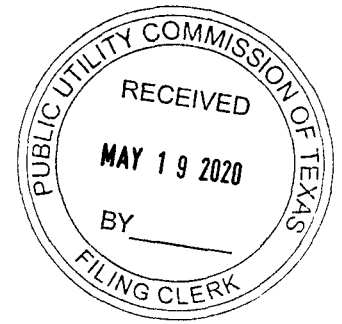


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**SOAH DOCKET NO. 473-20-2278**

**DOCKET NO. 50277**

**APPLICATION OF EL PASO  
ELECTRIC COMPANY TO AMEND  
ITS CERTIFICATE OF  
CONVENIENCE AND NECESSITY  
FOR AN ADDITIONAL GENERATING  
UNIT AT THE NEWMAN  
GENERATING STATION IN EL PASO  
COUNTY AND THE CITY OF  
EL PASO**

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**BEFORE THE STATE OFFICE**

**OF**

**ADMINISTRATIVE HEARINGS**

**REBUTTAL TESTIMONY**

**OF**

**JAMES SCHICHTL**

**FOR**

**EL PASO ELECTRIC COMPANY**

**MAY 2020**

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**I. Introduction**

Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A. My name is James Schichtl. My business address is 100 North Stanton Street, El Paso, Texas, 79901.

Q. ARE YOU THE SAME JAMES SCHICHTL WHO PREVIOUSLY FILED DIRECT TESTIMONY IN THIS PROCEEDING ON BEHALF OF EL PASO ELECTRIC COMPANY?

A. Yes, I am.

**II. Purpose of Rebuttal Testimony & EPE's Other Rebuttal Witnesses**

Q. WHAT IS THE PURPOSE OF YOUR REBUTTAL TESTIMONY IN THIS PROCEEDING?

A. The purpose of my rebuttal testimony is to respond to certain contentions made by the City of El Paso witness Scott Norwood in his direct testimony filed in this proceeding. I also provide an update on the counterpart New Mexico Newman 6 CCN, proceeding as well as the El Paso Electric Company ("EPE" of "Company") request for New Mexico regulatory approval of long-term purchased power agreements ("LTPPAs") for renewable and battery storage resources. Those contracts were selected along with Newman Unit 6 as part of the most cost-effective portfolio of resources to serve EPE's system load requirements.

Q. WHO ARE EPE'S OTHER REBUTTAL WITNESSES?

A. EPE's other rebuttal witnesses are Omar Gallegos, George Novela, David Hawkins, and Wayne Oliver, all of whom also filed direct testimony.

**III. Rebuttal to City of El Paso Witness Scott Norwood**

Q. MR. NORWOOD QUOTES PRELIMINARY ORDER ISSUE 26 AND STATES THAT IT WOULD NOT BE APPROPRIATE FOR THE COMMISSION TO EXTEND THE SEVEN-YEAR CONDITIONAL APPROVAL PERIOD SPECIFIED IN THE PRELIMINARY ORDER SHOULD IT APPROVE A CCN FOR NEWMAN UNIT 6. (Page 12) DO YOU HAVE A DIFFERENT OPINION?

1 A. El Paso Electric Company ("EPE" or the "Company") agrees that an extension beyond  
2 seven years is currently unnecessary. However, that should not prohibit EPE from later  
3 requesting that the Commission extend the approval period if circumstances change. EPE  
4 does not oppose the treatment contemplated by Section III of the Preliminary Order, that  
5 being that the authority granted by approval of the CCN expires seven years after the final  
6 order is signed unless EPE shows good cause for a longer period. EPE has justified the  
7 approval of a CCN for Newman Unit 6 but is always evaluating changing circumstances  
8 and adjusting resource plans where warranted.

9  
10 Q. MR. NORWOOD STATES HIS CONCERN THAT EPE'S RESOURCE NEEDS  
11 ANALYSIS DOES NOT APPEAR TO CONSIDER THAT THE COMPANY'S PEAK  
12 DEMAND OCCURS OVER A VERY SMALL NUMBER OF HOURS EACH YEAR.  
13 HE QUESTIONS WHETHER NEWMAN 6 IS TRULY THE MOST COST-EFFECTIVE  
14 MEANS TO SERVE SUCH A VERY SHORT-TERM PEAK DEMAND  
15 REQUIREMENT, OR WHETHER LOW-INVESTMENT ALTERNATIVES SUCH AS  
16 SHORT-TERM PURCHASES, INTERRUPTIBLE RATES OR OTHER DEMAND-  
17 SIDE OPTIONS COULD BE MORE COST EFFECTIVE. (page 18) WHAT IS YOUR  
18 RESPONSE?

19 A. As Mr. Gallegos addresses in both his direct and rebuttal testimony, Newman Unit 6 was  
20 chosen, along with several renewable energy and storage purchased power agreements  
21 ("PPAs"), as the best portfolio of resources to satisfy EPE's load requirements. Those  
22 requirements focus, as always, on system reliability while serving growing customer load  
23 during peak demand periods and maintaining an adequate reserve margin. As Mr. Gallegos  
24 explains in his rebuttal testimony, EPE determined the peak demand component of its need  
25 for generation capacity resources in this proceeding using the same method it used in all  
26 previous CCN applications, from Newman Unit 5 on through to Rio Grande Unit 9 and the  
27 four Montana Units.

28 With respect to competitive demand-side options to satisfy those same  
29 requirements, EPE's All-Source 2017 Request for Proposals ("All-Source RFP") was open  
30 to competitive bids for these resources. It is also important to note that capacity resources  
31 that fill limited hours annually were in fact selected in the competitive All-Source RFP (the

1       aforementioned storage PPAs) in conjunction with Newman Unit 6, but completely  
2       replacing Newman Unit 6 with such resources was not selected as the most cost-effective  
3       option.

4               With respect to rate options such as interruptible (customer load curtailment)  
5       programs or dynamic pricing structures such as time-of-use ("TOU"), the appropriate  
6       venue for such considerations is a rate case proceeding. While these voluntary customer  
7       programs and pricing options can and do work to shift or even temporarily reduce customer  
8       demand during peak periods, they are obviously subject to the voluntary participation of  
9       customers. EPE's existing noticed interruptible program, most recently approved for use  
10      for emergency load curtailment in EPE's 2017 base rate case (Docket No. 46831), provides  
11      for customer load interruption in certain circumstances for a limited number of days and  
12      hours. The program can be called upon during peak demand periods, but it is intended for  
13      emergency situations and only effective if participating customers respond. For these  
14      customers, compensation for accepting reduced service quality is provided through a rate  
15      discount, which is generally tied to avoided capacity cost. Higher rate discounts would  
16      logically result in greater customer participation and load available for interruption but  
17      exceed the cost of capacity from other resources (like Newman Unit 6). In addition, they  
18      may result in subsidies from non-participating customers that may be objectionable to  
19      intervenors representing those customers. In fact, the City of El Paso's rate design witness  
20      in Docket No. 46831 described EPE's interruptible program as "severely underpriced and  
21      oversubscribed."<sup>1</sup> It is important to note that the proposed Newman Unit 6 is needed to  
22      provide over 200 MW of needed capacity, including replacing a substantial portion of  
23      existing generation capacity that is being retired. While customer load curtailment  
24      programs can offer capacity during peak hours program, they are not intended for or  
25      effective at completely replacing firm capacity supplied by highly reliable large generating  
26      units. Demand-side resources are more complicated than Mr. Norwood's proposed options  
27      would suggest.

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<sup>1</sup> *Application of El Paso Electric Company to Change Rates*, Docket No. 46831, Pre-filed Direct Testimony of Clarence Johnson at 49.

1 Q. DOES EPE PROVIDE TIME-OF USE RATE OPTIONS TO INCENTIVIZE  
2 CUSTOMERS TO MANAGE CONSUMPTION DURING PEAK HOURS?

3 A. Yes. EPE offers voluntary TOU rate options for nearly all customer classes, except for  
4 lighting, and mandatory TOU rates for its largest customers. The challenge with voluntary  
5 programs in respect to customer load impacts is the willingness of customers to respond to  
6 price signals that are based on cost differentials. While mandatory pricing is more likely  
7 to produce reliable changes in customer load profiles, expansion to smaller customers and  
8 rate classes is frequently resisted in rate proceedings due to concerns over bill impacts. For  
9 example, in EPE's most recent base rate case, the rate consultant representing school district  
10 customers, El Paso County, the Housing Authority of the City of El Paso, and El Paso  
11 Community College objected to adding *voluntary* TOU pricing options to the applicable  
12 tariff (on which numerous City of El Paso accounts receive service) and in fact argued for  
13 rate structures offering lower rates for increased consumption.<sup>2</sup> Demand responsive and  
14 time-based pricing options can affect total customer demand, especially over time, but the  
15 long-accepted practice of utilities planning to reliably serve their forecasted peak is to  
16 *secure* resources in advance to serve expected customer load.

17  
18 Q. MR. NORWOOD SAYS HE IS CONCERNED THAT EPE'S ECONOMIC ANALYSIS  
19 SUPPORTING THE SELECTION OF NEWMAN 6 DOES NOT ACCOUNT FOR THE  
20 ENERGY TRANSITION ACT ("ETA") LEGISLATION RECENTLY ENACTED IN  
21 NEW MEXICO. (PAGES 18-19) DOES THE ETA CONTROL EPE'S RESOURCE  
22 PROCUREMENT FOR TEXAS?

23 A. No, it does not. The New Mexico Renewable Energy Act ("REA"), which was amended  
24 in 2019 by a legislative package that included the ETA ("New Mexico Legislation"),  
25 applies to resources and energy delivered to EPE's New Mexico customers, which  
26 represents approximately 20% of our customer base. Among other things, it expanded the  
27 Renewable Portfolio Standard ("RPS") requirements with which EPE must comply, subject  
28 to reliability and cost considerations. Mr. Norwood concedes that New Mexico law should  
29 not dictate how EPE plans to serve its Texas customers or regulation by the Commission<sup>3</sup>

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<sup>2</sup> Docket No. 46831, Pre-filed Direct Testimony of James Daniel at 18:18-21:17.

<sup>3</sup> Direct Testimony of Scott Norwood at 18:21-19.1 ("While this change may not bind EPE's actions

but then, by his recommendation, proposes that EPE modify its plans for serving Texas customers based on the requirements of the New Mexico REA.

Q. DID EPE CONSIDER THE IMPACT OF THE AMENDED REA IN THE PROCESS OF RESOURCE SELECTION ANALYSES THAT PRODUCED THE NEWMAN 6 PROPOSAL?

A. The All-Source RFP, submittal of bids, resource analysis, and selection process that produced the resource portfolio, of which Newman Unit 6 is a part, occurred in late 2018, while the amendments to the REA became effective in June 2019, so as a practical matter it did not figure in the selection. The fact that the resources were being selected to serve system-wide load requirements, not New Mexico load alone, was a larger consideration. However, EPE actively tracked the drafts of the New Mexico Legislation and was aware of the possible implications early in 2019. Based on the resource bids that EPE received, the Company was aware it was likely to select a large amount of low-cost renewable resources, which would be consistent with expanded RPS requirements in New Mexico. In fact, analyses in 2017 and 2018 conducted as part of EPE's 2018 Integrated Resource Planning indicated that a competitive resource procurement was likely to yield a large amount of cost-competitive renewable resources along with gas-fired generation. That analysis was confirmed through the All-Source RFP process, and the selection of 200 megawatts ("MW") of solar generation PPAs will contribute significantly to meeting EPE's New Mexico RPS requirements.

Q. IS THERE A RESOURCE SELECTION PROCESS IN NEW MEXICO DESIGNED TO PROCURE RESOURCES SOLELY FOR NEW MEXICO CUSTOMERS?

A. Yes. The REA includes provisions for procurement of qualifying renewable resources dedicated solely to serving New Mexico customers. Costs associated with these resources will be directly assigned to New Mexico customers and will not impact the service provided or rates charged to EPE's Texas customers. EPE's compliance with the renewable requirements of the New Mexico legislation will be accomplished with a combination of competitively procured resources, such as LTPPAs procured along with the gas-fired

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regarding services and charges for its Texas service area...").



1 generation proposed here, as well as other, dedicated renewable resources. Mr. Norwood's  
2 expressed concerns regarding the New Mexico Legislation and EPE resource planning are  
3 not well founded.  
4

5 **IV. Update on New Mexico Proceedings**

6 Q. WHAT IS THE STATUS OF EPE'S NEW MEXICO REGULATORY PROCEEDINGS  
7 FOR APPROVAL OF THE 2017 RFP RESOURCES?

8 A. EPE filed two applications in New Mexico concurrent with the filing of this CCN  
9 application in Texas; a companion CCN application for Newman Unit 6 in that jurisdiction;  
10 and an application for approval of three LTPPAs. Prior approval for PPAs for resource  
11 procurement of more than five years is required in New Mexico. The CCN application,  
12 Cas No. 19-00349-UT, is currently in progress, with Commission Staff and intervenor  
13 testimony filed on April 24, 2020, and rebuttal testimony from EPE due June 5, 2020.  
14 Hearings in the proceeding are scheduled to begin July 20, 2020.

15 On May 13, 2020, the NMPRC issued a final order adopting the recommended  
16 decision in the case, which approved two LTPPA's, for a 100-MW solar generation facility.  
17 and a second 100-MW solar generation facility coupled with a 50-MW battery energy  
18 storage system. The NMPRC rejected the third proposed LTPPA for a 50-MW stand-alone  
19 battery energy storage facility.  
20

21 **V. Conclusion**

22 Q. DOES THIS CONCLUDE YOUR REBUTTAL TESTIMONY?

23 A. Yes, it does.