



Item 4

Update on the El Paso Electric Rate Case

And the City of El Paso's Position to Minimize
the Impact to Residential Ratepayers

Strategic Goal 6: Set the Standard for Sound Governance and Fiscal Management

Presentation Purpose

To provide an update on:

- The status of the El Paso Electric Rate Case and its impact on its Texas customers;
- The City's position to minimize the impact of the increase to residential ratepayers; and
- **Emphasize the importance of prioritizing our residents' quality of life** over individual organizational priorities



El Paso Electric Filed Rate Increase

(June 2021)

- EPE's net request includes a **\$41.8 million** (or 7.8%) increase to revenues
 - 95% of the proposed increase is allocated to the residential class
 - Request results in a **\$2.29 increase** to the residential customer charge
 - A 28% increase over the current monthly charge of \$8.25 (i.e. new charge would be \$10.54)
 - Impact to other customer classes varies with some classes seeing a decrease
- Drivers of increase include:
 - Investment in Distribution, Transmission, Generation Systems (\$953.3M since 2016)
 - Increased Return on Equity (from 9.65% to 10.3% or an \$8.5 million increase)
- **City of El Paso** and 11 other parties intervened

Intervenors in the Rate Case

Public Entities

1. City of El Paso
2. Office of Public Utility Counsel
3. University of Texas at El Paso
4. The United States Department of Defense (Fort Bliss)
5. Rate 41 which includes:
 - Anthony Independent School District
 - Canutillo Independent School District
 - Clint Independent School District
 - El Paso Independent School District
 - Fabens Independent School District
 - San Elizario Independent School District
 - Socorro Independent School District
 - Tornillo Independent School District
 - Ysleta Independent School District
 - El Paso County
 - El Paso County Community College
 - El Paso County Housing Authority
 - Housing Authority of the City of El Paso
 - Region 19 Education Service Center

Intervenors in the Rate Case

Private Entities

1. International Brotherhood of Electrical Workers
2. Texas Cotton Ginners' Association
3. Western Refining
4. Vinton Steel, LLC
5. Freeport McMoRan, Inc.
6. W. Silver
7. Walmart

Public Intervenor Alignment

“[Rate 41] classes are already paying a significant portion of the **subsidy**... for the residential class.” – Rate 41 Testimony

Prioritizing Our Residents

- City of El Paso
- Office of Public Utility Counsel

Prioritizing Individual Organizations

- County
- Housing Authority
- Community College
- Region 19
- Fort Bliss
- UTEP
- School Districts

“Awarding some classes a revenue reduction while at the same time overall revenues are increasing is not reasonable.” – City Testimony

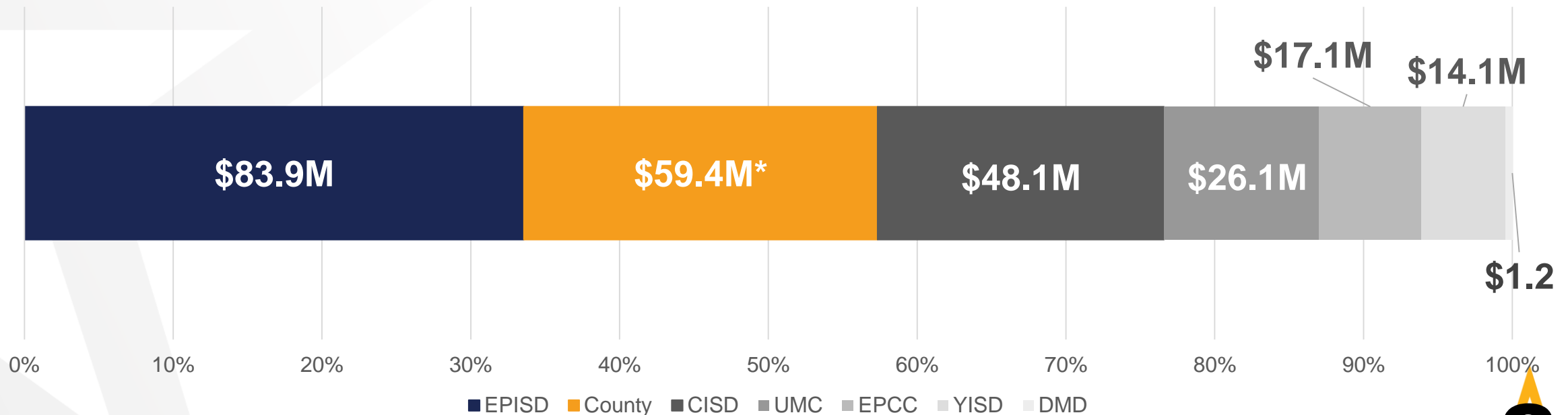
Public Intervenor Alignment:

Allocation of \$39.3M EPE Proposed Increase



Economic Development Agreements: Benefit to Taxing Entities (Over 20 Years)

- City-driven economic incentive agreements are projected to generate **\$268 million** in **new tax revenue** for other local taxing entities
- Several members of Rate 41 benefit directly from these agreements

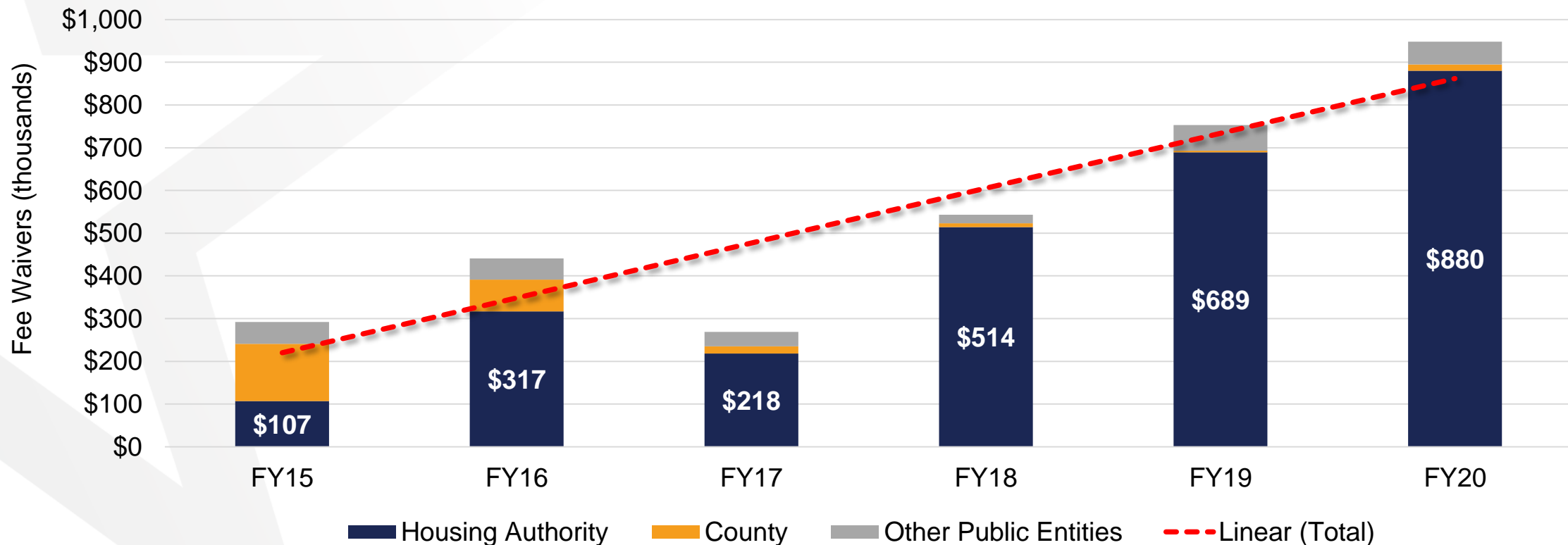


*Projected number may be lower due to economic incentives provided by El Paso County

**Estimates based on 2019 property values

Construction Fee Waivers

- City has **waived** more than **\$3.2 million** in development and construction fees for public entities from FY2015 through FY2020
- More than **\$2.7 million** or 84% of those waivers have gone **to HACEP**



Housing Authority

Payment in Lieu of Taxes Program

- Housing Authority is exempt from all municipal taxes and special assessments;
- Housing Authority may, in lieu of paying taxes, reimburse in payments to a municipality an amount equal to or less than the cost of municipal improvements, services or facilities provided to the housing authority
- *From 2017 to 2020, the Housing Authority's payment in lieu of taxes represented, on average, 8 percent of the value of property taxes due to the City if its properties were not exempt.*

Fort Bliss Base Rate Discount

- Military Discount Recovery Factor established via legislation in 2003 to discount electric rates for Fort Bliss
- Provides for a **20 percent** base rate discount
- *All other customers, including residents, subsidize that discount through a surcharge*

Summary

- City and intervenors continue to work to lower overall increase requested by El Paso Electric
- ***City continues to prioritize minimizing the impact to the residential class***
- Mediation to achieve settlement begins at the end of the month

MISSION



Deliver exceptional services to support a high quality of life and place for our community

VISION



Develop a vibrant regional economy, safe and beautiful neighborhoods and exceptional recreational, cultural and educational opportunities powered by a high performing government



VALUES

Integrity, **R**espect, **E**xcellence,
Accountability, **P**eople