

EPE's Comments on Public Presentations

EPE appreciates the presentations by the public at the Company's August 21st Integrated Resource Plan (IRP) meeting. EPE values the public's input as a worthwhile resource. However, at this time, in the interest of clarity EPE would like to take this opportunity to identify and address any incorrect information or misconceptions found in the presentations of members of the public. Specific comments on the presentations are provided below.

EPE Integrated Resource Planning

As Ms. Soules requested, EPE is providing these comments and clarifications:

Slide 3¹

This slide presents the section of the IRP rule relating to cost effectiveness of the resource portfolio and that resources should "*minimize the net present value of revenue requirements*". At the beginning of the next IRP meeting, September 18th, EPE will provide a brief description and example of what is meant by revenue requirements.

Slide 4² and 8³

EPE is in compliance with the Renewable Portfolio Standard (RPS). By way of background, the RPS is comprised of three main components: (1) the total RPS requirement; (2) the diversity requirement, and; (3) the Reasonable Cost Threshold (RCT) cap. While EPE will meet the 2015 RPS goal, the Company requested a partial variance from the rule for 2016. The requested variance is due to EPE exceeding the RCT based on past procurements. EPE is not required to procure more renewables to meet the goal if such procurement would exceed the reasonable cost threshold criteria that limits the costs of a utilities renewable portfolio to 3% of total revenues (17.9.572.12 NMAC). Please note, however, that EPE will continue to seek to procure economic renewable energy outside of the RPS process to provide resources to meet load growth. EPE evaluates renewable energy projects when issuing Requests For Proposals for resources to meet system load growth. Such was the case with the Macho Springs solar project that was acquired outside the RPS process but which provides RECs to apply to the RPS.

¹ See Attachment 1

² See Attachment 2

³ See Attachment 3

Interruptible Rate Proposal

As Mr. Bacchus requested, EPE is providing these comments and clarifications on his presentation. Many of Mr. Bacchus' concerns with rate differentials will be addressed at the planned Rate Considerations meeting on December 11, 2014. The analysis that Mr. Bacchus presented comparing Residential rates to Large Power Interruptible rates is incorrect. However, EPE will clarify this point through explanation and analysis in more detail at the December IRP meeting.

Slide 5⁴

Mr. Bacchus presents peak demands of 1,979 MW and 1,883 MW for 2012 and 2013, respectively. The peak demands referenced include opportunity (Off-system) sales. Off-system sales are to wholesale customers including other utilities for which the Company has no obligation to serve. Off-system sales are often on a daily or hourly basis out of resources that are not needed to serve native load (retail customers) in the Company's service territory for which the Company has an obligation to serve. Many times off-system sales are made from purchases of power from generating plants owned by other companies. To clarify, for resource planning and IRP purposes, EPE is required to plan for meeting *Native System load, excluding opportunity sales*. For 2012 and 2013 this was 1,688 MW and 1,750 MW, respectively.

By way of example, the graph shows a 54% load factor but does not imply that 46% of EPE's capacity is unused. Load factor reflects average energy usage compared to peak usage. EPE uses 100% of its capacity to meet peak load and reserve obligations.

Slide 11⁵

Mr. Bacchus provides Regional Spot Prices for the period 2010-2012 taken from the Federal Energy Regulatory Commission's website. However, because spot energy prices are reflective hourly wholesale energy comprised primarily of incremental fuel costs they simply are not comparable to EPE's delivered energy rates.

The \$0.13599 rate presented for New Mexico residential customers is only applicable to usage over 600 kWh during the summer months of May through October. Below are the residential rates for New Mexico and Texas including all riders and a typical bill comparison between Texas and New Mexico.

⁴ See Attachment 4

⁵ See Attachment 5

Typical Bill Components	New Mexico	Texas
Customer Charge	\$ 7.00	\$ 5.00
Summer 0-600 kWh (May-October)	\$ 0.11790	-----
Summer > 600 kWh (May-October)	\$ 0.13599	-----
Summer all kWh (May-October)	-----	\$ 0.08745
Winter all kWh	\$ 0.10790	\$ 0.07745
Residential Service Credit (May-October)	-----	\$ 0.00138
Fixed Fuel Factor	-----	\$0.027027
Energy Efficiency Rider	1.9543%	0.743%
MBDRF (Percent of Base Bill)	-----	1.154%

[Typical Bill Comparison]

Because of these differences in rate design in the two states it is difficult to compare the effect of the rates and bills on the customer.

Slide 19⁶

EPE designs rates between jurisdictions, and rate classes based on the cost of providing service to each class of customers. This will be covered in more detail in the December IRP meeting.

Slide 21⁷

Mr. Bacchus refers to the “Montana Peakers” costing \$201 MM/Yr. However, the comparison to interruptible rates is inappropriate. The annual cost of \$201 million is an isolated one-year data point in 2042, in a 42 year analysis of the cost of operating the Montana Power Station including fuel which comprises over 75% of the total cost reflecting projected increases in the cost of natural gas. The Montana Plant will provide energy to thousands of customers over an estimated 4,000 hours per year. Mr. Bacchus attempts compare the cost of providing energy for 4,000 hours per year to thousands of customers to the value of interrupting customers for up to 400 hours per year. It is simply an invalid analysis.

Slide 24⁸

In this slide Mr. Bacchus compares the total cost of a generating plant including capital costs, fuel, operation and maintenance expenses and taxes over a 42 year period to the purchase price of a portable generator. The cost of the portable generator does not include the capital costs of installing the generator or the cost of operating the generator including fuel, operating and maintenance expenses, and taxes. Nor is there any analysis of the ability of the stand-by generator to operate under the conditions

⁶ See Attachment 6

⁷ See Attachment 7

⁸ See Attachment 8

required by the Company including operating for 40 years. This is an inappropriate comparison. For a credible economic comparison, the cost of the stand-by generator needs to be levelized to include all costs over a 42 year period.

Future IRP Meetings – Renewable Resources, and Rate Considerations

Discussion of renewable resources will be addressed in more detail at the next IRP meeting scheduled for September 18th, 2014. The rate issues presented will be addressed at the planned December 11th meeting.

Integrated Resource Plan Definitions

- “1. **most cost effective resource portfolio** means those supply-side resources and demand-side resources that *minimize the net present value of revenue requirements* proposed by the utility to meet electric system demand during the planning period consistent with reliability and risk considerations”

From 17.7.3 NMAC *Integrated Resource Plans for Electric Utilities*, para 17.7.3.7

Considerations

- 15% planning reserve means more than 3 generator plants' worth of capacity above the *forecasted peak* for the purpose of being idle
- PRC requirements are 15% renewables by 2015 and 20% renewables by 2020
- Energy efficiency and load management programs are mandated by the PRC
- The net present value of the resource requirement for existing generating plants which are fully depreciated is less than that for new build generating capacity

Change the Plan

- Meet the renewable requirements established by the PRC
- Interruptible Sales are a Load Management initiative. Use Interruptible Sales to cover the shortfall in planning reserve

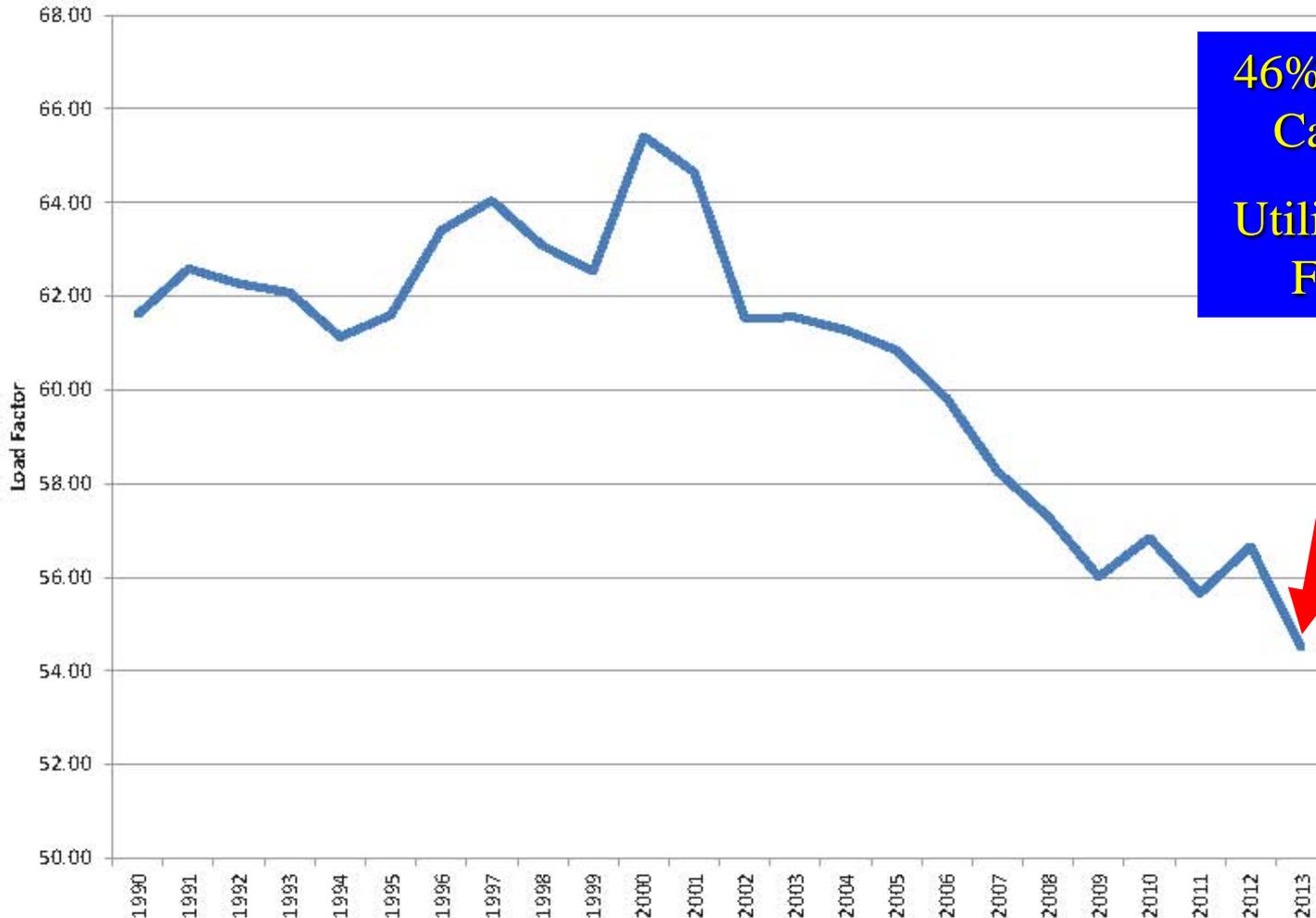
Peak Down 5%

2012 1,979 MW

2013 1,883 MW



EPE System Load Factor



**46% Unused Capacity
Utilization is Falling**

Notes in colored boxes added by Rocky Bacchus for discussion.

El Paso Electric Rate NM \$.13599 TX ~\$.11

Federal Energy Regulatory Commission • Market Oversight @ FERC.gov

Attachment 5

Regional Spot Prices: 2010-2012

	On-peak Spot Prices (\$/MWh)					Off-peak Spot Prices (\$/MWh)				
	2010	2011	2012	% Change 10-11	% Change 11-12	2010	2011	2012	% Change 10-11	% Change 11-12
Northeast										
Mass Hub	56.18	52.64	41.32	-6.3%	-21.5%	38.84	37.95	28.36	-2.3%	-25.3%
Ny Zone G	59.48	56.41	43.94	-5.2%	-22.1%	39.47	38.26	28.23	-3.1%	-26.2%
NY Zone J	65.76	62.71	46.67	-4.6%	-25.6%	40.37	39.19	28.63	-2.9%	-27.0%
NY Zone A	43.89	41.52	35.86	-5.4%	-13.6%	34.05	32.65	24.93	-4.1%	-23.6%
PJM West	53.68	51.99	35.86	-3.2%	-31.0%	35.81	33.94	26.29	-5.2%	-22.5%
Southeast										
VACAR	43.24	44.44	32.65	2.8%	-26.5%	29.18	30.23	22.86	3.6%	-24.4%
Southern	42.61	39.97	29.83	-6.2%	-25.4%	29.51	27.98	21.51	-5.2%	-23.1%
TVA	41.79	40.68	30.63	-2.7%	-24.7%	27.43	27.55	21.25	0.4%	-22.9%
Florida	50.81	44.62	34.46	-12.2%	-22.8%	31.59	31.27	23.49	-1.0%	-24.9%
Entergy	40.07	37.14	27.70	-7.3%	-25.4%	24.87	24.52	19.16	-1.4%	-21.9%
Midwest										
Indiana*	41.51	41.17	34.80	-0.8%	-15.5%	24.17	24.17	17.99	-0.0%	-26.0%
Michigan Hub	43.68	42.73	36.27	-2.2%	-15.1%	26.17	26.17	17.99	-0.0%	-26.0%
Minnesota Hub	36.86	34.57	31.06	-6.2%	-10.2%	17.99	17.99	17.99	0.0%	0.0%
NI Hub	40.85	40.31	34.79	-1.3%	-13.7%	21.76	21.76	17.99	-0.0%	-26.0%
Illinois Hub	38.22	38.12	32.12	-0.2%	-15.8%	20.71	20.71	17.99	0.0%	0.0%
MAPP South	37.60	35.48	29.42	-5.6%	-17.2%	21.76	19.90	18.93	-8.5%	-4.9%
South Central										
SPP North	38.71	36.41	28.75	-5.9%	-21.0%	21.51	20.42	18.73	-5.1%	-8.3%
ERCOT North	41.15	61.55	35.46	49.6%	-42.4%	26.97	25.74	18.63	-4.5%	-27.6%
Southwest										
Four Corners	39.68	36.34	30.09	-8.4%	-17.2%	27.02	20.45	20.64	-24.3%	0.9%
Palo Verde	38.76	36.10	29.39	-6.9%	-18.6%	27.72	21.57	20.71	-22.2%	-3.7%
Mead	40.11	36.92	30.75	-8.0%	-16.7%	29.37	22.34	21.97	-23.9%	-1.7%
Northwest										
Mid-C	35.90	29.10	22.22	-19.0%	-23.6%	29.19	19.98	18.33	-31.6%	-8.2%
COB	38.84	32.55	26.61	-16.2%	-18.3%	29.86	19.92	17.92	-33.3%	-10.0%
California										
NP15	40.08	35.81	31.64	-10.6%	-11.7%	29.89	21.26	22.53	-28.9%	6.0%
SP15	40.21	36.87	34.57	-8.3%	-6.2%	29.14	21.78	23.28	-25.3%	6.9%

On Peak Price \$0.02939/kWh
Off Peak \$.0278/kWh

Note: Effective January 1, 2012, Platts replaced the Cinergy Hub with the Indiana Hub.

Rate Plan Opportunity

Goal:
**Rate in Proportion to
Actual Cost**

“require the first significant base rate increase in 20 years”

EPE annual report 2013

- Montana Peakers – Hit \$201,499,685+/ yr
- Allow Ratepayers Interruptible Rate & save all ratepayers:
 - Generation
 - Transmission &
 - Distribution Costs
- Residential Itron Meters - Real Time Capable



More saving.
More doing.

Tool & Truck Rental

Installation Services and Repair

Gift Card

Attachment 8

Your Store:
W El Paso #523 (Change)

Store Finder

Local Ad

Credit Ce

Search All ▾

search

Project: How ▾

Sign In or Register
Your Account

Home > Outdoors > Outdoor Power Equipment > Generators > Standby Generators

Product Comparison

< Back to Product List

× REMOVE



\$4,497.00

Generac 20,000-Watt Air Cooled Automatic Standby Generator with 200-Amp SE Rated Transfer Switch

Model # 6244

★★★★★ (283)

Free Shipping

× REMOVE



\$3,292.00

Generac 14,000-Watt Automatic Standby Generator with 100-Amp 14 Circuit Transfer Switch

Net 11 kW

★★★★☆ (15)

Free Shipping

× REMOVE



\$1,861.00

Generac 7,000-Watt Automatic Standby Generator with 50-Amp Transfer Switch

Model # 5837

★★★★☆ (80)

Free Shipping

EPE Present Value

\$1.469B/ 352,000 kW

= \$4,174/ kW

price per net 11 kW

Reserve Generator

\$45,914

Home Depot x 13.97