

**CITY OF EL PASO, TEXAS
AGENDA ITEM
DEPARTMENT HEAD'S SUMMARY FORM**

DEPARTMENT: Financial Services

AGENDA DATE: August 28, 2012

CONTACT PERSON NAME AND PHONE NUMBER: Carmen Arrieta-Candelaria, CFO (915) 541-4011

DISTRICT(S) AFFECTED: ALL

SUBJECT:

APPROVE a resolution / ordinance / lease to do what? **OR AUTHORIZE** the City Manager to do what? Be descriptive of what we want Council to approve. Include \$ amount if applicable.

Discussion and action on Petition of El Paso Electric Company for Approval of Rate Schedule 25-A-Large Power Service-Experimental Off Peak Rate filed with the City of El Paso and with the Public Utility Commission of Texas, PUC Docket No. 40641.

BACKGROUND / DISCUSSION:

Discussion of the what, why, where, when, and how to enable Council to have reasonably complete description of the contemplated action. This should include attachment of bid tabulation, or ordinance or resolution if appropriate. What are the benefits to the City of this action? What are the citizen concerns?

El Paso City Council will consider the impact of the Petition by El Paso Electric Company for approval of Rate Schedule No. 25A – Large Power Service-Experimental Off Peak Rate.

PRIOR COUNCIL ACTION:

Has the Council previously considered this item or a closely related one?

N/A

AMOUNT AND SOURCE OF FUNDING:

How will this item be funded? Has the item been budgeted? If so, identify funding source by account numbers and description of account. Does it require a budget transfer?

N/A

BOARD / COMMISSION ACTION:

Enter appropriate comments or N/A

*****REQUIRED AUTHORIZATION*****

DEPARTMENT HEAD:

Carmen Arrieta-Candelaria
(If Department Head Summary Form is initiated by Purchasing, client department should sign also)

Information copy to appropriate Deputy City Manager

RESOLUTION

WHEREAS, El Paso Electric Company, distributes electric power within the City Limits of the City of El Paso pursuant to a 25-year franchise granted to El Paso Electric Company dated as of July 15, 2005, and is an electric utility;

WHEREAS, on August 13, 2012, El Paso Electric Company (“EPE” or the “Company”), filed with the City of El Paso its Petition of El Paso Electric Company for Approval of Rate Schedule No. 25A—Large Power Service—Experimental Off-Peak Rate;

WHEREAS, pursuant to applicable law, the City of El Paso maintains original jurisdiction over rates of El Paso Electric Company for rates charged within the City limits of the City of El Paso and the Petition specifies that the rate change within the City’s jurisdiction should be effective on September 1, 2012; and

WHEREAS, the City Council has determined that additional time and information is needed for it to study the proposed rate changes and tariffs and the reasons therefor;

WHEREAS, pursuant to the Public Utility Regulatory Act, Texas Utilities Code Section 36.108, the City of El Paso, as regulatory Authority, has the right to suspend the proposed rate change subject to the City’s jurisdiction for a period of up to 90 days after the proposed date the change would otherwise be effective; and

WHEREAS, the City Council has determined that it is in the best interest of its citizens and ratepayers to suspend the proposed rate change.

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF EL PASO:

1. That Rate Schedule 25A identified in the Petition of El Paso Electric Company for Approval of Rate Schedule No. 25A—Large Power Service—Experimental Off-Peak Rate is hereby suspended for 30 days subject to the City’s jurisdiction.
2. That the City Manager shall so notify El Paso Electric Company of the suspension and the order to submit working papers by having a copy of this Resolution delivered or mailed to the Acting Chief Executive Officer and Senior Vice President, Chief Financial Officer of the Company.

ADOPTED by the CITY OF EL PASO, TEXAS, this 28th day of August, 2012.

CITY OF EL PASO

John F. Cook
Mayor

ATTEST:

Richarda Duffy Momsen
City Clerk

APPROVED AS TO FORM:

Sylvia Borunda Firth
City Attorney

APPROVED AS TO CONTENT:

William F. Studer, Jr., Deputy City Manager
Finance and Management Support Services

TARIFF CONTROL NO. 40641

PETITION OF EL PASO ELECTRIC §
COMPANY FOR APPROVAL OF RATE § BEFORE THE PUBLIC UTILITY
SCHEDULE NO 25A - LARGE POWER § COMMISSION OF TEXAS
SERVICE - EXPERIMENTAL OFF-PEAK §
RATE §

PETITION OF EL PASO ELECTRIC COMPANY
FOR APPROVAL OF RATE SCHEDULE NO. 25A -
LARGE POWER SERVICE - EXPERIMENTAL OFF-PEAK RATE

TO THE HONORABLE PUBLIC UTILITY COMMISSION OF TEXAS AND MUNICIPAL REGULATORY AUTHORITIES:

El Paso Electric Company ("EPE" or "Company") submits this application for approval of new Rate Schedule 25A - Large Power Service - Experimental Off-Peak Rate (Rate 25A). This tariff, which EPE has developed in response to customer requests and input, will allow certain low-load factor customers who can shift their maximum demand to the off-peak period to reduce their bills. EPE has identified four customers that may qualify for Rate 25A. Three of those customers have indicated that absent the rate proposed in this petition, they may otherwise shut down operations.

EPE requests expedited approval, no later than September 1, 2012, which is also the date EPE proposes the new rate become effective.

In support, EPE shows the following:

I. BUSINESS ADDRESS AND AUTHORIZED REPRESENTATIVES

EPE's business address is 100 N. Stanton, El Paso, Texas 79901. EPE's authorized representative for the purpose of receiving service of documents is:

James Schichtl
Regulatory Case Manager
El Paso Electric Company
100 N. Stanton
El Paso, Texas 79901
(915) 521-4697
(915) 521-4450 (fax)

EPE's authorized legal representatives are:

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State Bar No. 18508200
Mark Held
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II. JURISDICTION

EPE is an electric utility under Sections 11.004 and 31.002 of the Public Utility Regulatory Act (PURA)¹ and is subject to the Commission's jurisdiction under PURA. The Commission has jurisdiction over this matter pursuant to PURA §§ 32.001, 32.101 and 36.001, together with P.U.C. SUBST. R. 25.241, and P.U.C. PROC. R. 22.33. EPE is filing this petition simultaneously with all of the Texas municipalities that have retained original jurisdiction over EPE's retail rates. These municipalities are El Paso, Anthony, Clint, Horizon, Socorro, Vinton, and Van Horn.

III. AFFECTED PARTIES, CLASSES OF CUSTOMERS AND TERRITORIES

The only parties that will be affected by the new experimental tariff will be those customers that qualify for the currently effective Rate 25 and have a twelve month average load factor of less than 30%. These are the customers who will be eligible for Rate 25A. EPE estimates that four of its customers will qualify for this new rate, and these customers will be notified of EPE's request. EPE proposes no other notice be provided because of the limited number customers affected. In terms of territory affected, this request will be applicable only to EPE's service territory within Texas.

¹ Public Utility Regulatory Act, TEX. UTIL. CODE ANN. §§ 11.001-66.017 (Vernon 2007 & Supp. 2012).

IV. REQUEST TO IMPLEMENT NEW TARIFF

To support its request, EPE is filing as Attachment A to this petition the direct testimony of Curtis Hutcheson, who is EPE's Manager-Economic & Rate Research. Attached to Mr. Hutcheson's testimony as Exhibit CH-1 is the proposed Rate 25A that EPE requests be approved.

EPE's current Rate Schedule 25—Large Power Service Rate (Rate 25) is a time of use rate with on-peak and off-peak energy charges. Rate 25 also has a demand charge, which applies to the customer's maximum metered demand regardless of when it occurs (e.g., whether during the on-peak or off-peak periods). In general terms, Rate 25 is available to customers with maximum demand greater than 600 kW that do not qualify for service under EPE's other rates.

In response to customer requests and input, EPE proposes the new Rate 25A. Rate 25A is an experimental tariff available to customers who qualify under the current Rate 25 and that have a low-load factor—defined as a twelve month average load factor of less than 30%. The new Rate 25A has the same on-peak and off-peak energy charges as those offered under Rate 25. However, rather than a single demand charge which applies to maximum metered demand, the new Rate 25A has both a maximum demand charge and a new on-peak demand charge. The on-peak demand charge is applied to 100% of the peak metered demand during the on-peak period for the billing cycle or during the last 11 months, while the maximum demand charge is set at a lower rate per kW than the existing Rate 25 demand charge. Thus, customers are provided a financial incentive to encourage maximum demand use during the off-peak period rather than the on-peak period. Customers that can do this will both lower their own electric bills and assist in lowering EPE's summer peak demand, which benefits all customers by reducing the demand that EPE must meet through generation.

EPE has determined that four of its customers may qualify for Rate 25A. In discussions with three of those customers, EPE was informed that they may close their operations absent the new rate offering. EPE estimates that if the customers can shift their maximum demand to the off-peak period, they would save on average 30% of their annual bill.

Proposed Rate 25A is not a discounted rate under PURA Section 36.007, because it will not result in a reduced rate for the same electric service as Rate 25. Instead, Rate 25A is designed to encourage customers to shift load to off-peak periods and thus reduce EPE's need for additional generation.

V. PROPOSED EFFECTIVE DATE OF THE REVISED TARIFF

EPE requests that the new tariff be approved with an effective date of September 1, 2012.

VI. PRAYER

For the reasons set out in this petition, EPE requests that the Commission and municipal authorities approve the proposed Rate 25A. EPE requests expedited approval no later than September 1, 2012, with a September 1, 2012 effective date.

Respectfully submitted,

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By: Mark Held by BJS
Mark Held

**ATTORNEYS FOR EL PASO
ELECTRIC COMPANY**

TARIFF CONTROL NO. 40641

PETITION OF EL PASO ELECTRIC	§	
COMPANY FOR APPROVAL OF RATE	§	PUBLIC UTILITY COMMISSION
SCHEDULE 25A - LARGE POWER	§	
SERVICE - EXPERIMENTAL OFF-PEAK	§	OF TEXAS
RATE	§	

DIRECT TESTIMONY OF
CURTIS HUTCHESON
FOR
EL PASO ELECTRIC COMPANY

AUGUST 10, 2012

DIRECT TESTIMONY
CURTIS HUTCHESON

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EXHIBITS

Exhibit CH-1	Rate Schedule 25A – Large Power Service – Experimental Off-Peak Rate
Exhibit CH-2	Large Power Service – Experimental Off-Peak Rate Calculation
Exhibit CH-3	Demand Revenue Impact

DIRECT TESTIMONY
CURTIS HUTCHESON

I. INTRODUCTION

1

2 **Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**3 A. My name is Curtis Hutcheson. My business address is 100 North Stanton, El Paso,
4 Texas, 79901.
56 **Q. HOW ARE YOU EMPLOYED?**7 A. I am employed by El Paso Electric Company ("EPE") as Manager-Economic & Rate
8 Research. I direct the work of the Economic & Rate Research Department.
910 **Q. PLEASE SUMMARIZE YOUR EDUCATIONAL AND BUSINESS**
11 **BACKGROUND.**12 A. I graduated from New Mexico State University in 1988 with a Bachelor of Science
13 degree in Mechanical Engineering and in 1990 with a Master of Arts in Economics
14 with a Public Utility Regulatory Option.15 I began working for EPE in 1991 as a Load Research Specialist in the Load
16 Research Section, which was within the Economic and Rate Research group. Among
17 my duties were the creation of load studies and the calculation of jurisdictional and
18 class allocators. I was also involved in creating econometric models of residential
19 load usage and statistical analyses of load data in the system. In 2004, the
20 responsibility for EPE's Long-Term and Budget Year Forecast was transferred to the
21 Load Research Section. In 2005, I was promoted to the position of Supervisor of
22 Load and Market Research. In that position, I directly oversaw the production and

1 review of the Long-Term Load Forecast for Energy and Demand. In July of 2008, I
2 became Manager—Economic & Rate Research.

3

4 **Q. PLEASE DESCRIBE YOUR CURRENT RESPONSIBILITIES WITH EPE.**

5 A. As Manager of the Economic & Rate Research Department, my primary
6 responsibilities include: (1) overseeing EPE's rate research function; (2) developing
7 EPE's jurisdictional cost of service studies; (3) developing EPE's class cost of service
8 studies; (4) conducting rate design analysis and developing EPE's retail rate
9 schedules and charges; and, (5) evaluating end-use costs to serve and develop
10 specialized rate designs and rate agreements.

11

12 **Q. HAVE YOU PREVIOUSLY PRESENTED TESTIMONY BEFORE UTILITY
13 REGULATORY BODIES?**

14 A. Yes, I have previously filed testimony with the Public Utility Commission of Texas
15 ("PUCT") and with the New Mexico Public Regulation Commission.

16

17 **II. PURPOSE OF TESTIMONY**

18 **Q. WHAT IS THE PURPOSE OF YOUR DIRECT TESTIMONY?**

19 A. The purpose of my direct testimony is to present and support the Company's
20 proposed new Rate Schedule 25A – Large Power Service – Experimental Off-Peak
21 Rate. I will present the tariff, the calculation of the rates and the demand revenue
22 impact comparison between the current Large Power Service Rate and the proposed
23 new Large Power Service – Experimental Off-Peak Rate. This new tariff is intended

1 to provide an alternative pricing option for low-load factor customers that more
 2 accurately reflects cost causation and provides these customers with a strong
 3 economic incentive, through lower bills, to avoid operating during EPE's summer
 4 peak load hours.

5
 6 **Q. ARE YOU SPONSORING ANY EXHIBITS IN YOUR TESTIMONY?**

7 A. Yes. I am sponsoring the following exhibits which are attached to this testimony:

8 Exhibit CH-1 Rate Schedule 25A – Large Power Service – Experimental
 9 Off-Peak Rate

10 Exhibit CH-2 Large Power Service – Experimental Off-Peak Rate Calculation

11 Exhibit CH-3 Demand Revenue Impact

12
 13 **III. PROPOSED NEW RATE SCHEDULE 25A – LARGE POWER SERVICE –**
 14 **EXPERIMENTAL OFF-PEAK RATE**

15 **Q. WHY HAS EPE DEVELOPED RATE SCHEDULE 25A – LARGE POWER**
 16 **SERVICE – EXPERIMENTAL OFF-PEAK RATE?**

17 A. In response to customer requests and input, EPE has developed Rate Schedule 25A –
 18 Large Power Service – Experimental Off-Peak Rate (“Rate 25A”) for low-load factor
 19 customers who can shift their maximum demand usage to the off-peak period.
 20 Customers with inherently low load factors are experiencing high costs per kWh due
 21 to the demand rate structure of the standard Rate Schedule 25 – Large Power Service
 22 (“Rate 25”). For purposes of the proposed rate, “low-load factor” means that for any
 23 12-month period the ratio of a customer’s average demand to maximum demand for
 24 the same period is less than 30% (average kW demand / maximum kW demand).

1 Average demand for the 12-month period is calculated by dividing kWh consumption
 2 over the 12-month period by the number of hours in the period, which is typically
 3 8,760 hours. Table 1 below compares the total annual costs per kWh under the
 4 current Rate 25, based on 2,500 kW of demand, for a 20% load factor customer
 5 versus a 70% load factor customer.

Table 1

Bill for Rate 25 - Large Power Service		
Average Monthly Load Factor	20%	70%
Annual Energy, kWh	4,380,000	15,330,000
Average Monthly Demand, kW	2,500	2,500
Annual Base Charges, \$	\$ 779,183	\$ 1,235,055
Unit Cost, \$/kWh	\$ 0.1779	\$ 0.0806

13 As shown in Table 1, the average cost per kWh for low-load factor customers
 14 is much higher than for high load factor customers under the existing Rate 25. In an
 15 effort to provide these low-load factor customers with an alternative that could enable
 16 them to lower their electric bills, while reducing demand during EPE's summer peak
 17 hours, EPE developed this alternative rate option, Rate 25A. A majority of these
 18 large, low-load factor customers have indicated that current high costs may cause
 19 them to discontinue operations. Based on EPE's conversations with these customers,
 20 the proposed Rate 25A should enable them to continue to operate.

21
 22 **Q. WHAT CUSTOMERS ARE ELIGIBLE TO TAKE SERVICE UNDER THIS**
 23 **NEW RATE?**

24 **A.** Rate 25A will be available for any customer who:

- 1 (1) qualifies for the current Rate 25, which in general terms includes
2 customers with maximum demand greater than 600 kW that do not
3 qualify for service under EPE's other rates; and,
4 (2) has a twelve-month average load factor of less than 30%.

5
6 **Q. WHY IS THE RATE LIMITED TO LOW LOAD FACTOR CUSTOMERS?**

7 A. Demand charges for low-load factor customers constitute a larger portion of the
8 monthly bill than for other, higher load factor customers. Of the \$779,183 annual
9 base charges shown in Table 1 above for the 20% load factor customer, \$590,100 is
10 related to the demand charge (2,500 kW x \$19.67 demand charge x 12 months). This
11 is 76% of the total annual bill. The 70% load factor bill contains the same \$590,100
12 demand charge in the annual bill, which comprises 48% of that annual bill. Lower
13 load factor customers are more able to shift their maximum demand to the off-peak
14 period than higher load factor customers, but under the existing Rate 25 have little
15 incentive to do so. This experimental off-peak rate is being offered on a limited basis
16 to provide these customers the opportunity to earn a reduction in their bills while
17 reducing EPE's system peak, and to allow EPE to evaluate the effectiveness of this
18 type of rate structure. As a result, this rate structure and the structures of other rates
19 may be modified in the future when integrated into EPE's full rate design.
20
21
22

1 Q. HOW DOES THE PROPOSED RATE 25A BENEFIT LOW-LOAD FACTOR
2 CUSTOMERS?

3 A. A customer taking service under Rate 25A has the opportunity to achieve cost savings
4 by shifting its peak demand to off-peak periods. Low-load factor customers served
5 on Rate 25 currently have very little incentive to do so, since modifying their
6 consumption profile has little impact on their bill.

7
8 Q. HOW WAS THE PROPOSED NEW RATE 25A DERIVED?

9 A. Rate 25A is based on the current Rate Schedule 25 - Large Power Service Rate,
10 which is a time-of-use rate with on-peak and off-peak energy charges and a demand
11 charge applicable to billing demand, which is typically the maximum measured
12 demand during the month. The definition of the billing demand also includes a 600
13 kW minimum demand and a 75% demand ratchet provision. The new proposed Rate
14 25A has the same on-peak and off-peak energy charges as under Rate 25. However,
15 rather than having a single demand charge which applies irrespective of when the
16 customer's peak demand occurs (i.e., during on-peak or off-peak hours), the new Rate
17 25A includes an on-peak¹ demand charge in addition to the maximum demand
18 charge. The new on-peak demand charge is applied to the customer's maximum
19 demand during the on-peak hours for the billing cycle. In addition, the on-peak
20 demand will include a 100% ratchet provision. The maximum demand charge for the
21 new Rate 25A is lower than the existing Rate 25 demand charge. However, the on-
22 peak demand charge will be \$20.19 per kW for service at secondary voltage and

¹ The On-Peak period is defined as the hours of noon to 6:00 P.M., during the months of June to September (Summer). Off-Peak constitutes all other hours in the year.

1 \$19.83 per kW for service at primary voltage. Therefore, the combined effect of the
2 on-peak demand charge and the maximum demand charge will provide a strong
3 economic incentive for customers to reduce their loads during EPE's peak load hours.

4 As mentioned above, a low-load factor indicates a customer has low energy
5 usage relative to maximum measured demand. While customers eligible for this new
6 rate may not have a large amount of energy to shift to the off-peak period, they
7 should be able to shift a significant portion of their peak demand to the off-peak
8 period, which would substantially reduce their bills. The new Rate 25A would
9 encourage these customers to shift their maximum demands to the off-peak period
10 from the on-peak period. Customers that can adjust their loads in this manner will
11 assist in lowering EPE's summer peak demand while they lower their own electric
12 bills.

13
14 **Q. BESIDES THE NEW ON-PEAK DEMAND CHARGE AND THE REDUCED**
15 **MAXIMUM DEMAND CHARGE, ARE THERE OTHER DIFFERENCES**
16 **BETWEEN THE NEW RATE 25A AND CURRENT RATE 25?**

17 **A.** Yes. Unlike Rate 25, a customer choosing to take service under the new Rate 25A
18 must do so for an entire calendar year, January through December. If they do not
19 want to remain on the rate after completion of a full calendar year, they must notify
20 EPE within 30 days of the new calendar year, or by December 1, and they will be
21 removed from rate 25A for the following calendar year. Otherwise, a customer on
22 Rate 25A is automatically obligated for the next full calendar year. For 2012 only, a

1 customer may begin taking service under Rate 25A prior to January 2013, but must
2 agree to remain on the rate for the remainder of 2012 and all of calendar year 2013.

3

4 **Q. WHY DOES A CUSTOMER NEED TO REMAIN ON NEW RATE 25A FOR A**
5 **CALENDAR YEAR?**

6 A. EPE wants to ensure for system planning purposes that the customer will not leave
7 the rate just before the summer peak season and then use maximum demand usage
8 during EPE's on-peak hours. The proposed Rate 25A rate structure essentially shifts
9 a portion of cost recovery from the maximum demand charge (which applies
10 year-round) to the summer On-Peak demand charge. A customer taking service on
11 Rate 25A during only non-summer months (reverting to Rate 25 in the summer)
12 could reap a windfall from the new rate structure while not providing any
13 corresponding cost reduction or system benefit by shifting demand in the summer
14 peak period.

15

16 **Q. WHEN DOES EPE PROPOSE TO MAKE THIS RATE EFFECTIVE?**

17 A. EPE proposes to make this rate effective for billing on or after September 1, 2012.

18

19 **Q. IS EPE PROPOSING TO MAKE THE NEW RATE 25A EFFECTIVE**
20 **THROUGHOUT ITS TEXAS SERVICE AREA?**

21 A. Yes, it is. EPE is filing this application not only with the Commission but also with
22 the cities in Texas that have original jurisdiction over EPE's rates.

23

1 Q. HAVE YOU PROVIDED THE PROPOSED RATE 25A TARIFF?

2 A. Yes. Exhibit CH-1 contains the proposed Rate Schedule No. 25A – Large Power
3 Service – Experimental Off-Peak Rate.
4

5 IV. CALCULATION OF RATE 25A

6 Q. HOW DID EPE CALCULATE RATE 25A?

7 A. EPE calculated the demand charges for Rate 25A based on a revenue-neutral demand
8 calculation (versus the Rate 25 demand charge) utilizing demand data from the four
9 customers EPE has identified as being eligible for this rate. EPE first determined the
10 billing demand revenue requirement based on the current Rate 25 demand charge.
11 The maximum demand charge was developed to recover the portion of production
12 costs associated with average demand, or base load costs and distribution demand
13 costs. The on-peak demand charge was established to recover costs associated with
14 on-peak production and transmission related costs.

15 The total production costs recovered through the Rate 25 maximum demand
16 charge were multiplied by 32.6%, the excess demand portion of the 4-Coincident
17 Peak Average and Excess allocator for the Large Power Service Class used in EPE's
18 rate case in Docket No. 40094, to determine the portion of production costs
19 associated with the on-peak period. Production-related costs recovered through the
20 energy charge were removed. Adding transmission-related costs produces the net
21 production and transmission demand related costs to be recovered through the new
22 on-peak demand charge. This calculation is shown in Exhibit CH-2.
23

1 Q. IS THE PROPOSED EXPERIMENTAL RATE A DISCOUNT RATE?

2 A. No, Rate 25A is not a "discount rate" because it does not offer reduced rates for the
3 same electric service eligible under Rate 25. Rate 25A provides a reduced maximum
4 demand charge and a higher on-peak demand charge applicable in peak periods
5 relative to Rate 25. It provides an option for customers that can shift their maximum
6 demand from the on-peak period to the off-peak period. The demand these customers
7 shift from the on-peak period helps to lower EPE's peak and reduces the need for
8 additional generation. If a customer on Rate 25A were to reach its maximum demand
9 during the on-peak period, the demand charge would be approximately 70% higher
10 than it would be if the customer were under Rate 25. For example, a customer with a
11 maximum demand of 2,500 kW taking service at secondary voltage under Rate 25
12 would have a demand charge of \$49,175 (2,500 kW x \$19.67) per month. If the same
13 customer were on Rate 25A and had an on-peak demand of 2,500 kW, the demand
14 charge would be \$33,750 higher at \$82,925 {2,500 kW x (\$12.98 (for the maximum
15 demand charge) + \$20.19 (for the on-peak demand charge))} during an on-peak
16 month. However, if the customer was able to shift the maximum demand of 2,500
17 kW to the off peak hours and only have an on-peak demand of 500 kW, the demand
18 charge for the on-peak month would be \$36,055 {(2,500 kW x \$12.98) + (500 kW x
19 \$20.19)} per month. Rate 25A provides the customer an incentive to shift its
20 maximum demand to the off-peak period. If the customer can maintain the shift of
21 demand to the off-peak period, they can earn a reduction in their bill.

22

23

1 Q. WILL THIS NEW RATE 25A BENEFIT OTHER CUSTOMERS?

2 A. Yes. Based on the four customers EPE has determined could qualify for Rate 25A,
3 EPE estimates approximately 7,850 kW could be displaced from the on-peak period.
4 This shift in peak demand will benefit EPE's other customer by reducing the demand
5 on EPE's generation and transmission facilities during peak periods and, as a result,
6 enable EPE to reduce its need for additional, new generation. This reduction in
7 demands during peak periods will release capacity to serve other customers' loads at
8 a lower cost than adding new generation.

9

10 V. CUSTOMER IMPACT

11 Q. HOW IS RATE 25A EXPECTED TO IMPACT QUALIFYING CUSTOMERS
12 BILLS?

13 A. EPE estimates that if a customer can shift its current peak demand to the off-peak
14 period, it would reduce its annual bill by 28% on average. To calculate this estimate,
15 EPE used the actual maximum demand from June 2011 through May 2012 for
16 qualifying customers. The on-peak demands are estimates based on discussions with
17 customers that EPE has identified that should qualify for the experimental rate option.

18

19 Q. IS RATE 25A EXPECTED TO HAVE ANY OTHER POSITIVE IMPACTS ON
20 QUALIFYING CUSTOMERS?

21 A. Yes. In discussions with three of the four customers that qualify for this rate, it was
22 expressed to EPE that these customers will likely cease operations if this rate does not

1 become available. As shown in Exhibit Ch-3, these customers would experience a
2 29% savings on their demand charges over a 12 month period.

3
4 **VI. CONCLUSION**

5 **Q. IS THE PROPOSED RATE SCHEDULE 25A – LARGE POWER SERVICE -**
6 **EXPERIMENTAL OFF PEAK RATE, A REASONABLE RATE?**

7 **A.** Yes. Rate 25A is a cost-based rate which is limited to customers with a 12-month
8 average load factor of less than 30%, who can shift a large amount of their demand to
9 the off-peak period and use minimal demand during the on-peak period. Customers
10 participating on the new rate will not benefit if they fail to modify their consumption
11 profile to shift demand to the off-peak. Rate 25A provides a financial incentive to
12 customers to reduce their on-peak demand. This behavior contributes to a lower
13 system peak for EPE and encourages these customers to stay in business. Other EPE
14 customers benefit where the avoided cost of capacity made available during peak
15 hours exceeds the revenue reductions produced under Rate 25A.

16
17 **Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?**

18 **A.** Yes, it does.

EL PASO ELECTRIC COMPANY
SCHEDULE NO. 25A
LARGE POWER SERVICE – EXPERIMENTAL OFF-PEAK RATE

APPLICABILITY

This rate is available to all Customers for lighting, power, and heating service with a highest measured demand as defined by the Determination of Billing Demand. Service under this rate shall be limited to Customers who otherwise do not qualify for service under the Company's other rates and whose highest measured demand, during the current month and previous (11) month period, exceeded six hundred (600) kW, in any month.

This rate is further limited to Customers whose average load factor, during the current month and previous eleven (11) month period, does not exceed thirty percent (30%).

This rate is not available for standby, temporary, resale, or interruptible service.

TERRITORY

Texas Service Area

TYPE OF SERVICE

The type of service available will be determined by the Company and will be either single or three-phase at the option of the Company and at a standard Company-approved voltage. All service will be taken at the point of delivery designated by the Company and at one of the Company's standard types of service. Electric energy will be measured by a single meter, or other measuring device, of each kind needed.

MONTHLY RATE

	Secondary Voltage	Primary Voltage	Transmission Voltage
Customer Charge	\$100.00	\$100.00	\$200.00
Demand Charge per kW			
On-Peak	\$20.19	\$19.83	\$19.12
Maximum	\$12.98	\$11.93	\$11.06
Energy Charge per kWh			
On-Peak	\$0.13292	\$0.12998	\$0.12619
Off-Peak	\$0.00720	\$0.00709	\$0.00694

The on-peak period shall be from 12:00 P.M. to 6:00 P.M., Mountain Daylight Time, Monday through Friday, for the months of June through September. The off-peak period shall be all other hours not covered in the on-peak period.

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EL PASO ELECTRIC COMPANY
SCHEDULE NO. 25A
LARGE POWER SERVICE -- EXPERIMENTAL OFF-PEAK RATE

On-Peak Demand Charges for the billing months of June and October will be prorated based upon the number of on-peak demand days contained in the billing month for the Customer.

MONTHLY MINIMUM

Customer Charge plus the applicable demand charge.

DETERMINATION OF BILLING DEMAND

The demand charge will be the sum of the maximum billing demand times the applicable rate and the on-peak billing demand times the applicable rate.

Maximum demand will be defined as the highest thirty (30) minute average kilowatt (kW) load determined by measurement.

The maximum billing demand will be the highest of:

- A. 600 kW; or,
- B. The highest measured demand; or,
- C. 75% of the highest measured demand established in the billing months of June through September in the twelve (12) month period ending with the current month.

The on-peak billing demand will be the higher of:

- A. The highest measured demand during the on-peak hours; or,
- B. 100% of the highest measured demand established in the billing months of June through September in the twelve (12) month period ending with the current month.

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POWER FACTOR ADJUSTMENT

If the power factor at the time of the highest measured thirty (30) minute interval kilowatt (kW) demand for the entire plant is below 90% lagging, a power factor adjustment shall be calculated as follows:

$$ADJ = ((kW \times .95 / PF) - kW) \times DC, \text{ where}$$

ADJ = Increase to applicable Demand Charge,
kW = Monthly Billing Demand,
PF = Monthly measured Power Factor, and
DC = Demand Charge.

METER VOLTAGE ADJUSTMENT

If electric service is delivered on the high voltage side of a Customer-supplied transformer, but metered on the low voltage side of the transformer, the following meter adjustments shall be made and primary voltage shall apply:

Adjusted Maximum kW Demand = Metered Maximum kilowatts multiplied by 1.015
Billing kilowatt-hours = Metered kilowatt-hours multiplied by 1.021

If electric service is delivered on the low voltage side of a Company-owned transformer and metered on the high voltage side of the transformer, the following meter adjustments shall be made and secondary voltage shall apply:

Adjusted Maximum kW Demand = Metered Maximum kilowatts divided by 1.015
Billing kilowatt-hours = Metered kilowatt-hours divided by 1.021

FIXED FUEL FACTOR

The above rates are subject to the provisions of the Company's Tariff Schedule No. 98, entitled Fixed Fuel Factor.

ENERGY EFFICIENCY COST RECOVERY FACTOR

The above rates, excluding the Transmission Voltage rate, are subject to the provisions of the Company's Tariff Schedule No. 97, entitled Energy Efficiency Cost Recovery Factor.

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MILITARY BASE DISCOUNT RECOVERY FACTOR

The above rates are subject to the provisions of the Company's Tariff Schedule No. 96, entitled Military Base Discount Recovery Factor.

TERMS OF PAYMENT

The due date of the bill for utility service shall not be less than sixteen (16) days after issuance. A bill becomes delinquent if not received at the Company by the due date.

TERMS AND CONDITIONS

The Company's Rules and Regulations apply to service under this rate schedule.

Service under this tariff will be available by calendar year beginning on January 1 of each year. A Customer requesting service under this rate must sign an agreement for service and provide the signed agreement to EPE prior to January 1 of the initial year of taking service under the agreement. After the initial calendar year, the agreement will automatically renew for the subsequent calendar year unless the Customer provides written notice to the Company of their cancellation of service under this rate on or before December 1 prior to the renewal year. For 2012 only, a Customer may begin service under this rate prior to January 2013, but the Customer must sign an agreement for the remainder of 2012 and all of calendar year 2013.

A Customer taking service under this rate whose average load factor during the current month and previous eleven (11) month period is greater than 30% for two (2) consecutive months shall be declared ineligible for this rate and will be billed for the current month and thereafter under the retail rate currently in effect and otherwise applicable to the Customer. The Customer shall again qualify for service under this rate in the first month after its average load factor during the current month and previous eleven (11) month period remains below 30%.

The Company, at its option, may request payment for any special metering installation costs required for the Customer to take service under this rate.

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EL PASO ELECTRIC COMPANY
Summary of Demands and Demand Revenues
On-Peak/Off-Peak Demand Rate Design
Revenue Neutral Demand Calculation
For the Twelve Months Ended May 2012

(a)	(b)	(c)	(d)	(e)	(f)	(g)	(d)	(e)	(f)	(g)	(h)
		Billed kW				Standard LPS Demand Revenues					
Month	Year	C-1 (S)	C-2 (S)	C-3 (P)	C-4 (P)	Total	C-1 \$	C-2 \$	C-3 \$	C-4 \$	Total kW \$
June	2011	4,292	666	1,748	2,730	9,436	\$ 84,424	\$ 13,100	\$ 32,548	\$ 50,833	\$ 180,904
July	2011	4,100	600	1,752	2,713	9,165	80,647	11,802	32,622	50,516	175,587
August	2011	4,257	634	1,801	2,678	9,370	83,735	12,471	33,535	49,864	179,605
September	2011	4,259	690	1,857	2,627	9,433	83,775	13,572	34,577	48,915	180,839
October	2011	4,131	669	1,867	2,627	9,294	81,257	13,159	34,764	48,915	178,094
November	2011	4,076	695	1,928	2,713	9,412	80,175	13,671	35,899	50,516	180,261
December	2011	3,993	645	1,817	2,730	9,185	78,542	12,687	33,833	50,833	175,895
January	2012	4,028	741	1,852	2,678	9,299	79,231	14,575	34,484	49,864	178,155
February	2012	3,961	811	1,968	2,730	9,470	77,913	15,952	36,644	50,833	181,342
March	2012	4,078	741	1,850	2,706	9,375	80,214	14,575	34,447	50,386	179,622
April	2012	4,030	719	1,987	2,745	9,481	79,270	14,143	36,998	51,112	181,523
May	2012	4,035	678	1,693	2,570	8,976	79,368	13,336	31,524	47,853	172,082
Total		49,240	8,289	22,120	32,247	111,896	\$ 968,551	\$ 163,045	\$ 411,874	\$ 600,439	\$ 2,143,909

Total On-Peak kWh 112,950 116,549 156,899 281,205 667,604

Standard LPS Rates	Secondary	Primary	Transmission
Customer Charge	\$ 100.00	\$ 100.00	\$ 200.00
Energy Charge - On-Peak kWh	\$ 0.13292	\$ 0.12998	\$ 0.12619
Energy Charge - Off-Peak kWh	\$ 0.00720	\$ 0.00709	\$ 0.00694
Demand Charge	\$ 19.67	\$ 18.62	\$ 17.75
Energy Charge - Fuel	\$ 0.022530	\$ 0.022124	\$ 0.021561

LPS Class Production \$/kW at Equalized Rate of Return	\$ 14.78
Equalized Revenue Req't to Settlement Base Revenues Adjustment	104.8%
Production \$/kW Recovered through Demand Charges	\$ 15.48
LPS Class Excess Demand Component of 4CP A&E	32.6268%
Production \$/kW Recovered through On-Peak Demand Charges	\$ 5.05
LPS Class Transmission \$/kW at Equalized Rate of Return	\$ 2.269
Equalized Revenue Req't to Settlement Base Revenues Adjustment	104.8%
Transmission \$/kW Recovered through On-Peak Demand Charges	\$ 2.38
Total Production & Transmission \$/kW through On-Peak Demand	\$ 7.43
Annual Billing Demands for Potential LPS Off-Peak Customers	111,896
Prod & Trans Costs Recoverable through On-Peak Demands	\$ 831,336
Less: Production Demand Costs Recovered thru On-Peak Energy	\$ 82,691
Net Prod & Trans Demands Costs Recoverable thru On-Peak Demands	\$ 748,645
Total Maximum Demands for June - Sept for Potential Customers	37,404
Calculated On-Peak Demand Charges	\$ 20.02

	Secondary	Primary	Transmission	Total
Total Demand Billing under Standard Demand Rates	\$ 1,131,595	\$ 1,012,314	\$ -	\$ 2,143,909
Demand Costs Recovered through On-Peak Energy Charge	\$ 28,853	\$ 53,839	\$ -	\$ 82,691
Standard LPS Monthly Demand Rates	\$ 19.67	\$ 18.62	\$ 17.75	
Distribution Demand \$/kW Recovered under Standard Rate	\$ 1.92	\$ 0.87	\$ -	
Total Annual Billing Demands	\$ 57,529	\$ 54,367	\$ -	\$ 111,896
Calculated Maximum Demand Charges Less Distribution	\$ 1,021,140	\$ 965,014	\$ -	\$ 1,986,154
Maximum Monthly Demand Charge (\$/kW)	\$ 12.98	\$ 11.93	\$ 11.06	
Total Maximum Demand Billing	\$ 746,726	\$ 648,598	\$ -	\$ 1,395,325
On-Peak Demand Charges	\$ 20.19	\$ 19.83	\$ 19.12	\$ 20.02
On-Peak Demands	19,498	17,906	-	37,404
Total On-Peak Demand Billing	\$ 393,665	\$ 355,076	\$ -	\$ 748,741
Total LPS Off-Peak Demand Billing	\$ 1,140,391	\$ 1,003,674	\$ -	\$ 2,144,065
Difference Total Standard Demand Billing and Total LPS Off-Peak Demand Billing				\$ 156

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EL PASO ELECTRIC COMPANY
Demand Revenue Impact
On-Peak/Off-Peak Demand Revenues
For the Twelve Months Ended May 2012

Line No.	Month	Year	On-Peak and Off Peak kW								Demand Revenues								
			(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)	(m)	(n)					
			C-1 (S)	C-2 (S)	C-3 (P)	C-4 (P)					C-1 (S)	C-2 (S)	C-3 (P)	C-4 (P)	Proposed kW Revenues	Current kW Revenues	Revenue Impact		
1	Jun	2011	4,292	400	666	100	1,748	400	2,730	600	10,936	\$ 63,786	\$ 10,664	\$ 28,786	\$ 44,467	\$ 147,702	\$ 180,904	\$ (33,202)	
2	Jul	2011	4,100	400	600	100	1,752	400	2,713	600	10,665	61,294	9,807	28,833	44,264	144,198	175,587	(31,389)	
3	Aug	2011	4,257	400	634	100	1,801	400	2,678	600	10,870	63,332	10,248	29,418	43,847	146,845	179,605	(32,760)	
4	Sep	2011	4,259	400	690	100	1,857	400	2,627	600	10,933	63,358	10,975	30,086	43,238	147,657	180,839	(33,182)	
5	Oct	2011	4,131	-	669	-	1,867	-	2,627	-	9,294	53,620	8,684	22,273	31,340	115,917	178,094	(62,177)	
6	Nov	2011	4,076	-	695	-	1,928	-	2,713	-	9,412	52,906	9,021	23,001	32,366	117,295	180,261	(62,966)	
7	Dec	2011	3,993	-	645	-	1,817	-	2,730	-	9,185	51,829	8,372	21,677	32,569	114,447	175,895	(61,448)	
8	Jan	2012	4,028	-	741	-	1,852	-	2,678	-	9,299	52,283	9,618	22,094	31,949	115,945	178,155	(62,210)	
9	Feb	2012	3,961	-	811	-	1,968	-	2,730	-	9,470	51,414	10,527	23,478	32,569	117,988	181,342	(63,354)	
10	Mar	2012	4,078	-	741	-	1,850	-	2,706	-	9,375	52,932	9,618	22,071	32,283	116,904	179,622	(62,719)	
11	Apr	2012	4,030	-	719	-	1,987	-	2,745	-	9,481	52,309	9,333	23,705	32,748	118,095	181,523	(63,428)	
12	May	2012	4,035	-	678	-	1,693	-	2,570	-	8,976	52,374	8,800	20,197	30,660	112,032	172,082	(60,049)	
13	Total		49,240	1,600	8,289	400	22,120	1,600	32,247	2,400	117,896	\$ 671,439	\$ 115,667	\$ 295,620	\$ 432,299	\$ 1,515,025	\$ 2,143,909	\$ (628,884)	
14	Estimated On-Peak kW			400	666	100	1,748	400	2,730	600								Percent Savings	29.3%
15	<u>Demand Rates Available for Customers with Load Factors less than 30%</u>										<u>Monthly</u>	<u>Annual</u>							
16	On-Peak Demand Charge Secondary Voltage (\$/kW)										\$ 20.19	\$ 80.76							
17	Maximum Demand Charge Secondary Voltage (\$/kW)										\$ 12.98	\$ 155.76							
18	On-Peak Demand Charge Primary Voltage (\$/kW)										\$ 19.83	\$ 79.32							
19	Maximum Demand Charge Primary Voltage (\$/kW)										\$ 11.93	\$ 143.16							
20	On-Peak Demand Charge Transmission Voltage (\$/kW)										\$ 19.12	\$ 76.48							
21	Maximum Demand Charge Transmission Voltage (\$/kW)										\$ 11.06	\$ 132.72							

EL PASO ELECTRIC COMPANY
LPS Off-Peak Rate Design Input Data

(a)	(b)	(c)	(d)	(e)
Description	Schedule Reference (a)	Existing LPS Non- Trans	LPS Trans	Total LPS
Production Sales Rev Reqt. at Claimed	P-6, pg 9, Line 9	\$ 21,518,604	\$ 289,091	\$ 21,807,695
Transmission Sales Rev. Reqt. at Claimed	P-6, pg 9, Line 10	\$ 3,303,817	\$ 44,365	\$ 3,348,182
Distribution Sales Rev. Reqt. at Claimed	P-6, pg 9, Line 11	\$ 5,222,005	\$ -	\$ 5,222,005
Total Claimed Sales Revenue Requirement	P, pg 6, Line 30 - 31	\$ 37,055,614	\$ 447,868	\$ 37,503,482
Settlement Base Rate Revenues		\$ 38,852,087	\$ 440,521	\$ 39,292,608
Ratio of Claimed to Settlement Base Revenues		1.048	0.984	1.048
Production Billing Demands, kW	P, pg 132, line 13	1,457,526	18,000	1,475,526
Transmission Billing Demands, kW	P, pg 132, line 13	1,457,526	18,000	1,475,526
Distribution Billing Demands, kW	P, pg 132, line 13	1,457,526	-	1,457,526
		Secondary	Primary	Transmission
Distribution Only Loss Expansion Factors		1.05571	1.03739	1.00000

EL PASO ELECTRIC COMPANY
TEXAS CLASS ALLOCATION FACTORS
ADJUSTED TEXAS DEMAND D-1 & D-2 CLASS ALLOCATOR
BASED ON THE 4CP-AVERAGE AND EXCESS AND 4CP DEMAND

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(a)	(b)	(c)	(d)	(e)	(f)	(g)	(d)	(e)	(f)	(g)	(h)	
Line No.	Rate	Description	Annual Energy with Losses	Coincident Demand with Losses June	Coincident Demand with Losses July	Coincident Demand with Losses August	Coincident Demand with Losses September	4-CP Average, kW	Annual Average Demand, kW	Excess Demand, kW	D1PRÓD - 4CPA&E Demand Allocator	D2TRAN - 4CP Demand Allocator
1	TXRT01	Residential Service	2,031,360,540	456,208	404,772	440,043	390,164	422,797	231,890	190,907	35.0172%	35.3243%
2	TXRT02	Small Commercial Service	278,208,083	84,018	78,293	82,153	71,088	78,888	31,531	47,357	6.5148%	6.5910%
3	TXRT07	Outdoor Recreational Lighting Service	5,700,728	0	0	0	0	0	651	0	0.0544%	0.0000%
4	TXRT08	Governmental Street Lighting Service	41,142,539	0	0	0	0	0	4,697	0	0.3924%	0.0000%
5	TXRT09	Governmental Signal Service	2,337,241	271	271	271	271	271	267	4	0.0226%	0.0226%
6	TXRT11	Municipal Pumping Service	186,959,083	23,853	22,496	27,543	22,140	24,008	19,059	4,949	1.9979%	2.0058%
7	TXRT15	Electrolytic Refining Service	54,410,313	7,054	4,752	7,414	7,845	6,766	6,211	555	0.5644%	0.5653%
8	TXRTWH	Off Peak Water Heating Service	20,489,367	1,405	1,120	1,116	1,040	1,170	2,339	0	0.1954%	0.0978%
9	TXRT22	Irrigation Service	4,041,803	995	927	1,268	1,028	1,052	461	591	0.0869%	0.0879%
10	TXRT24	General Service	1,638,146,965	337,216	345,448	365,272	309,515	339,363	187,003	152,360	28.1084%	28.3535%
13	TXRT26	Petroleum Refining Service	329,615,940	41,861	41,861	41,661	41,661	41,661	37,627	4,034	3.4742%	3.4807%
14	TXRT28	Private Area Lighting Service	28,277,776	0	0	0	0	0	3,228	0	0.2897%	0.0000%
15	TXRT30	Electric Furnace Rate	24,730,899	5,156	5,156	5,156	5,156	5,156	2,823	2,333	0.4270%	0.4308%
17	TXRT34	Colton Gin Service	2,064,407	25	29	18	23	24	236	0	0.0197%	0.0020%
21	TXRT43	University Service	65,152,714	9,062	8,720	8,123	9,323	8,807	7,438	1,369	0.7336%	0.7358%
18	TXRT41SC	City and County- Small Commercial Service	38,258,671	10,820	12,368	11,792	8,580	10,890	4,367	6,523	0.8994%	0.9098%
19	TXRT41GS	City and County - General Service	188,848,120	42,911	47,275	57,640	40,101	46,982	21,558	25,424	3.8844%	3.9253%
20	TXRT41LP	City and County - Large Power Service	89,361,821	27,839	22,875	26,875	26,648	26,059	10,201	15,858	2.1517%	2.1772%
11	TXRT25	Large Power Service	679,911,082	115,458	115,807	119,438	110,110	115,203	77,616	37,587	9.5646%	9.6251%
12	TXRT25T	Large Power Service	8,441,919	1,547	1,547	1,547	1,547	1,547	1,078	469	0.1285%	0.1293%
16	TXRT31	Military Reservation Service	345,745,259	68,759	69,486	66,250	61,532	66,257	39,469	26,788	5.4925%	5.5357%
22		Texas Firm	6,042,205,060	1,234,248	1,182,003	1,263,590	1,107,772	1,186,901	689,750	517,108	100.0000%	100.0000%
23		Texas Non-Firm	348,202,440	38,345	34,382	47,033	42,991		39,749			
24		Total Texas	6,390,407,500	1,272,593	1,216,385	1,310,613	1,150,763		Load Factor =	0.576280		
									1 Minus Load Factor =	0.423720		
								4-CP Average, kW	Annual Average Demand, kW	Excess Demand, kW	Average Percent	Excess Percent
25	TXRT25	Large Power Service						115,203	77,616	37,587	67.3732%	32.6268%

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