

FEDERAL ENERGY REGULATORY COMMISSION
WASHINGTON, D.C. 20426

October 23, 2003

In Reply Refer To:
El Paso Electric Company
Docket No. EL02-113-002

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Dear Ms. Doria and Mr. Demond, Strain and Green:

1. On June 19, 2003, El Paso Electric Company (El Paso Electric) filed a motion with the Commission seeking approval of the process by which El Paso Electric will make sales of wholesale power pursuant to its cost-based price cap. In the contested settlement in this proceeding, El Paso Electric had committed not to make sales pursuant to its market-based rate tariff until January 1, 2005. El Paso Electric would instead make sales at or below its applicable cost-based price caps.

2. El Paso Electric (1) explained the methodology by which it currently determines its cost-based price caps under the Western Systems Power Pool Agreement (WSPP), (2) committed to make periodic filings on a confidential basis detailing El Paso Electric's cost-based caps for each hour of the reporting period for long-term, day-ahead and real-time sales, and (3) requested Commission approval of that methodology.

3. On July 21, 2003, El Paso Electric filed a notice of clarification of its motion, clarifying that El Paso Electric reserves the right to seek authority from the Commission to make sales under a different source of cost-based authority than the WSPP Agreement.
4. Subsequently, the Commission issued its order approving the contested settlement in this docket.¹
5. On August 25, 2003, El Paso Electric filed a second notice of clarification of its motion, seeking approval of its methodology for compliance with a cost-based cap on wholesale prices, and again clarifying that El Paso Electric reserves the right to make sales under a different source of cost-based authority than the WSPP Agreement.
6. El Paso Electric explains that, because its motion has not yet been approved, it has submitted the data for its initial report to the Commission Trial Staff on a confidential basis. In the event the Commission approves El Paso Electric's motion, El Paso Electric will file the same data with the Commission on a confidential basis. El Paso Electric states that the data includes four spreadsheets, including the following categories: (1) long-term sales, (2) day-ahead sales, (3) real-time sales, and (4) adjustments.
7. No answers were filed to the motion or the notices of clarification.
8. The Commission approves the methodology for complying with the cost-based cap on wholesale prices submitted by El Paso Electric in its June 19, 2003 motion. The Commission finds that this methodology is fair and reasonable and in the public interest, and consistent with the contested settlement approved by the Commission.²

By direction of the Commission.

Linda Mitry,
Acting Secretary.

¹ El Paso Electric Co., et al., 104 FERC ¶ 61,115 (2003).

² As noted, El Paso Electric has reserved the right to seek authority from the Commission to make sales under a different source of cost-based authority than the WSPP Agreement.