who run it.

Q55. HOW DOES EPE DETERMINE IF O&M COSTS ARE REASONABLE?

A. As described previously, EPE participates in the review and approval of the reasonableness of the PVGS O&M budget. EPE monitors the PVGS O&M variance explanations and identifies issues throughout the year. EPE makes informal and formal recommendations for corrective action as is necessary. Furthermore, EPE monitors operational issues affecting plant capacity factor enhancements, maintenance efficiencies, and compares costs to industry averages. These steps help to ensure that costs remain reasonable not only when looking at operational budgets but also when costs are measured on a cents-per-MWh basis. PVGS is a valuable asset to EPE and produces large quantities of safe, clean, reliable, and efficient power for its customers.

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1 **Q56. DOES APS PROVIDE EXPLANATIONS OF ANY PVGS O&M BUDGET**
2 **VARIANCES?**

3 **A.** Yes. APS and PVGS personnel provide monthly variance reports and explain
4 variances at E&O Committee meetings. Where necessary, EPE and other Owners
5 seek clarifications in order to make recommendations.

6

7 **C. TEST YEAR PERIOD ADJUSTMENTS**

8 **Q57. DID EPE MAKE ANY TEST YEAR PERIOD ADJUSTMENTS FOR**
9 **NON-FUEL O&M AND RATE BASE COSTS FOR PVGS AND DO YOU**
10 **PROVIDE SUPPORT FOR ANY OF THE ADJUSTMENTS?**

11 **A.** Yes, EPE witnesses Sierra and Reza address adjustments to non-fuel O&M and rate
12 base costs for Palo Verde. I provide support for the adjustment to rate base to
13 recognize the unamortized amount related to the Effluent Agreement that secures a
14 reliable source of cooling water through 2050 for Palo Verde. I also provide
15 additional support for the PVGS incentive compensation adjustment discussed by
16 witness Sierra.

17

18 **Q58. WHAT IS THE PURPOSE OF THE PVGS EFFLUENT AGREEMENTS.**

19 **A.** Palo Verde is unique as the only nuclear power plant in the world that it is not
20 located on or near a large body of water. While most other nuclear facilities rely on
21 oceans, lakes or rivers for cooling, Palo Verde must obtain water from other sources

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1 and must discharge any wastewater to a system that will not adversely impact
2 surface or underground water supplies. Obtaining cooling water for Palo Verde is
3 a unique and necessary cost of doing business that is not incurred at any other
4 nuclear power plant in the world. The cost of water and maintaining the WRF added
5 approximately \$2.63/MWh to O&M costs during the Base Period.

6 Instead of drawing from surface water sources, Palo Verde obtains treated
7 effluent cooling water from two wastewater treatment plants ("WWTP") in the
8 greater Phoenix area—one operated by the Sub Regional Operating Group
9 (SROG), which includes Glendale, Mesa, Phoenix, Scottsdale, and Tempe, and the
10 other in Tolleson. The long-term effluent agreements with these facilities ensure a
11 reliable supply of cooling water for PVGS through 2050.

12
13 **Q59. WHAT DOES THE UNAMORTIZED AMOUNT OF \$2.1 MILLION FOR**
14 **THE EFFLUENT AGREEMENT REPRESENT?**

15 **A.** The PVGS Effluent Agreement required a lump-sum payment of \$30 million
16 dollars in addition to a per acre-foot price from Palo Verde participants. The \$2.1
17 million represents EPE's portion, excluding PVGS Unit 3 and 1/3 common, of the
18 unamortized lump-sum payment, which is to be amortized through the term of the
19 agreement.

20
21 **Q60. HAS THE EFFLUENT AGREEMENT BENEFITED EPE CUSTOMERS?**

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1 **A.** Yes. The effluent agreement directly benefits EPE customers by ensuring a
2 continued, reliable supply of cooling water for operation of PVGS Obtaining water
3 is an operational necessity because PVGS is not located near a natural water source.
4 Additionally, by using treated effluent for cooling rather than fresh water, the plant
5 conserves groundwater sources.

6 The effluent agreement secures a reliable water supply for PVGS through
7 2050, thereby supporting the long-term availability of PVGS as a baseload,
8 carbon-free resource that provides stable and low fuel-cost energy to EPE customers.
9 The required prepayment structure mitigates supply and cost risk over the term of
10 the agreement and avoids potential exposure to water scarcity, market volatility, or
11 operational interruptions that could otherwise result in higher costs or reduced
12 reliability.

13 Accordingly, the costs of the effluent agreement, including the required
14 prepayment, are reasonable and necessary costs of operating PVGS and directly
15 support continued reliable service and long-term value for EPE customers.

16

17 **D. PVGS PERFORMANCE DURING THE BASE PERIOD**

18 **Q61. DID PVGS OPERATE EFFICIENTLY DURING THE BASE PERIOD?**

19 **A.** Yes, it did. During the peak period of June 15 through September 15, 2025, Palo
20 Verde achieved a 100.06% capacity factor and produced approximately
21 31.8 million MWh. In 2022, PVGS achieved a capacity factor of 92.59 percent. In

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1 2023, the capacity factor was 91.42 percent and in 2024 the capacity factor was
2 93.65%. For comparison, the US Nuclear Newswire estimate reported the United
3 States nuclear fleet averaged a 90.86 percent for years 2022-2024. PVGS continues
4 to work to improve performance at the plant and will continue to incur costs related
5 to its efforts to achieve excellent performance.

6
7 **Q62. PLEASE SUMMARIZE YOUR TESTIMONY REGARDING THE**
8 **REASONABLENESS OF PVGS COSTS.**

9 **A.** Palo Verde Generating Station operated consistently with its fuel specific
10 generation counterparts. The approach to spending is deliberate and informed in
11 order to deliver safe, reliable, and efficient service to customers at reasonable costs.
12 Procedures and processes are in place to review and approve Capital and O&M
13 expenditures. Both O&M and Capital expenditures were necessary and reasonable
14 for the operation of EPE's remote asset.

15
16 **VII. OTHER ISSUES**

17 **A. EMS**

18 **Q63. WHAT IS THE PURPOSE OF THIS SECTION?**

19 **A.** The purpose of this section is to describe the recent upgrade of EPE's Energy
20 Management System ("EMS"). For context, this section begins with a high-level
21 overview of EPE's participation in the EIM, including the benefits and operational

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1 impacts for New Mexico customers, and the investments made to enable
2 participation. I then specifically address the EMS upgrade. This section
3 demonstrates how EPE is leveraging advanced market participation and technology
4 to deliver reliable, cost-effective, and clean energy to its customers.

5
6 **Q64. CAN YOU PLEASE PROVIDE A HIGH-LEVEL EXPLANATION OF EIM**
7 **AND ITS BENEFITS TO CUSTOMERS?**

8 **A.** The EIM is a real-time wholesale electricity market operated by the California
9 Independent System Operator. The EIM allows utilities across the western United
10 States to buy and sell electricity every five minutes, enabling more efficient
11 balancing of electricity supply and demand across a broad geographic footprint.
12 Participation in the EIM allows EPE to access a larger regional market and
13 enhances operational flexibility by enabling real-time coordination of generation
14 resources.

15
16 **Q65. WHAT ARE THE PRIMARY BENEFITS OF EPE'S PARTICIPATION IN**
17 **THE EIM FOR NEW MEXICO CUSTOMERS?**

18 **A.** EPE's participation in the EIM brings substantial benefits to New Mexico
19 customers, most notably through cost savings. By leveraging real-time market
20 transactions, EPE can purchase lower-cost energy during periods of surplus and sell
21 excess generation when market prices are favorable. This dynamic approach

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1 resulted in approximately \$15.2 million in total benefits during the Base Period,
2 with approximately \$2.3 million of those benefits allocated to New Mexico
3 customers, as detailed in Exhibit VM-01.

4 Beyond direct cost savings, the EIM enables EPE to more effectively
5 integrate variable renewable resources such as solar and wind. Access to a broader
6 regional market allows EPE to better manage fluctuations in renewable output and
7 customer demand, supporting New Mexico's clean energy objectives and
8 enhancing the value of renewable investments.

9 Participation in the EIM also improves grid reliability. Real-time
10 coordination with other utilities across the EIM footprint strengthens EPE's ability
11 to respond to system contingencies and manage unexpected outages. In addition,
12 EIM participation allows EPE to optimize dispatch of its generation fleet, including
13 battery storage and renewable resources, improving overall system efficiency while
14 maintaining safe and reliable service.

15
16 **Q66. HOW ARE THE BENEFITS OF EIM PARTICIPATION ALLOCATED TO**
17 **NEW MEXICO CUSTOMERS?**

18 **A.** All benefits derived from EPE's participation in the EIM, including cost savings
19 and market revenues, are passed directly to customers through the fuel and
20 purchased power cost adjustment mechanisms. Allocation to New Mexico
21 customers is based on jurisdictional load and Commission-approved cost allocation

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1 principles. During the Base Period, New Mexico customers received approximately
2 \$2.3 million in EIM-related benefits.

3
4 **Q67. CAN YOU PLEASE DESCRIBE THE ENERGY MANAGEMENT SYSTEM**
5 **UPGRADE?**

6 **A.** EPE completed a comprehensive upgrade of its EMS, which serves as the central
7 platform for monitoring, controlling, and optimizing the Company's electric system
8 in near real time. The EMS upgrade was required to support full, efficient, and
9 compliant participation in the EIM, integrate emerging resources, and meet the
10 advanced technical requirements associated with battery energy storage, renewable
11 resource integration, and real-time data exchange.

12 While EPE began participating in the EIM in April 2023 using existing
13 systems and interim processes, the EMS upgrade was necessary to support
14 expanded market participation, integration of battery storage and renewable
15 resources, and compliance with evolving real-time operational and data
16 requirements as EPE's system and market participation matured.

17 The upgraded EMS provides the analytical and control capabilities needed
18 to operate safely and reliably in a real-time market environment, maintain
19 compliance with applicable market protocols, and continue providing reliable
20 electric service to customers. The costs associated with the EMS upgrade are
21 included in EPE's proposed rate base and are supported by the operational

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1 efficiencies, reliability improvements, and customer benefits achieved through the
2 upgraded system.

3

4 **Q68. WHAT IS THE COST OF THE EMS UPGRADE?**

5 A. The total Company cost of the EMS upgrade project was approximately
6 \$8.1 million (\$1.7 million on a New Mexico jurisdictional basis). This investment
7 was necessary to ensure EPE's system could meet the technical requirements of the
8 EIM and continue to provide reliable service to customers.

9

10 **Q69. WHEN WAS THE EMS UPGRADE PLACED IN SERVICE?**

11 A. The EMS upgrade was completed and placed into service for EPE customers in
12 September 2024.

13

14 **Q70. HOW IS THE EMS USED IN THE PROVISION OF ELECTRIC SERVICE**
15 **TO EPE'S CUSTOMERS?**

16 A. The EMS is essential to the reliable operation of EPE's power grid and its
17 coordination within the Western Interconnection. The EMS centrally monitors,
18 analyzes, simulates, optimizes, and controls EPE's generation, transmission, and
19 distribution assets. It supports coordination of electricity flows with neighboring
20 utilities and performs critical control functions, including economic dispatch and
21 automatic generation control, while interfacing with system protection devices.

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1 The EMS includes supervisory control and data acquisition functions such
2 as data acquisition and processing, inter-control center communications,
3 supervisory control, real-time calculations, tagging, alarming, and load shed and
4 restoration. Network application functions include network topology processing,
5 state estimation, dispatcher power flow, contingency analysis, and dispatcher
6 training simulation. In addition, EPE utilizes custom applications for interchange
7 scheduling, energy accounting, alarm processing, rotational load shedding, and
8 transfer capability analysis, all of which are necessary for reliable system operation.

9
10 **Q71. WERE THE COSTS OF THE EMS UPGRADE NECESSARY AND**
11 **REASONABLE?**

12 **A.** Yes. The EMS upgrade was necessary to communicate vital bulk electric system
13 information in real time and to fully support EPE's participation in the EIM. The
14 upgrade included new applications that support monitoring and control of renewable
15 and battery storage resources, improved energy accounting capabilities,
16 revenue-quality meter integration, network and cybersecurity upgrades, hardware
17 refreshes, and extensions of end-of-life support windows. The costs associated with
18 the EMS upgrade were reasonable and necessary to ensure continued safe, reliable,
19 and efficient system operations.

20

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B. NEWMAN UNIT 3 EXTENSION ANALYSIS

Q72. PLEASE DESCRIBE NEWMAN UNIT 3.

A. Newman Unit 3 is a conventional steam turbine generating unit owned and operated by EPE and located at the Newman Power Plant. The unit has a nameplate capacity of approximately 90 MW, and it serves as a dispatchable thermal resource that supports system reliability and operational flexibility.

The unit consists of a single steam turbine and generator supplied through a traditional boiler-steam cycle configuration. During normal operations, the unit provides both energy and ancillary services, including participation in Automatic Generation Control (“AGC”) when available, as reflected in system operations and market communications.

Q73. FOR CONTEXT, CAN YOU BRIEFLY DESCRIBE THE NEWMAN UNIT 3 OUTAGE EVENT AND RELATED UPGRADE WORK?

A. Yes. In June 2023, Newman Unit 3 experienced an outage that ultimately resulted in the unit being out of service for an extended period. The outage consisted of a forced outage that occurred prior to a planned outage that had already been scheduled to begin later in 2023. During this extended outage period, work was performed on Newman Unit 3 that addressed the immediate repairs associated with the forced outage and incorporated additional work that would have otherwise been addressed during the planned outage.

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1 The details of the outage, the specific repairs performed, and the
2 circumstances surrounding the timing and prudence of the work are discussed and
3 supported in the direct testimony of EPE witness Hughes. As a result of the work
4 performed during this outage period, the useful lives of the Newman Unit 3 turbine
5 and generator were effectively extended by approximately five years.

6
7 **Q74. ARE YOU PROVIDING ADDITIONAL SUPPORT FOR THE NEWMAN 3**
8 **UPGRADES?**

9 **A.** Yes. Energy Resources performed an analysis to determine the capacity deferment
10 value of extending the service life of this 90 MW unit for an additional five years.

11
12 **Q75. HOW WAS THAT ANALYSIS PERFORMED AND WHAT WERE THE**
13 **RESULTS?**

14 **A.** To establish a \$/kW proxy price for building a new generation resource, Energy
15 Resources used the levelized cost of energy spreadsheet for Newman Unit 6.
16 Energy Resources then analyzed the cost of Newman Unit 3 upgrades against that
17 proxy price. The analysis determined that the financial benefit that EPE will realize
18 given the upgrades to Newman Unit 3 that were made during the 2023-24 outage,
19 would be approximately \$10.6 million of deferred capital costs by extending the
20 service life of the unit for an additional five years, as opposed to building a new
21 generation resource.

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VIII. CONCLUSION

Q76. ARE THE CAPITAL INVESTMENTS THAT EPE IS REQUESTING TO INCLUDE IN RATE BASE FOR GENERATION PLANT ASSETS AND THE EMS REASONABLE?

A. Yes. The capital investments EPE seeks to include in rate base are reasonable, necessary, and directly related to the provision of safe, reliable, and cost-effective electric service to customers.

With respect to PVGS, the requested capital additions reflect prudent investments in equipment replacements, plant modifications, and infrastructure needed to maintain long-term operability, regulatory compliance, and reliability. These capital projects were developed through established planning processes and subjected to multiple layers of review and unanimous approval by the PVGS Owner committees. The investments preserve the long-term viability of a critical, carbon-free baseload resource that continues to deliver substantial value to EPE's customers.

The requested rate base addition associated with the unamortized portion of the PVGS effluent agreement likewise supports customer benefits by ensuring a reliable, long-term supply of cooling water needed for PVGS operations through 2050. These costs are a necessary and unavoidable aspect of operating this essential

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1 generating resource and directly support continued reliable service at stable, low
2 fuel costs.

3 In addition, the EMS upgrade represents a prudent and necessary
4 modernization of EPE's grid management capabilities. The upgraded EMS
5 supports expanded and compliant participation in regional energy markets, enables
6 the integration of battery storage and renewable resources, enhances real-time
7 monitoring and control, and improves overall system reliability and operational
8 efficiency. The EMS upgrade provides foundational capabilities required to
9 manage an increasingly complex resource mix and deliver cost-effective service to
10 customers.

11

12 **Q77. ARE THE O&M EXPENSES EPE PROPOSES TO RECOVER FOR PVGS**
13 **REASONABLE?**

14 **A.** Yes. The PVGS O&M expenses included in this case are reasonable, necessary,
15 and representative of the Test Year Period. These expenses reflect EPE's share of
16 costs required to safely operate and maintain a large nuclear generating facility,
17 including routine maintenance, refueling outages, regulatory compliance, and
18 workforce support.

19 PVGS O&M costs are developed through an annual budgeting process and
20 are subject to rigorous review, monitoring, and approval by PVGS management
21 and Owner committees. The resulting expenditures support strong plant

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1 performance, as evidenced by PVGS capacity factors that meet or exceed industry
2 averages, while ensuring adherence to stringent nuclear safety and regulatory
3 standards.

4
5 **Q78. ARE THE BV1 BESS, SANTA TERESA BESS AND CARNE BESS**
6 **CAPACITY COSTS JUST AND REASONABLE TO INCLUDE IN BASE**
7 **RATES AT THIS TIME?**

8 **A.** Yes. These capacity costs arise from Commission-approved agreements and reflect
9 resources that are or will be used and useful in serving New Mexico customers at
10 the time new rates proposed in this filing take effect. Including these costs in base
11 rates is consistent with cost-of-service principles and appropriately reflects the
12 long-term nature of the resource. The BESS facilities provide firm capacity,
13 operational flexibility, and support New Mexico's clean energy objectives while
14 maintaining system reliability.

15
16 **Q79. IS LOCAL GENERATION STILL USED AND USEFUL AND NECESSARY**
17 **TO PROVIDE SERVICE TO EPE'S NEW MEXICO CUSTOMERS?**

18 **A.** Yes. Local dispatchable generation continues to be an essential component of
19 EPE's resource portfolio. Even as renewable energy and battery storage resources
20 expand, gas-fired generation remains necessary to provide reliability, respond to
21 system contingencies, and serve load during periods when renewable output is

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1 limited or unavailable. EPE's IRP and load analyses demonstrate that a balanced
2 portfolio of renewables, storage, and dispatchable generation is required to ensure
3 reliable and affordable service.

4

5 **Q80. DOES THIS CONCLUDE YOUR TESTIMONY?**

6 **A.** Yes, it does.

EL PASO ELECTRIC COMPANY
TEST YEAR (TY) EIM BENEFITS SUMMARY
OCTOBER 24 - SEPTEMBER 25

EXHIBIT VM-1
Page 1 of 1

Positive is payment to EPE / Negative is cost to EPE

Month	Report	Main Settlements	Admin	Penalty	Sub-Allocation	Counter Factual	EIM Dispatch	Net Benefits as Reported by CAISO
Oct-24	T+11M	\$ 2,371,069	\$ (25,537)	\$ 9,180	\$ (3,022)	\$ (63,227)	\$ (536,591)	\$ 1,751,871
Nov-24	T+11M	\$ 1,901,690	\$ (23,355)	\$ 5,784	\$ (1,519)	\$ (29,002)	\$ (464,656)	\$ 1,388,943
Dec-24	T+70b	\$ 1,826,976	\$ (19,731)	\$ 2,588	\$ 1,109	\$ (50,305)	\$ (993,238)	\$ 767,400
Jan-25	T+70b	\$ 2,442,161	\$ (27,707)	\$ 5,825	\$ (994)	\$ (220,853)	\$ (1,241,339)	\$ 957,093
Feb-25	T+70b	\$ 1,799,354	\$ (22,273)	\$ (12,075)	\$ (256)	\$ (201,195)	\$ (524,061)	\$ 1,039,492
Mar-25	T+70b	\$ 1,421,689	\$ (23,711)	\$ 899	\$ (646)	\$ 8,431	\$ (123,019)	\$ 1,283,643
Apr-25	T+70b	\$ 1,146,315	\$ (24,628)	\$ 869	\$ (4,572)	\$ (45,658)	\$ (147,322)	\$ 925,004
May-25	T+70b	\$ 1,443,669	\$ (31,519)	\$ (3,931)	\$ 14,305	\$ 53,394	\$ (605,830)	\$ 870,088
Jun-25	T+70b	\$ 2,549,125	\$ (37,522)	\$ 2,372	\$ (4,592)	\$ 139,162	\$ (1,131,527)	\$ 1,517,017
Jul-25	T+70b	\$ 2,752,790	\$ (41,076)	\$ 7,016	\$ (5,693)	\$ 160,085	\$ (1,611,036)	\$ 1,262,087
Aug-25	T+9b	\$ 2,394,772	\$ (39,447)	\$ 4,504	\$ (23,138)	\$ 223,989	\$ (1,162,219)	\$ 1,398,461
Sep-25	T+9b	\$ 2,937,397	\$ (36,882)	\$ 9,116	\$ (8,122)	\$ (40,285)	\$ (866,562)	\$ 1,994,662
Total		\$ 24,987,006.93	\$ (353,388.10)	\$ 32,147.93	\$ (37,141.83)	\$ (65,464.21)	\$ (9,407,401.38)	\$ 15,155,759

Test Year Average NM Jurisdictional Energy Allocator from 550 Reports:

15.21%

Total Net Benefits to New Mexico Customers During TY: \$ 2,304,892

Exhibit VM-2

Load Curves Demonstrating the Need for Local Dispatchable Generation

Witness: Victor Martinez

On Behalf of: El Paso Electric Company

Proceeding: New Mexico Public Regulation Commission Case No. 25-00082-UT

Date: February 2026

This Exhibit presents El Paso Electric Company load curves used to illustrate system peak conditions, net-peak timing, and the continued need for local dispatchable generation to provide reliable electric service to El Paso Electric Company's New Mexico customers.

Figure VM-2.1 – Top 100 Peak Hours (2024)

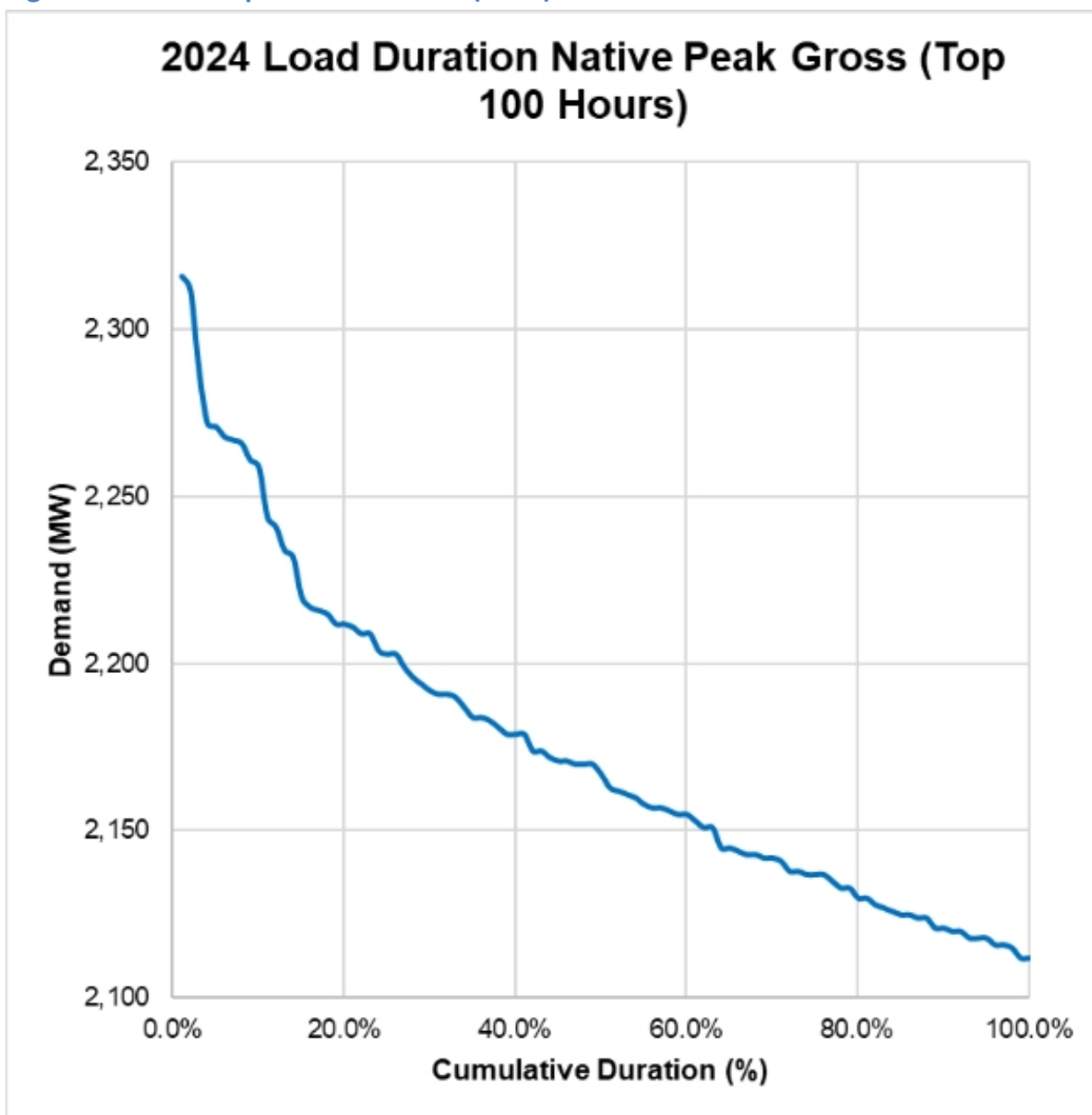


Figure VM-2.1 shows El Paso Electric Company's load duration curve for the Top 100 Native Peak Gross system load hours in calendar year 2024. The figure demonstrates that the highest system load conditions occur repeatedly during summer afternoon and evening hours rather than as isolated single-hour events.

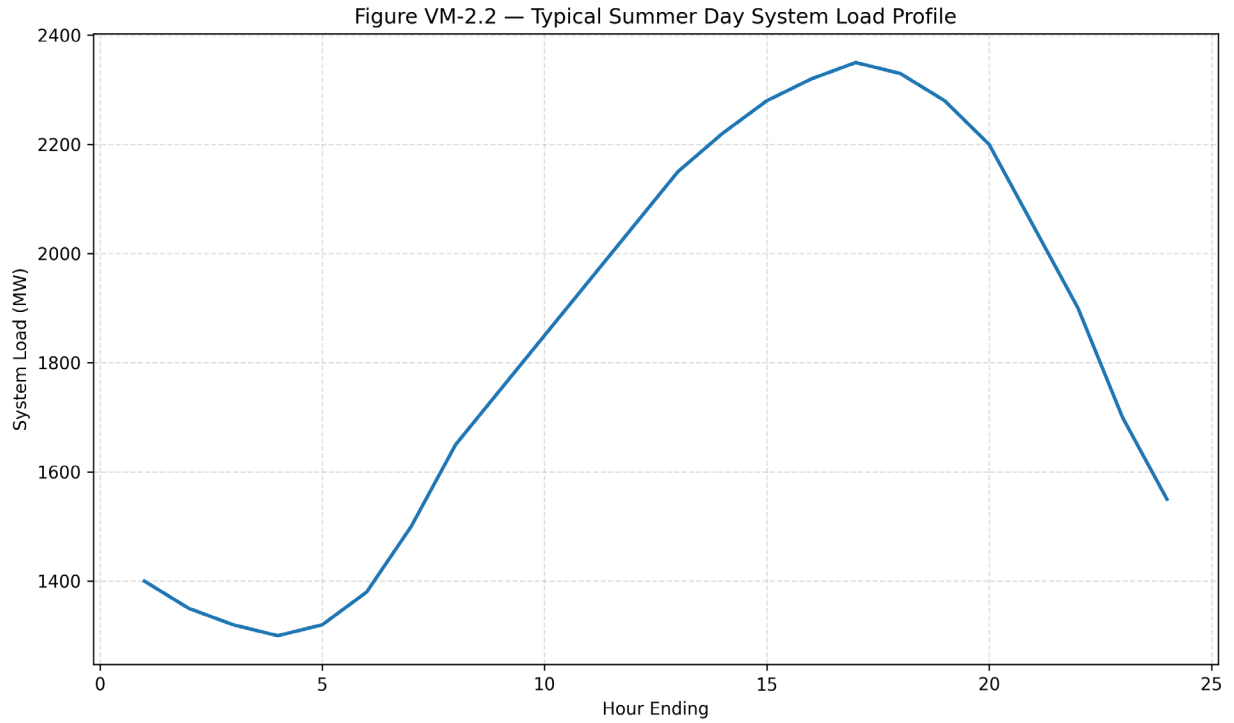
Figure VM-2.2 – Typical Summer Day System Load Profile

Figure VM-2.2 presents a representative average summer weekday system load profile for El Paso Electric Company from June – August 2024. The figure illustrates that system demand increases throughout the day and reaches its highest levels during the late afternoon and early evening hours.

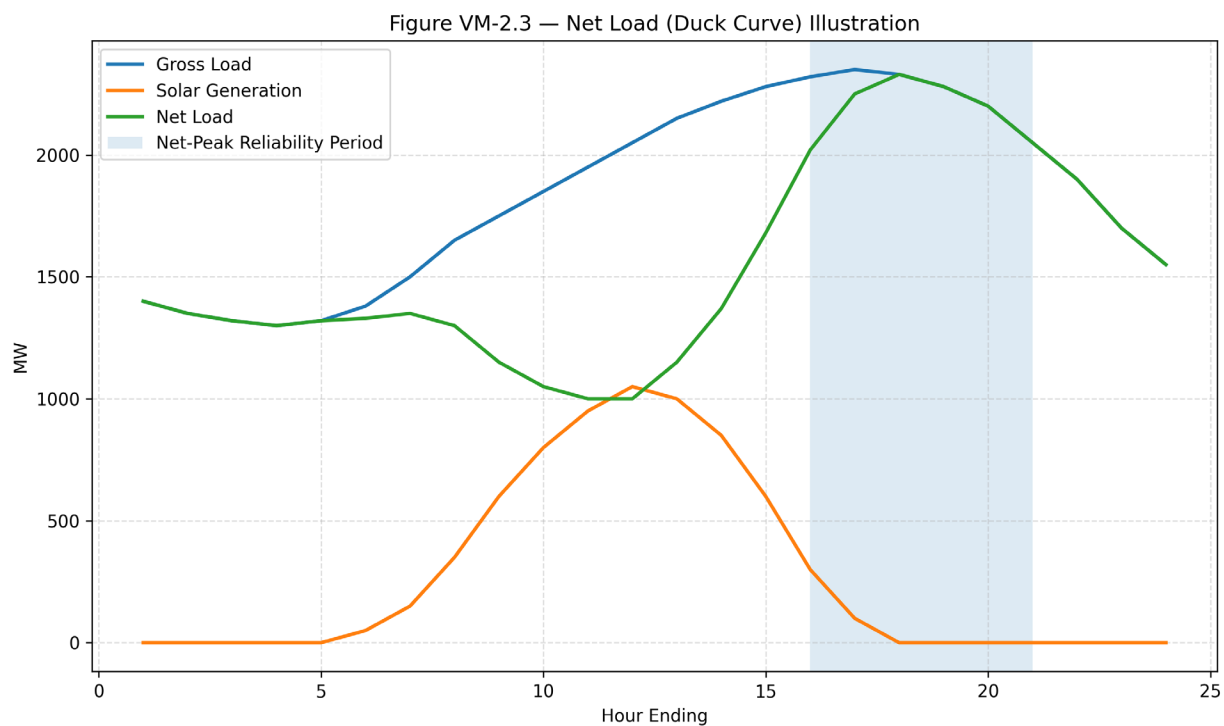
Figure VM-2.3 – Net Load (Duck Curve) Illustration

Figure VM-2.3 illustrates EPE's net load after accounting for representative solar generation from June – August 2024. The figure shows that system load remains elevated during evening hours when solar generation output is declining or unavailable, creating a net-peak reliability period that requires firm, dispatchable resources to maintain reliable service.

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 VICTOR MARTINEZ IN SUPPORT OF THE FOREGOING
AMENDED FILING DIRECT TESTIMONY**

I, *Victor Martinez*, 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 – Energy Resource*.

3. I have reviewed the foregoing Amended Filing Direct Testimony of Victor Martinez, 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 Victor Martinez, 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/ Victor Martinez
VICTOR MARTINEZ