



EL PASO · DISTRICT 1

PLATFORM NO. 02 · AUGUST 2026

CITY OF ELPASO – UTILITY & RATEPAYER POLICY PLAN

The MJK Electric Ratepayer Protection Project

Fighting Every Rate Increase, In Every Proceeding, Because It Is The Only Thing That Has Ever Worked.

**Leadership that is not afraid
to fight for its people.**

PRINCIPLED. EXPERIENCED. PROVEN.

It's time to elect leadership that will make the city work for its people again.



EXECUTIVE SUMMARY

El Paso households absorbed rate increases from four separate authorities inside a single year. El Paso Water added \$9.99 a month in March 2026, El Paso Electric roughly \$13 in May, Texas Gas Service raised rates in the same window, and Council adopted a property tax increase in August 2026 worth about \$105 a year on the median homestead with local reporting estimating combined utility bills could jump on the order of \$45 a month. That lands on a workforce earning about \$961 a week against a national average of \$1,394, in a service territory where the average residential electric bill swings from roughly \$72 in winter to about \$140 in the hottest months. An increase here is not an inconvenience; it is a materially larger share of income than the same increase in Dallas or Austin, and it arrives in July and August, on the households least able to reduce usage.

The City's leverage is real but narrow, and it has been used reactively. El Paso Electric must file proposed rate changes with City Council before going to the Public Utility Commission. Original jurisdiction is a seat at the front of the line, not a veto. The tool that actually moves money is formal intervention: filing as a party, funding outside counsel and technical experts, and contesting what EPE is allowed to collect before a final decision issues. That work has a documented record; a recommended return on equity driven from EPE's requested 10.7% down to 9.4%, and a \$20.8 million-a-year Distribution Cost Recovery Factor request rejected outright by the PUC in February 2026, which the City estimates prevented roughly \$10.4 million in charges over six months. But intervention has clustered around headline base rate cases while riders, tariff amendments and large-load proceedings passed with far less scrutiny, and the City has not intervened at the Federal Energy Regulatory Commission since November 5, 2021; nearly five years, even though transmission costs set at FERC become binding inputs the PUC will not reopen.

This plan converts an occasional response into standing practice. It calls for permanently funded fast-track intervention authority and a recurring expert-witness line item rather than one-time appropriations; contested rate design in every base rate case, including the 600 kWh tier threshold and the fixed customer charge that commissioners raised from \$9.25 to \$13.71 over the administrative law judges' objection; intervention in every rider; enforceable sunset terms and full cost-causation analysis on large-load deals like the McCloud generation facility being built to serve Meta's data center; and a standing FERC practice beginning with a retrospective review of what was filed unopposed since 2021. The plan deliberately puts no dollar figure on the FERC gap until that review is complete. It does not claim the City can win every proceeding. It claims that the City has been funding this fight only after record increases have already landed and that fighting every rate increase, in every proceeding, is the only thing that has ever worked.

“When El Paso Electric grows to serve big new power users, the cost of that growth should stay with the users causing it; not get folded into every family’s electric bill. We have to stop being reactive and start being proactive.”

WHY FIGHTING RATES MATTERS MORE HERE

THREE FACTS · TAKEN TOGETHER, THE WHOLE CASE

1

El Paso wages are about two-thirds of the national average

\$961

\$1,394



El Paso area
avg. weekly wage

National
avg. weekly wage

A ten-dollar monthly increase is a **materially larger share of income** here than in Dallas or Austin.

2

Three utility increases landed in the same six months

+ \$9.99 El Paso Water
typical residential bill · effective March 2026

+ ~\$13 El Paso Electric
followed in May 2026

raised Texas Gas Service
rates raised in the same window

~\$45 a month in combined utility bills,
estimated for early 2026

Local reporting in late 2025 estimated households could see combined utility bills jump on that order.

3

Electric bills here swing hard by season

\$72

\$140



Winter
avg. TX residential bill

Hottest months
avg. TX residential bill

An increase does not land evenly — it lands hardest in **July and August**, on households least able to reduce usage.

Three facts, taken together, are the whole case for treating this as a standing priority — not an occasional response to a headline.

Add the property tax increase Council adopted in August 2026; about \$105 a year on the median homestead, and an El Paso household absorbed increases from four separate authorities inside a single year.

WHAT IS ON THE TABLE RIGHT NOW

PROCEEDING	WHAT IT IS	WHY IT MATTERS TO A HOUSEHOLD
McCloud Generation Facility CCN	A 366 MW gas plant El Paso Electric wants to build to serve Meta's data center. The City has filed testimony opposing it, and PUC staff have recommended denial for lack of competitive bidding and inadequate ratepayer impact analysis.	Meta pays the full cost during a bridge period of one to five years. After that, the utility has told the PUC it intends to roll the cost into jurisdictional cost of service and retail rates. The fight is about what happens after the bridge.
Economic Development Rate amendment	EPE is seeking PUC approval to amend the rate class that governs data centers and other very large loads.	This is where it is decided whether large new loads pay their own way — or whether residential customers absorb part of the cost of the capacity built to serve them.
Purchased Power Capacity Cost Recovery Factor	A rider application EPE filed June 15, 2026.	Riders pass through with far less public scrutiny than base rate cases and are where unchallenged costs quietly accumulate.
Annual FERC formula rate filings	Transmission cost inputs filed at FERC, which become binding inputs the PUC will not reopen.	The City has not intervened at FERC since 2021. See Section 8.

Missing a short intervention deadline forfeits the City's seat for that entire proceeding. There is no way to rejoin later.

WHAT THIS PLAN DOES NOT CLAIM

WHAT IT DOES NOT CLAIM

This plan **cannot win every proceeding**. No intervention strategy can.

WHAT IT DOES CLAIM

We must **stop being reactive and start being proactive**. City Council has only fully funded this fight *after* record utility rate increases had already landed.

PURPOSE AND GUIDING PRINCIPLE

El Paso Electric rates are set through a mix of City Council original jurisdiction, Public Utility Commission of Texas proceedings, and — to a lesser but real extent — Federal Energy Regulatory Commission decisions on transmission and wholesale costs.

Guiding principle: every dollar shaved off EPE’s approved revenue requirement is a dollar off every residential bill. The City’s leverage comes from contesting what EPE is allowed to collect and how that collection is allocated across customer classes.

WHAT THE CITY CAN — AND CANNOT — DO

AUTHORITY · LEVERAGE · THE GAP THIS PROJECT CLOSSES

① AUTHORITY	The City holds original jurisdiction EPE must first file proposed rate changes with City Council before going to the PUC. If Council rejects or modifies a filing, EPE can appeal to the PUC, which has final authority. Original jurisdiction is a seat at the front of the line, not a veto.
② LEVERAGE	The City’s real tool is formal intervention Filing as a party in EPE’s PUC and FERC proceedings, funding outside counsel and technical experts, and contesting the utility’s cost and rate-of-return claims before a final decision issues.
③ THE GAP	Historically the intervention was reactive Concentrated around headline base rate cases rather than sustained across riders, tariff amendments and federal filings.

\$188.8M

This is where the \$188.8 million came from.
[Period and source to be confirmed]

This project formalizes and extends that capacity — into base rate cases, riders, large-load proceedings and federal filings — rather than proposing a new fee mechanism the City has no authority to create.

STANDING INFRASTRUCTURE

DO THIS FIRST — AND KEEP DOING IT

4.1 Maintain fast-track intervention authority EVERY BUDGET CYCLE Keep it active and funded every budget cycle. EPE files dozens of proceedings a year — rate cases, riders, certificates of convenience and necessity, tariff amendments. Missing a short intervention deadline forfeits the City’s seat for that entire proceeding. There is no way to rejoin later.	4.2 Fund independent expert testimony every cycle, not just in base rate cases RECURRING LINE ITEM The savings record comes from paying for the City’s own regulatory accounting, cost-of-service and rate-design experts — rather than relying on Commission staff or other intervenors to catch problems in EPE’s filings. Budget this as a recurring line item.	4.3 Track every FERC-jurisdictional filing that feeds EPE’s cost of service ANNUALLY, AT FERC Transmission formula rate updates, Order 1000 cost-allocation filings and interconnection agreements are filed at FERC and become effective there. Once filed and unopposed they are binding inputs the PUC will not reopen. Assign the same legal team, or outside FERC counsel, to monitor and intervene at FERC directly.
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Treating this as a one-time response to a headline rate case is how the FERC gap in Section 8 opened.

BASE RATE CASE STRATEGY

Base rate cases arrive roughly every four years. The next one is the single biggest scheduled event for household bills in this service territory, and preparation should begin long before it is filed.

5.1 — Contest return on equity aggressively

This is the largest lever in any base rate case, and the record proves it. In the case just decided, the recommended return moved from EPE's requested 10.7% down to 9.4%.

5.2 — Challenge rate base additions individually, not in aggregate

EPE reported total company rate base of roughly \$3.6 billion in the last case, reflecting about \$1.5 billion of new utility plant investment from January 2021 through September 2024, including Palo Verde and the Newman gas unit. **Push for prudence review on specific capital projects rather than accepting the total as given. Costs found imprudent or unnecessary are excluded from what customers pay for entirely — permanently, not for one rate period.**

5.3 — Fight class cost allocation shifts that load costs onto residential customers

EPE has proposed and won movement toward full cost-of-service pricing by class, meaning residential customers absorb more of their own measured cost rather than being cross-subsidized. Where the City wants residential relief, this is the proceeding to seek it in, and it has to be argued with cost-causation evidence rather than with rhetoric. Commission staff will not make this argument for the City.

5.4 — Contest the residential tier structure and the fixed customer charge

The Standard residential rate's 600 kWh tier threshold and the price gap between Tier 1 and Tier 2 are re-litigated in every base rate case. Three lines of expert testimony belong in every filing:

- **Whether the 600 kWh break point reflects current usage.** El Paso's actual average residential usage runs well above 600 kWh a month in summer, meaning most customers now hit Tier 2 rates for the majority of their summer consumption.
- **Whether the Tier 2 premium is calibrated to the actual marginal cost of serving peak load,** or exceeds it.
- **Low-income impact modeling before accepting any tier redesign.** Advocacy groups have shown the lowest-usage customers can see disproportionately large percentage increases even under proposals described as moderated.

Add the fixed customer charge to this list. In the case just decided, commissioners allowed the residential customer charge to rise from \$9.25 to \$13.71 a month — an increase of \$4.46 — even though

the administrative law judges concluded it should not increase at all. Losing this argument at the commissioner level after winning it before the judges means the record needs to be built earlier and harder next time.

5.5 — A concrete discovery strategy on tier design

In the last case EPE proposed shortening the summer season from six months to four and widening the Tier 1 to Tier 2 gap, citing its own direct testimony as support. Two specific actions follow:

- **Demand the underlying cost study, not the testimony citation.** A citation to a testimony page is not a marginal-cost-of-service study. Discovery should ask EPE to produce the study, if one exists, calibrating the Tier 2 premium to the actual marginal cost of serving peak summer load — as distinct from a policy rationale for encouraging conservation.
- **File the equivalent question the Office of Public Utility Counsel already used.** In parallel discovery in the same case, OPUC asked EPE whether it had ever produced a class cost-of-service study in the last twenty years tying specific demand charges to the costs they claim to recover. The City should file the residential analogue: has EPE ever filed a cost study specifically justifying the size of the Tier 2 premium, separate from the general conservation rationale?
- **Include a stand-alone rate-design section in the City’s own testimony.** In the 2021 case, OPUC’s witness filed direct testimony with a dedicated section captioned for residential service, directly challenging EPE’s residential rate design. UTEP’s witness in the same docket addressed cost allocation and rate-class revenue requirements, which bore on residential impacts but was not structured as a stand-alone rate-design challenge. The City should ensure its expert testimony carries an equivalent free-standing section on tier design in every future case, rather than folding it into general ROE or class-allocation arguments where it gets lost.

BETWEEN RATE CASES — CONTEST EVERY RIDER

Base rate cases happen every four years. Riders happen constantly, with far less public scrutiny, and they are where unchallenged costs accumulate quietly. Treat each as a stand-alone opportunity to reduce or block cost recovery.

■ **Distribution Cost Recovery Factor and Generation Cost Recovery Rider.** The City’s DCRF challenge already produced a documented result — the PUC rejected EPE’s \$20.8 million a year request outright in February 2026, which the City estimates prevented roughly \$10.4 million in charges over six months.

■ Transmission Cost Recovery Factor updates.

■ Retiring plant rider adjustments and Advanced Metering Surcharge updates.

■ **Fuel and Purchased Power Cost Factor reconciliations.** Contest imprudent fuel procurement or hedging decisions specifically, since these pass through dollar for dollar absent a successful challenge. EPE filed a new Purchased Power Capacity Cost Recovery Factor application on June 15, 2026, which should be reviewed under the standing rider-monitoring practice recommended here.

LARGE LOAD COST ALLOCATION – DATA CENTERS AND INDUSTRIAL GROWTH

7.1 — Intervene in every Economic Development Rate proceeding

As data centers and large industrial users seek service, ensure their special contracts fully cover their own cost of service — including the transmission and generation capacity built to serve them — so those costs are not rolled into the general rate base after an initial subsidized bridge period.

7.2 — Require sunset review of large-load subsidies

Any temporary discount or bridge arrangement should carry a hard, enforceable end date and a defined mechanism for who pays if it is extended — decided before approval, not renegotiated after the customer is locked in.

7.3 — Push cost-causation analysis on generation built for specific customers

If a plant built to serve a single large customer has capacity beyond that customer's needs, general ratepayers should not be allocated a share of a plant they did not need built. This is the live question in the McCloud proceeding, where EPE has told the PUC it intends to incorporate the facility into jurisdictional cost of service and retail rates after the bridge period ends.

7.4 — Use SB 6 as a policy benchmark, not as controlling law

Texas Senate Bill 6 (2025) requires large-load customers within the ERCOT power region to pay their own direct grid interconnection costs through Contribution in Aid of Construction — 100% of radial lines and substations built specifically to serve them, under Utilities Code §37.0561. The mandate is written for the ERCOT region. El Paso Electric is a non-ERCOT utility on the Western Interconnection, so SB 6's requirement does not bind EPE or its large-load customers, and the City cannot cite it as controlling law in an EPE proceeding.

What the City can do is use it as persuasive policy benchmark — the same cost-causation logic the Legislature applied to ERCOT loads — when arguing in Economic Development Rate and CCN proceedings that large loads should be fully self-funding. The related statewide question of whether broader regional transmission costs should also be allocated to the large loads causing them is being worked out in an ERCOT-focused PUC rulemaking that EPE is not a party to, but its outcome is a useful analogy.

FERC-LEVEL ENGAGEMENT — THE CONFIRMED GAP

Transmission costs set at FERC flow into retail rates as **binding inputs**. The PUC does not reopen them. This is the **least visible and least contested part** of an El Paso household's electric bill. The City's last intervention with FERC was **November 5, 2021 – nearly 5 years ago**. Again, City Council has permitted itself to fail its residents.

WHAT HAS BEEN FILED WHILE THE CITY WAS ABSENT

Annual True-Up and Projection filings

EPE's transmission formula rate requires an annual true-up adjustment and projection filing. This is the **recurring, predictable filing** where the City's technical experts should review inputs **every single year**, not only when a new docket opens.

The accumulated deferred income tax docket

It remained active with FERC issuing **deficiency letters** that EPE was still answering as of a **November 2025 compliance filing** — meaning it was still being contested by FERC staff on technical grounds well after the City's last known involvement in a related matter.

The November 2025 formula-rate correction

EPE itself flagged and corrected an error in its formula rate template that had been **inflating total gross plant in service**. **That is the strongest available argument for this section:** these templates contain real, correctable errors, and outside review rather than utility self-policing is exactly what a City-retained FERC expert provides.

DO NOT PUT A DOLLAR FIGURE ON THIS GAP YET

The cost to ratepayers of the FERC absence is **currently unknown and should not be estimated without a formal review**. No retrospective analysis exists quantifying what unchallenged formula rate inputs or true-up calculations have cost El Paso customers since 2021. Unlike the base rate case savings figures, which are tracked against the City's own negotiated outcomes, **there is no baseline for dockets the City did not participate in**.

ACTION

Commission **outside FERC counsel** to conduct a retrospective technical review of EPE's annual true-up and projection filings and the deferred income tax record **since 2021**, checking specifically for inputs, cost allocations or protocol interpretations that would likely have drawn a successful challenge had the City participated. **Only after that review** should a dollar estimate be presented to Council or the public.

Putting a number on this before the review is the fastest way to lose the argument.

STANDING FERC PRACTICE GOING FORWARD

■ Calendar EPE's annual formula rate filing cycle as a standing review item, and assess whether intervention or informal comment is warranted **before dockets close**.

■ Monitor and contest cost allocation for new transmission facilities under Order 1000, particularly any project tied to serving new large loads, so costs are allocated to the entities that actually benefit.

■ Keep pressing the PUC on FERC Transmission Revenue Credit treatment. The City has already raised this in seeking reconsideration of the rate case decision. Make it a standing element of every future case rather than a one-time ask.

LONGER-TERM LEGISLATIVE ADVOCACY

1 Extend large-load cost-causation protections to non-ERCOT Texas

SB 6's Contribution in Aid of Construction requirement and the Governor's 2026 data center guidelines both stop at the ERCOT boundary. El Paso Electric customers have **less protection from large-load cost shifting** than customers elsewhere in Texas.

This is the clearest, most specific ask available to the delegation, and the McCloud proceeding is the illustration.

2 Revisit the non-ERCOT retail competition framework

For EPE's service area, building on transition studies Texas legislators have previously commissioned for the El Paso region.

3 Support earnings-sharing tariff mechanisms

That require refunds to ratepayers — not to a general fund — whenever a utility's **earned return exceeds its authorized return** by a defined margin, closing the informal gap that currently exists **between rate cases**.

IMPLEMENTATION TIMELINE

EIGHT ACTIONS · FOUR PHASES

Immediate START NOW

Confirm standing **intervention authority** and the **expert-witness budget** are funded, and protect that line item explicitly in the FY 2028 budget

Next budget cycle

Assign counsel to **monitor FERC dockets** affecting EPE and calendar the annual formula rate cycle

30–60 days

Commission the **retrospective FERC review** described in Section 8.2 — before any dollar figure is used publicly

60–120 days

Short-term IN FLIGHT

Intervene in **open rider proceedings**, including the June 2026 Purchased Power Capacity Cost Recovery Factor application

Continuous

Press the **McCloud** and **Economic Development Rate** proceedings on after-the-bridge cost treatment

Through final order

Medium-term BUILD THE RECORD

Prepare **tier-structure, fixed-charge and class-allocation** expert testimony ahead of the next base rate case

6–12 mo. before filing

Formalize **large-load cost allocation** positions before the next data center or CCN filing

Ongoing

Long-term CHANGE THE LAW

Engage the state delegation on **non-ERCOT large-load protections**, retail competition and earnings-sharing

Next legislative session



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