BEFORE THE

LOUISIANA PUBLIC SERVICE COMMISSION

IN RE: APPLICATION OF SOUTHWESTERN ELECTRIC POWER COMPANY FOR THE CERTIFICATION AND APPROVAL TO CONSTRUCT THE HALLSVILLE NATURAL GAS PLANT AND TO CONVERT WELSH UNITS 1 AND 3 TO NATURAL GAS, IN ACCORDANCE WITH THE MBM ORDER AND THE COMMISSION’S 1983 ORDER	DOCKET NO. U-_____

DIRECT TESTIMONY OF

JACOB A. MILLER

FOR

SOUTHWESTERN ELECTRIC POWER COMPANY

DECEMBER 2024

TESTIMONY INDEX

EXHIBITS

I. INTRODUCTION

Q. PLEASE STATE YOUR NAME, POSITION, AND BUSINESS ADDRESS.

A. My name is Jacob A. Miller. I am employed as a Staff Regulatory Consultant in the Regulated Pricing & Analysis department of American Electric Power Service Corporation (AEPSC), a subsidiary of American Electric Power Company, Inc. (AEP). My business address is 212 East Sixth Street, Tulsa, Oklahoma, 74119-1295.

Q. PLEASE DESCRIBE YOUR EDUCATIONAL AND PROFESSIONAL BACKGROUND.

A. In 2012, I received a Bachelor of Science in Business Administration from Oklahoma State University. I received a Master of Business Administration and Master of Energy Business from the University of Tulsa in 2013 and 2019, respectively. I have attended workshops sponsored by Electric Utility Consultants, Inc., including its Electric Cost-of-Service and Electric Utility Pricing courses. I am a Certified Public Accountant in the state of Oklahoma.

I began my professional career in 2010, working in various analyst roles within the oil and gas industry until May 2016, when I began employment with AEPSC as a Transmission Project Coordinator. In April 2018, I accepted the position of Regulatory Consultant and have since progressed to my current title of Staff Regulatory Consultant.

Q. WHAT ARE YOUR CURRENT RESPONSIBILITIES?

A. As a Staff Regulatory Consultant I provide cost-of-service analysis, rate design, and tariff-related services and filings for AEP's operating companies, including Southwestern Electric Power Company (SWEPCO or the Company).

Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE ANY REGULATORY COMMISSIONS?

A. Yes, I have provided testimony before the Arkansas Public Service Commission, the Oklahoma Corporation Commission, and the Public Utility Commission of Texas.

II. PURPOSE OF TESTIMONY

Q. WHAT IS THE PURPOSE OF YOUR DIRECT TESTIMONY?

A. My testimony quantifies the estimated impact on SWEPCO's costs and rates from the proposed construction of the 450 MW simple-cycle Hallsville Natural Gas Plant (Hallsville or Hallsville Plant) in Hallsville, Texas, as well as the conversion of Welsh Unit 1 (525 MW) and Unit 3 (528 MW) from coal to natural gas at the J. Robert Welsh Power Plant (Welsh or Welsh Plant) in Camp County, Texas. Collectively, the construction of the Hallsville Plant and the conversion of the Welsh Plant are referred to as the Projects. My analysis focuses on the rate impact for the first full year of the Projects' operation in 2029. This rate impact compares SWEPCO's current base rate, rider, and fuel revenues in Louisiana to the projected revenues, taking into account the estimated revenue requirements associated with the Projects.

Q. PLEASE SUMMARIZE YOUR TESTIMONY.

A. For a residential customer using 1,000 kWh/month, the Projects will increase the bill for the first full year of operation an estimated 6.7% or $8.78 per month in 2029. This impact includes the non-fuel revenue requirement of the Projects described below, plus the estimated increase in fuel-related costs.

Q. DO YOU SPONSOR ANY EXHIBITS?

A. Yes, I sponsor the following exhibits attached to my testimony:

Exhibit JAM-1: Residential Customer Bill Impact
Exhibit JAM-2: Revenue Requirement of the Projects and Class Allocation
Exhibit JAM-3: Estimated Fuel-Related Cost Impact

III. RATE IMPACT ON LOUISIANA CUSTOMERS

Q. WHAT IS THE ESTIMATED RESIDENTIAL RATE IMPACT FOR THE PROJECTS REQUESTED BY SWEPCO?

A. Exhibit JAM-1 contains the estimated net rate impact for a residential customer using 1,000 kWh per month. The first full year conversion rate impact (2029) reflects a net $8.78 (6.7%) total bill increase. This increase is comprised of $7.34 attributed to the non-fuel revenue requirement for Welsh and Hallsville and $1.44 of fuel-related costs. This estimate does not account for cost changes unrelated to the Projects. These natural gas options are less costly for customers than the continued operation of Pirkey using lignite and Welsh using coal as described in the testimonies of witnesses Gage and DeCourcey.

Q. HOW WAS THE RESIDENTIAL RATE IMPACT CALCULATED?

A. The rate increase is calculated using the Louisiana retail non-fuel revenue requirement for the Projects, allocated to the residential class based on the production demand allocators from SWEPCO's last base rate proceeding (Docket No. U-35441), divided by current residential base rate revenues. Exhibit JAM-2 provides the non-fuel revenue requirement for the Projects, broken down by Louisiana retail basis and major customer class.

The fuel-related cost impact is derived from the additional estimated Southwest Power Pool (SPP) market revenues (net of congestion costs), the cost of gas burned to operate the plants, annual gas transportation costs, and the cost of reagents used for emissions control. Exhibit JAM-3 contains the derivation of the fuel-related cost changes for the Louisiana retail jurisdiction and the classes, using energy and demand allocators in accordance with current ratemaking practices.

Q. HOW ARE THE CUSTOMER IMPACTS DETERMINED?

A. The impact of the Projects on SWEPCO's costs and rates reflects the annual non-fuel revenue requirement associated with the Projects, plus the estimated fuel-related cost increase due to the addition of the Projects to SWEPCO's existing generation resources. These cost elements, when combined with SWEPCO's current revenues, provide sufficient information for estimating the cost and rate impact to the Louisiana jurisdiction. This is similar to the standard cost-of-service formula that is applied during a rate case proceeding.

Q. HOW WAS THE NON-FUEL REVENUE REQUIREMENT DETERMINED?

A. The Projects' revenue requirement recovers the return and taxes on the Hallsville Plant and the incremental investment associated with the gas conversion of Units 1 and 3 in the Welsh Plant, depreciation expense, and the associated operations and maintenance (O&M) expenses. Company witness Michael J. Dilley provides the budgeted O&M and capital inputs, along with the estimated useful lives of 30 years for the Hallsville Plant and 15 years for the Welsh Plant, used to determine both the depreciation expense and the O&M expense included in the revenue requirement calculation. The return reflects SWEPCO's 6.89% weighted average cost of capital (9.5% return on equity) approved in Louisiana Public Service Commission (LPSC) Docket No. U-35441. When the Projects are reflected in SWEPCO's Louisiana rates, the then Commission-approved return on equity, other cost of capital rates, and cost of capital ratios will be used in the revenue requirement calculation.

Q. HOW WERE SWEPCO'S FUEL-RELATED COST IMPACTS DETERMINED?

A. The fuel-related impacts represent the estimated additional SPP market revenues (net of congestion) from adding the Projects to SWEPCO's generating resources. These impacts also include the costs associated with the natural gas burned to operate the plants, annual gas transportation costs and storage reservation fees, and reagents used for emissions controls. This is consistent with current treatment of similar fuel-related costs for SWEPCO's other generation plants through the Company's Fuel Adjustment Clause and Environmental Adjustment Clause.

Q. HOW ARE THE PROJECTS' NON-FUEL REVENUE REQUIREMENTS AND FUEL-RELATED COSTS DESCRIBED ABOVE ALLOCATED TO LOUISIANA CUSTOMERS?

A. The non-fuel revenue requirements of the Projects in this analysis are allocated to the Louisiana retail jurisdiction on a production demand allocation and to the retail classes using a production average and excess demand allocation, as shown in Exhibit JAM-2. Fuel-related costs are allocated on production demand or energy (kWh) usage, consistent with current fuel cost allocation methodologies approved by the Commission.

IV. COST RECOVERY

Q. HOW WILL THE PROJECTS' NON-FUEL REVENUE REQUIREMENTS BE RECOVERED FROM SWEPCO'S LOUISIANA RETAIL CUSTOMERS?

A. SWEPCO is proposing recovery of the costs associated with the Projects after commercial operation through the Renewable Resources Recovery (RRR) Rider approved by the LPSC and currently used for SWEPCO's investment in other generation resources pursuant to Order U-36385-A. The RRR Rider would allow for the recovery of generation investment effective on the date the power generation facility begins providing service to customers, subject to reconciliation in the utilities next comprehensive base rate case or Formula Rate Plan. These costs will be subject to review by the LPSC.

Q. WOULD SWEPCO RECOVER FUEL COSTS FOR THE PROJECTS THROUGH THE COMMISSION'S FUEL ADJUSTMENT CLAUSE?

A Yes. SWEPCO's eligible fuel expenses for the Projects would flow through the Company's Fuel Adjustment Clause. SWEPCO's fuel costs are subject to review by the LPSC.

Q. WHAT COST OF SERVICE ITEMS WILL BE RECOVERED THROUGH THE FUEL ADJUSTMENT CLAUSE?

A. The following costs and benefits will flow through the Company's Fuel Adjustment Clause:

- The cost of gas burned to operate Welsh Plant and Hallsville Plant;
- The annual gas transportation costs and gas reservation fees; and
- SPP energy market and ancillary service revenues

This is consistent with current treatment of similar generation-related costs through SWEPCO's Fuel Adjustment Clause.

Q. WOULD SWEPCO SEEK RECOVERY OF ANY ELIGIBLE ENVIRONMENTAL COMPLIANCE COSTS THROUGH THE COMMISSION'S ENVIRONMENTAL ADJUSTMENT CLAUSE?

A. Yes, SWEPCO will seek recovery for necessary environmental compliance cost, such as reagents used for emissions control, where eligible for recovery through the Company's Environmental Adjustment Clause. These costs will be subject to review by the LPSC.

Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?

A. Yes.