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PUC DOCKET NO. 50477

COMPLIANCE FILING FOR DOCKET NO. 49849 (JOINT REPORT AND APPLICATION OF EL PASO ELECTRIC COMPANY, SUN JUPITER HOLDINGS LLC, AND IIF US HOLDING 2 LP FOR REGULATORY APPROVALS UNDER PURA §§ 14.101, 39.262, AND 39.915)	§ § § § § § §	**PUBLIC UTILITY COMMISSION OF TEXAS**

TEXAS INDUSTRIAL ENERGY CONSUMERS AND VINTON STEEL, LLC'S JOINT REPLY TO COMMENTS OF THE OFFICE OF PUBLIC UTILITY COUNSEL

Texas Industrial Energy Consumers (TIEC) and Vinton Steel, LLC (Vinton Steel) respectfully submit these joint comments in reply to the comments submitted by the Office of Public Utility Counsel (OPUC).

TIEC and Vinton Steel oppose OPUC's proposal to categorically exclude the interruptible class (Rate Class 38) from sharing in the merger rate credit. EPE's application allocates the $21 million rate credit based on each class's contribution to base revenues.[1] EPE states that it believes this allocation is equitable "because it gives each class an equal percentage reduction to their 2019 base rate revenue contribution."[2] Consistent with this approach, EPE proposes to allocate $165,000 (or 0.79%) of the merger credit to the interruptible class.[3] In its comments, OPUC states that it does not have an objection to EPE's allocation methodology.[4] Nevertheless, OPUC argues—in a single sentence—that the interruptible class "should be removed from the allocation methodology, as interruptible sales are non-firm sales and as such are not subject to cost-of-service allocation in any Company rate case."[5]

OPUC's proposal is baseless. As an initial matter, no class's rates are actually based on a class cost of service study (CCOSS) because EPE's current base rates were established by a black-

[1] Application at 6.
[2] *Id.*
[3] *Id.* at Attachment 2.
[4] OPUC's Comments on the Merits at 2 (May 14, 2020).
[5] *Id.*

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box settlement.[6] More importantly, OPUC's confusing statement regarding a "cost-of-service allocation" is irrelevant because interruptible customers are in fact charged base rates and thus contribute to EPE's base revenues. Accordingly, they should share in the merger rate credit. Indeed, EPE's application shows that the interruptible class contributed nearly $4 million in base revenues in 2019.[7] While this is a small portion of EPE's overall base revenues, interruptible customers would receive only a fractional allocation of the credit under EPE's application.

There is no indication whatsoever in the Final Order or stipulation documents in the EPE sale/transfer/merger case that the interruptible class should be excluded from the merger rate credits.[8] And such an exclusion would be inconsistent with the allocation methodology that EPE has proposed in this case, to which OPUC states it does not object. OPUC has not provided any valid reason or evidence to support departing from EPE's proposed allocation of the merger rate credit. TIEC and Vinton Steel request that OPUC's proposal be rejected.

Respectfully submitted,

THOMPSON & KNIGHT LLP

/s/ James Z. Zhu
Rex D. VanMiddlesworth
State Bar No. 20449400
Benjamin Hallmark
State Bar No. 24069865
James Zhu
State Bar No. 24102683
98 San Jacinto Blvd., Suite 1900
Austin, Texas 78701
(512) 469.6100
(512) 469.6180 (fax)

ATTORNEYS FOR TEXAS INDUSTRIAL ENERGY CONSUMERS

[6] *Application of El Paso Electric Company to Change Rates*, Docket No. 46831, Final Order (Dec. 18, 2017). In fact, all of EPE's recent base rate cases were settled. *See, e.g., Application of El Paso Electric Company to Change Rates*, Docket No. 44941, Final Order (Aug. 25, 2016).
[7] Application at Attachment 2 at 1.
[8] *Joint Report and Application of El Paso Electric Company, Sun Jupiter Holdings LLC, and IIF US Holding 2 LP for Regulatory Approvals under PURA §§ 14.101, 39.262, and 39.915*, Docket No. 49849, Final Order at FoF 58 (Jan. 28, 2020).

LAW OFFICE OF MIGUEL A. HUERTA, PLLC

Miguel A. Huerta
State Bar No. 00787733
7500 Rialto Blvd., Ste. 250
Austin, Texas 78735
(512) 494-9500 (Telephone)
(512) 494-9505 (Facsimile)
miguel@mhuertalaw.com

ATTORNEYS FOR VINTON STEEL, LLC

CERTIFICATE OF SERVICE

I, James Z. Zhu, Attorney for TIEC, hereby certify that a copy of the foregoing document was served on all parties of record in this proceeding on this 21st day of May, 2020 by facsimile, electronic mail and/or First Class, U.S. Mail, Postage Prepaid.

/s/ James Z. Zhu
James Z. Zhu