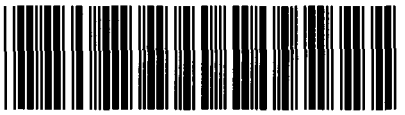
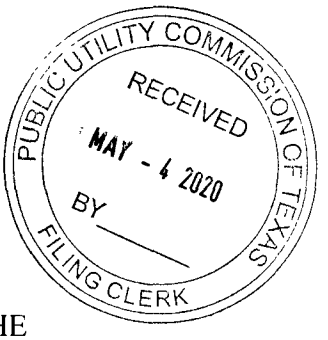


Control Number: 50277

Item Number: 56

Addendum StartPage: 0




PUC 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 | § § § § § § § | BEFORE THE PUBLIC UTILITY COMMISSION OF TEXAS |

EL PASO ELECTRIC COMPANY'S RESPONSE TO CITY OF EL PASO'S THIRD REQUEST FOR INFORMATION QUESTION NOS. CEP 3-1 THROUGH CEP 3-16

TABLE OF CONTENTS

MAY 4, 2020

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 | § § § § § § | BEFORE THE PUBLIC UTILITY COMMISSION OF TEXAS |

EL PASO ELECTRIC COMPANY'S RESPONSE TO
CITY OF EL PASO'S THIRD REQUEST FOR INFORMATION
QUESTION NOS. CEP 3-1 THROUGH CEP 3-16

CEP 3-1:

Provide a listing of the capacity level (MW) and price ($/KW month) of any short-term capacity sales agreements offered to EPE during the RFP process that led to the selection of Newman 6.

RESPONSE:

EPE did not receive any capacity sales proposals that would be categorized as "short-term". All capacity sales proposals were for a term of at least 20 years.

Preparer: Yasser Murga Title: Senior Engineer – Resource Planning

Sponsor: Omar Gallegos Title: Director – Resource Planning & Management

DOCKET NO. 50277

| | | |
|---|---|---|
| APPLICATION OF EL PASO | § | |
| ELECTRIC COMPANY TO AMEND | § | BEFORE THE |
| ITS CERTIFICATE OF | § | |
| CONVENIENCE AND NECESSITY | § | PUBLIC UTILITY COMMISSION |
| FOR AN ADDITIONAL | § | |
| GENERATING UNIT AT THE | § | OF TEXAS |
| NEWMAN GENERATING STATION | § | |

EL PASO ELECTRIC COMPANY'S RESPONSE TO
CITY OF EL PASO'S THIRD REQUEST FOR INFORMATION
QUESTION NOS. CEP 3-1 THROUGH CEP 3-16

CEP 3-2:

Identify any significant capital additions or equipment repairs and the associated costs that would be required for continued operations of Rio Grande 7, and Newman 1 and 2, for 5 years beyond the current planned retirement dates of each unit.

RESPONSE:

Please see EPE's response to CEP 2-8.

| | | | |
|---|---|---|---|
| Preparer: | Omar Gallegos | Title: | Director – Resource Planning & Management |
| | Jose Guaderrama | | Senior Director – Power Generation Operations |
| Sponsor: | Omar Gallegos | Title: | Director – Resource Planning & Management |

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 | § § § § § § § | BEFORE THE PUBLIC UTILITY COMMISSION OF TEXAS |

EL PASO ELECTRIC COMPANY'S RESPONSE TO
CITY OF EL PASO'S THIRD REQUEST FOR INFORMATION
QUESTION NOS. CEP 3-1 THROUGH CEP 3-16

CEP 3-3:

Reference the response to CEP 1-11, explain why EPE has not performed benchmarking analyses used to demonstrate that models used for the production cost analyses supporting the need and economic benefits of the proposed Newman 6 CT unit are reasonably simulating operations and costs of EPE's generating resources.

RESPONSE:

Benchmarking analyses have not been done due to the fact that Strategist and PROMOD models are considered to be common industry practice for the type of analysis as used by EPE. EPE has been utilizing PROMOD effectively for well over ten years for annual production cost modeling, dispatch planning, and budgeting. EPE has not observed any anomalies in model results versus EPE's actual operations and costs of generation resources. When EPE has performed back casts, as in EPE's last Texas Fuel Reconciliation Docket No. 46308, PROMOD production cost modeling has proven to be comparable to actual operations and costs.

Both of these models have been used in past RFP solicitations and analyses. Strategist has also been effectively utilized by EPE for well over ten years in past solicitations and resource selections. EPE worked jointly with Strategist personnel in the initial set-up of the model for EPE's system as well as periodically as EPE works through RFP selections. Additionally, it is noted that EPE's Newman Unit 6 selection via the full evaluation process and Strategist is comparable to E3's RFP selection utilizing their methodologies and software tools.

Preparer: Yasser Murga — Title: Senior Engineer – Resource Planning

Sponsor: Omar Gallegos — Title: Director – Resource Planning & Management

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 | § § § § § § § | BEFORE THE PUBLIC UTILITY COMMISSION OF TEXAS |

EL PASO ELECTRIC COMPANY'S RESPONSE TO
CITY OF EL PASO'S THIRD REQUEST FOR INFORMATION
QUESTION NOS. CEP 3-1 THROUGH CEP 3-16

CEP 3-4:

Reference the response to CEP 1-11, provide the results and underlying assumptions of any analyses conducted by EPE to demonstrate that models used for the production cost analyses supporting the need and economic benefits of the proposed Newman 6 CT unit are reasonably simulating operations and costs of EPE's generating resources.

RESPONSE:

Please see EPE's response to CEP 3-3.

Preparer: Yasser Murga Title: Senior Engineer – Resource Planning

Sponsor: Omar Gallegos Title: Director – Resource Planning & Management

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 | § § § § § § § | BEFORE THE PUBLIC UTILITY COMMISSION OF TEXAS |

EL PASO ELECTRIC COMPANY'S RESPONSE TO
CITY OF EL PASO'S THIRD REQUEST FOR INFORMATION
QUESTION NOS. CEP 3-1 THROUGH CEP 3-16

CEP 3-5:

Reference page 22 of witness Gallegos's direct testimony, provide the referenced study of solar output and provide the average output of solar resources during peak hours resulting from this analysis.

RESPONSE:

Please see CEP 3-05 Attachment 1 - VOLUMINOUS for a copy of the study. EPE's solar output analysis is based on actual 2016 data which illustrated that solar capacity was at least 25 percent of nameplate during peak given a 95 percent probability. The study reference in my testimony was not addressing average expected output, but rather what dependable capacity value can be assigned to solar on average. The average output during peak hours of each month in 2019 is provided below.

| MONTH | WEIGHTED AVERAGE |
|---|---|
| January | 0.00 |
| February | 0.00 |
| March | 0.53 |
| April | 0.72 |
| May | 0.76 |
| June | 0.78 |
| July | 0.68 |
| August | 0.67 |
| September | 0.63 |

| | |
|---|---|
| October | 0.80 |
| November | 0.00 |
| December | 0.00 |

Preparer: Daniel Holguin Title: Engineer – Principal

Sponsor: Omar Gallegos Title: Director – Resource Planning & Management

PUBLIC

CEP 3-05 Attachment 1- VOLUMINOUS is available on the Public Utility Commission of Texas interchange. Parties to the case will be served through Accellion.

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 | § § § § § § § | BEFORE THE PUBLIC UTILITY COMMISSION OF TEXAS |

EL PASO ELECTRIC COMPANY'S RESPONSE TO
CITY OF EL PASO'S THIRD REQUEST FOR INFORMATION
QUESTION NOS. CEP 3-1 THROUGH CEP 3-16

CEP 3-6:

Reference the 2018 IRP provided in response to CEP 1-1, provide any regulatory Commission orders addressing approval or modification of this IRP and indicate whether this is the most recent IRP prepared by the Company.

RESPONSE:

The 2018 IRP is EPE's most recent prepared plan and has been filed under NMPRC Case No. 18-00293-UT. Commission orders in NMPRC Case No. 18-00293-UT are publicly available on the NMPRC's eDOCKET website at:
https://edocket.nmprc.state.nm.us/Login.aspx?ReturnUrl=%2f

Public access can be gained by using the following credentials:
Username - webguest
Password - webguest#1

To search for documents filed in NMPRC Case No. 18-00293-UT, click "search," subsequently click "documents search," and then insert "18-00293-UT" into the "Case #" field.

Preparer: Mariah M. Novela Title: Regulatory Case Manager

Sponsor: James Schichtl Title: Vice President – Regulatory Affairs

DOCKET NO. 50277

| | | |
|---|---|---|
| APPLICATION OF EL PASO | § | |
| ELECTRIC COMPANY TO AMEND | § | BEFORE THE |
| ITS CERTIFICATE OF | § | |
| CONVENIENCE AND NECESSITY | § | PUBLIC UTILITY COMMISSION |
| FOR AN ADDITIONAL | § | |
| GENERATING UNIT AT THE | § | OF TEXAS |
| NEWMAN GENERATING STATION | § | |

EL PASO ELECTRIC COMPANY'S RESPONSE TO
CITY OF EL PASO'S THIRD REQUEST FOR INFORMATION
QUESTION NOS. CEP 3-1 THROUGH CEP 3-16

CEP 3-7:

Reference page 35, lines 14-19 of witness Gallegos's direct testimony, to what extent is the in-service date and final cost of construction of Newman 6 contingent upon the five factors identified in this testimony.

RESPONSE:

The in-service date has a potential to be impacted by each of the five factors identified in testimony by potentially delaying the commercial operation date resulting in the risk of EPE not adequately meeting its planning reserve requirements as outlined in the Loads and Resources plan. Additionally, the cost of construction of Newman 6 can potentially increase, if the project is delayed as a result of any of the five items are not successfully completed on time. EPE cannot speculate on the length of a potential delay or specific cost impacts.

| | | | |
|---|---|---|---|
| Preparer: | Yasser Murga | Title: | Senior Engineer – Resource Planning |
| Sponsor: | Omar Gallegos<br>David Hawkins | Title: | Director – Resource Planning &<br>Vice President – Power Generation &<br>System Planning & Dispatch |

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 | § § § § § § § | BEFORE THE PUBLIC UTILITY COMMISSION OF TEXAS |

EL PASO ELECTRIC COMPANY'S RESPONSE TO
CITY OF EL PASO'S THIRD REQUEST FOR INFORMATION
QUESTION NOS. CEP 3-1 THROUGH CEP 3-16

CEP 3-8:

Reference page 35, lines 14-19 of witness Gallegos's direct testimony, provide the status of resolution of each of the five factors identified in this passage of testimony and indicate any known impacts on the schedule or final cost of the plant when compared to what was assumed in the analyses leading to selection of the Newman 6 project.

RESPONSE:

Please see EPE's response to CEP 03-15 for an update on transmission upgrade costs. Outside of the transmission upgrade update, there are currently no known impacts on the schedule or final cost of the plant related to the five factors identified. The current status of each: (1) negotiation and execution of contracts; turbine supplier contact has been signed; (2) request for transmission service and completion of required transmission upgrade analyses; as described in the testimony of EPE witness David C. Hawkins requests for transmission service have been made under EPE's Open Access Transmission Tariff and the required analyses of transmission upgrades is in progress; (3) required regulatory approvals; are ongoing; (4) construction of facilities including transmission upgrades; have not been initiated and (5) testing and integration of the completed Project into EPE's system operations; has not been initiated.

| | | |
|---|---|---|
| Preparer: | Yasser Murga | Title: Senior Engineer – Resource Planning |
| Sponsor: | Omar Gallegos | Title: Director - Resource Planning & Management |
| | Dave Hawkins | Title: Vice President - Power Generation, System Planning & Dispatch |

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 | § § § § § § § | BEFORE THE PUBLIC UTILITY COMMISSION OF TEXAS |

EL PASO ELECTRIC COMPANY'S RESPONSE TO
CITY OF EL PASO'S THIRD REQUEST FOR INFORMATION
QUESTION NOS. CEP 3-1 THROUGH CEP 3-16

CEP 3-9:

Reference page 8 of witness Oliver's direct testimony, provide documentation to support the testimony that use of a 25% capacity value for the evaluation of up to an additional 300 MW of additional solar nameplate capacity on the EPE system is reasonable and consistent with the practice of other utilities.

RESPONSE:

The issue of the capacity value of solar was one of the earlier issues discussed between EPE and Merrimack Energy. As noted in Mr. Gallegos testimony, EPE conducted a study of its own system to determine the capacity contribution for solar during the peak hours. EPE determined that a 25% solar capacity credit was appropriate to assign to EPE's new solar resources to maintain system reliability. EPE also informed the IE that it was retaining NREL to assess the impacts on planning reserves based on the addition of 300 MW of solar and wind on its system. EPE informed Merrimack Energy that NREL's analysis confirmed EPE's results for solar capacity value of 25% at peak. NREL has been an industry leader in conducting assessments of the capacity value of solar and wind resources and has been conducting such analysis for a number of years. Merrimack Energy also performed a search of the literature for studies addressing estimates of the capacity value or capacity contribution of solar. One of the key themes in the studies at that time was the conclusion that as the amount of solar penetration increased the marginal capacity value of solar declined precipitously. Also, around the same time, Merrimack Energy was serving as IE for Resource Adequacy (RA) solicitations for utilities in California. In that timeframe, the capacity market in California changed quite dramatically in terms of available capacity and associated rising RA prices. While there were several reasons for the change in the RA market, one reason was that based on the Effective Load Carrying Capability analysis, the capacity value of solar PV in California was reduced considerably.

Please see PacifiCorp's 2019 Integrated Resource Plan, available at the following website: https://www.pacificorp.com/energy/integrated-resource-plan.html, for an example of a utility that attributes less than 25% capacity contribution to solar PV in parts of its system.

Preparer: Wayne J. Oliver Title: Independent Evaluator – Merrimack Energy Group, Inc.

Sponsor: Wayne J. Oliver

Title: Independent Evaluator – Merrimack Energy Group, Inc.

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 | § § § § § § § | BEFORE THE PUBLIC UTILITY COMMISSION OF TEXAS |

EL PASO ELECTRIC COMPANY'S RESPONSE TO
CITY OF EL PASO'S THIRD REQUEST FOR INFORMATION
QUESTION NOS. CEP 3-1 THROUGH CEP 3-16

CEP 3-10:

Reference pages 8-9, conclusion paragraph 7., of witness Oliver's direct testimony, identify any actions taken by witness Oliver or his firm to verify that the Strategist and Aurora models were reasonably simulating operations of the EPE system, and that inputs to the models were reasonable.

RESPONSE:

Mr. Oliver did not perform an audit on each equation of either the Strategist or Aurora model to assess whether the models were reasonably simulating operations of the EPE system. However, Mr. Oliver has served as IE for a number of utility solicitations in which the utility uses Strategist for generation planning and portfolio optimization associated with a solicitation process. The Strategist model is a widely used standard modeling software in the electric utility industry and vetted by a number of utilities to ensure accuracy and reliability of the results. As required in the IE Scope of Work, Mr. Oliver reviewed the modeling inputs and model assumptions, reviewed the evaluation results for shortlist selection, and reviewed and assessed economic evaluation results including model outputs. Mr. Oliver requested and was provided with the output files from the Strategist model, reviewed the results, and held conference calls with EPE staff to discuss the results associated with the selected portfolios and other portfolios. Mr. Oliver did not review the outputs from the Aurora model because the model did not have a key role in shortlist or final selection.

Preparer: Wayne J. Oliver — Title: Independent Evaluator – Merrimack Energy Group, Inc.

Sponsor: Wayne J. Oliver — Title: Independent Evaluator – Merrimack Energy Group, Inc.

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 | § § § § § § § | BEFORE THE PUBLIC UTILITY COMMISSION OF TEXAS |

EL PASO ELECTRIC COMPANY'S RESPONSE TO
CITY OF EL PASO'S THIRD REQUEST FOR INFORMATION
QUESTION NOS. CEP 3-1 THROUGH CEP 3-16

CEP 3-11:

Reference page 9, conclusion paragraph 8., of witness Oliver's direct testimony, identify any requirements of bidders specified in the RFP that were not met by EPE's self-build Newman 6 proposal.

RESPONSE:

The RFP states that EPE will accept proposals for single CTs with approximate capacities between 80 to 200 MW or a combination of CTs up to the 370 MW amount. Since the actual size of the project selected was over 200 MW it could potentially be argued that a CT larger than 200 MW would not be eligible. However, since it generally is not possible to receive proposals from conventional resources that exactly meet the size requirements listed, EPE used the word approximate to provide a reasonable range. The size of the Newman 6 proposal is within a reasonable range of the resource size listed in the RFP.

Preparer: Wayne J. Oliver — Title: Independent Evaluator – Merrimack Energy Group, Inc.

Sponsor: Wayne J. Oliver — Title: Independent Evaluator – Merrimack Energy Group, Inc.

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 | § § § § § § § | BEFORE THE PUBLIC UTILITY COMMISSION OF TEXAS |

EL PASO ELECTRIC COMPANY'S RESPONSE TO
CITY OF EL PASO'S THIRD REQUEST FOR INFORMATION
QUESTION NOS. CEP 3-1 THROUGH CEP 3-16

CEP 3-12:

Reference page 7 of witness Hawkins' direct testimony, provide the annual start and average capacity factor of Rio Grande Unit 9, and Montana Units 1, 2, 3 and 4 for each of the last three calendar years and as forecasted for the first three years after commercial operations of Newman 6.

RESPONSE:

Please refer to CEP 01-16 Attachment 1 - Tab B – 3rd Errata for the corrected average capacity factor information requested.

Please refer to CEP 01-16 Attachment 1 - Tab K for the start information requested.

Please see the table below for the projected annual starts and average capacity factors for 2024 based on the PROMOD run conducted for this filing. This is the first full year of Newman 6 operation. EPE does not have the requested data beyond 2024.

| Unit | Annual Starts | Capacity Factor (%) |
|---|---|---|
| Rio Grande 9 | 259 | 29 |
| Montana 1 | 199 | 41 |
| Montana 2 | 190 | 36 |
| Montana 3 | 200 | 30 |
| Montana 4 | 197 | 54 |

Preparer: Aaron A. Arzaga, Daniel Holguin — Title: Sr. Regulatory Plant Analyst, Engineer – Principal

Sponsor: David C. Hawkins — Title: VP- Generation, System Planning and Dispatch

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 | § § § § § § § | BEFORE THE PUBLIC UTILITY COMMISSION OF TEXAS |

EL PASO ELECTRIC COMPANY'S RESPONSE TO
CITY OF EL PASO'S THIRD REQUEST FOR INFORMATION
QUESTION NOS. CEP 3-1 THROUGH CEP 3-16

CEP 3-13:

Reference page 8 of witness Hawkins' direct testimony, provide operating statistics for existing MHPSA GAC combustion turbine generating units that are presently in service that support the testimony that this generating technology is both proven and advanced.

RESPONSE:

This Mitsubishi combustion turbine technology has over 5 million operating hours with a 99% reliability rating with over 8,000 starts. As of the end of 2019 there were 25 units in operation, 6 under construction and 5 in the manufacturing phase.

Preparer: Jose L. Guaderrama Title: Sr. Director - Operations

Sponsor: David C. Hawkins Title: Vice President – Generation, System Planning and Dispatch

DOCKET NO. 50277

| | | |
|---|---|---|
| APPLICATION OF EL PASO | § | |
| ELECTRIC COMPANY TO AMEND | § | BEFORE THE |
| ITS CERTIFICATE OF | § | |
| CONVENIENCE AND NECESSITY | § | PUBLIC UTILITY COMMISSION |
| FOR AN ADDITIONAL | § | |
| GENERATING UNIT AT THE | § | OF TEXAS |
| NEWMAN GENERATING STATION | § | |

EL PASO ELECTRIC COMPANY'S RESPONSE TO
CITY OF EL PASO'S THIRD REQUEST FOR INFORMATION
QUESTION NOS. CEP 3-1 THROUGH CEP 3-16

CEP 3-14:

Reference page 9 of witness Hawkins' direct testimony, provide the change in costs related to the two changes (quick start and hot SCR addition) in the proposed MCPSA GAC unit, when compared to costs used for Newman 6 in EPE's bid evaluation and selection process and indicate how these changes would have impacted the final bid rankings.

RESPONSE:

The capital costs of the hot SCR were included in the proposal as evaluated and there were no capital or maintenance costs associated with the quick start capability. Please refer to page 35 of the Direct Testimony of Omar Gallegos. The changes related to the heat rate change associated with quick start capability and hot SCR did not change the final portfolio rankings.

| | | | |
|---|---|---|---|
| Preparer: | Omar Gallegos | Title: | Director – Resource Planning & Management |
| | Yasser Murga | | Engineer – Resource Planning |
| Sponsor: | Omar Gallegos | Title: | Director – Resource Planning & Management |

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 | § § § § § § § | BEFORE THE PUBLIC UTILITY COMMISSION OF TEXAS |

EL PASO ELECTRIC COMPANY'S RESPONSE TO
CITY OF EL PASO'S THIRD REQUEST FOR INFORMATION
QUESTION NOS. CEP 3-1 THROUGH CEP 3-16

CEP 3-15:

What is EPE's current estimate of transmission interconnection costs for Newman 6 and how does that compare to transmission interconnection costs included in the Company's bid evaluation process for the project?

RESPONSE:

EPE's current estimate is that the cost of a new substation is approximately $7 million, and that the interconnection facilities from the generating facility to the point of interconnection at the substation site will be approximately $600,000. In addition, since a new substation has been identified as necessary, this substation will have to be cut into EPE's existing transmission system. The cost of this transmission cut-in has been estimated at approximately $1.5 million. Please refer to CEP 3-15 Attachment 1, Tables 24, 25 and 26. As denoted in the Direct Testimony of David Hawkins page 13, the bid evaluation included $1.2 million for interconnection to the EPE system in addition to the $3.1 million for any upstream substation work.

Preparer: Roberto Favela — Title: Engineer - Principal

Walter C. Kline — Manager – Outages and Generation Projects

Sponsor: David C. Hawkins — Title: Vice President – Generation, System Planning and Dispatch

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CEP 3-15 Attachment 1- is available on the Public Utility Commission of Texas interchange. Parties to the case will be served through Accellion.

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 | § § § § § § § | BEFORE THE PUBLIC UTILITY COMMISSION OF TEXAS |

EL PASO ELECTRIC COMPANY'S RESPONSE TO
CITY OF EL PASO'S THIRD REQUEST FOR INFORMATION
QUESTION NOS. CEP 3-1 THROUGH CEP 3-16

CEP 3-16:

What is EPE's current estimate of non-fuel O&M costs for Newman 6 and how does that compare to transmission interconnection costs included in the Company's bid evaluation process for the project?

RESPONSE:

For non-fuel O&M costs refer to Exhibit DCH-5 Estimated Operations and Maintenance Costs.

O&M costs are not comparable to transmission interconnection costs.

| | | | |
|---|---|---|---|
| Preparer: | Omar Gallegos | Title: | Director – Resource Planning & Management |
| | Walter Kline | | Manager – Outages & Generation Projects |
| Sponsor: | Omar Gallegos | Title: | Director – Resource Planning & Management |
| | David Hawkins | | VP – Power Generation and System Planning & Dispatch |