

BEFORE THE  
LOUISIANA PUBLIC SERVICE COMMISSION

APPLICATION OF SOUTHWESTERN	:	
ELECTRIC POWER COMPANY FOR	:	
CERTIFICATION AND APPROVAL OF	:	
THE ACQUISITION OF CERTAIN	:	DOCKET NO. U-
RENEWABLE RESOURCES AND	:	
NATURAL GAS CAPACITY	:	
CONTRACTS IN ACCORDANCE WITH	:	
THE MBM ORDER, THE 1983 AND 1994	:	
GENERAL ORDERS	:	

DIRECT TESTIMONY OF  
  
A. MALCOLM SMOAK  
  
FOR  
  
SOUTHWESTERN ELECTRIC POWER COMPANY

MAY 2022

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## GLOSSARY OF ACRONYMS

AEP	American Electric Power Company, Inc.
AEPSC	American Electric Power Service Corporation
APSC	Arkansas Public Service Commission
CCR	Coal Combustion Residual
CPA	Capacity Purchase Agreement
COO	Chief Operating Officer
ELG	Effluent Limitation Guidelines
EPA	Environmental Protection Agency
IEEE	Institute of Electrical and Electronics Engineers
IRP	Integrated Resource Plan
LPSC	Louisiana Public Service Commission
MW	Megawatt
NSPE	National Society of Professional Engineers
PUCT	Public Utility Commission of Texas
RECs	Renewable Energy Credits
RFP	Request for Proposal
RTO	Regional Transmission Organization
SPP	Southwest Power Pool
SWEPCO	Southwestern Electric Power Company

1 I. INTRODUCTION

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

3 A. My name is Albert Malcolm Smoak. I am employed by Southwestern Electric Power  
4 Company (SWEPCO or the Company) as President and Chief Operating Officer  
5 (COO). SWEPCO is an operating company of American Electric Power Company,  
6 Inc. (AEP). My business address is 428 Travis Street, Shreveport, Louisiana 71101.

7 Q. WHAT ARE YOUR PRINCIPAL AREAS OF RESPONSIBILITY WITH SWEPCO?

8 A. As President and COO of SWEPCO, I am responsible for the safe delivery of reliable  
9 electric energy and quality services to our customers. This includes oversight of the  
10 following SWEPCO functions in Arkansas, Louisiana, and Texas:

- 11 • Distribution;
- 12 • Customer service;
- 13 • Regulatory and statutory compliance;
- 14 • Community and economic development; and
- 15 • Maintenance of SWEPCO's financial performance and health.

16 In addition, I provide strategic coordination of transmission and generation  
17 operations as these activities affect SWEPCO's financial health and day-to-day  
18 operations. In fulfilling these roles, I coordinate with American Electric Power Service  
19 Corporation (AEPSC) departments and leaders responsible for supporting SWEPCO's  
20 provision of utility services. I also represent SWEPCO as it interacts with other  
21 operating units within the AEP system.

1 Q. WILL YOU BRIEFLY DESCRIBE YOUR EDUCATIONAL AND PROFESSIONAL  
2 BACKGROUND?

3 A. I hold a Bachelor of Science degree in electrical engineering from Louisiana Tech  
4 University and I am a registered professional engineer in the State of Louisiana. I am  
5 a member of the Institute of Electrical and Electronics Engineers (IEEE) and former  
6 President of the IEEE Shreveport chapter. I am a member of the National Society of  
7 Professional Engineers (NSPE) and I represent the NSPE on the National Electrical  
8 Safety Code, Subcommittee Eight.

9 My career at SWEPCO began in 1984 as a distribution engineer and I have  
10 held positions of escalating responsibility serving as a meterman supervisor, the  
11 Louisiana division operations superintendent, distribution operations supervisor,  
12 distribution engineering supervisor, and the Shreveport district manager of the  
13 distribution system. I assumed the position of Vice President of Distribution Region  
14 Operations in 2004 where I had responsibility for Distribution throughout the  
15 SWEPCO service territory in Arkansas, Louisiana, and Texas. In May 2018, I was  
16 promoted to my current position.

17 Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE ANY REGULATORY  
18 COMMISSION?

19 A. Yes. I have filed testimony before the Louisiana Public Service Commission (LPSC  
20 or Commission), the Arkansas Public Service Commission (APSC), and the Public  
21 Utility Commission of Texas (PUCT).

1 II. PURPOSE OF TESTIMONY

2 Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

3 A. My testimony discusses SWEPCO's emerging need for new generation capacity  
4 resources and the actions SWEPCO has taken to meet that need. Based on analysis  
5 demonstrating that wind and solar resources would best meet SWEPCO's and its  
6 customers' long-term capacity needs. Pursuant to the Commission's Market Based  
7 Mechanism (MBM) Order dated October 29, 2008, SWEPCO issued Requests for  
8 Proposals (RFPs) seeking those resources and selected market competitive proposals  
9 offered in the RFPs (collectively referred to as the Selected Facilities). SWEPCO is  
10 also seeking commission approval of certain natural gas Capacity Purchase  
11 Agreements (CPAs or Agreements) solicited through its RFP, to help bridge the gap  
12 between SWEPCO's capacity need in 2023 and when the new generation resources can  
13 come online as further discussed by SWEPCO witness Tom Brice. My testimony also  
14 introduces the other SWEPCO witnesses and the topics discussed in their testimony.

15 Q. WHAT IS SWEPCO REQUESTING FROM THE COMMISSION IN THIS  
16 PROCEEDING?

17 A. SWEPCO has a generation capacity need that begins to emerge in 2023. SWEPCO is  
18 requesting the Commission approve the acquisition of the Selected Facilities, and the  
19 natural gas CPAs to meet that capacity need. SWEPCO seeks the acquisition of the  
20 Selected Facilities pursuant to the Commission's September 20, 1983 General Order  
21 (1983 Order or Certification Order) governing certification of generation assets; the  
22 March 18, 1994 General Order (1994 Order) governing LPSC approval of, or non-  
23 opposition to, changes in ownership or control, and in accordance with the

1 Commission's MBM Order. SWEPCO witness Thomas Brice describes the specific  
2 regulatory approvals SWEPCO is requesting.

3 Q. PLEASE DESCRIBE THE SELECTED FACILITIES TO BE ACQUIRED.

4 A. The Selected Facilities were identified through a market-competitive RFP process to  
5 meet SWEPCO's generation capacity need, as further described by Company witnesses  
6 Thomas P. Brice and Amy E. Jeffries. The Selected Facilities include two wind  
7 facilities (the Selected Wind Facilities) and one solar facility (the Selected Solar  
8 Facility), with the solar facility being located in Caddo Parish, Louisiana not far from  
9 SWEPCO's main office in downtown Shreveport, Louisiana. Table 1 below  
10 summarizes the Selected Facilities that SWEPCO is pursuing, their size, and projected  
11 in-service dates.

Table 1: SELECTED FACILITIES OVERVIEW

	Wind		Solar
	Wagon Wheel	Diversion	Mooringsport
<b>Size (Nameplate Megawatt (MW))</b>	598.4	200.6	200
<b>Developer</b>	Invenergy	Invenergy	Invenergy
<b>Planned COD</b>	12/2025	12/2024	12/2025
<b>State</b>	OK	TX	LA
<b>County / Parish</b>	Multiple <sup>1</sup>	Baylor	Caddo
<b>Location (RTO)</b>	SPP	SPP	SPP

12 The Selected Wind Facilities consist of two separate projects totaling 799 MW  
13 of installed nameplate capacity. The Selected Wind Facilities will be engineered to  
14 have a design life of 30 years and will consist of General Electric 3.4 MW wind turbine  
15 generators.

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<sup>1</sup> Wagon Wheel is located in the following counties in Oklahoma: Garfield, Kingfisher, Logan, and Noble.

1           The Selected Solar Facility to be located in Caddo Parish, Louisiana, will have  
2           200 MW of installed nameplate capacity, consisting of photovoltaic modules with a  
3           single axis tracking system that will be engineered to have a design life of 35 years.  
4           The Selected Facilities are described in more detail in Exhibit JGD-1 to the testimony  
5           of SWEPCO witness Joseph DeRuntz.

6           The location of the Selected Facilities is depicted in the figure below.



7  
8           The developer of the Selected Facilities will be responsible for the  
9           development, land acquisition, environmental studies, permitting, engineering,  
10          interconnection, procurement of all necessary equipment and materials, construction,  
11          and commissioning of the Selected Facilities.

12       Q.     WHAT IS THE TOTAL PROJECT CAPITAL COST FOR THE SELECTED  
13          FACILITIES?



1 A. As described in detail in the testimony of Company witness DeRuntz, the total project  
2 capital costs for the three facilities to be acquired is approximately \$2.175 billion.

3

4 III. INTRODUCTION OF WITNESSES

5 Q. PLEASE IDENTIFY THE WITNESSES WHO WILL BE SPONSORING  
6 TESTIMONY IN SUPPORT OF THE PROPOSED ACQUISITION.

7 A. The following witnesses support SWEPCO's request in this proceeding:

<b>Witness</b>	<b>Testimony Summary</b>
A. Malcolm Smoak	Need for Selected Facilities and Capacity Purchase Agreements (CPAs)
Thomas P. Brice	Renewable Facilities and CPAs, SWEPCO Policy, Recovery Mechanism Request
James F. Martin	Q1 2021 Internal Analysis, IRP, RFP Evaluation, and Confirmation Analysis
Patrick N. Augustine	Discussion of the Company's 2021 IRP and Confirmation Analysis
Amy E. Jeffries	RFP Process, Purchase and Sale Agreements with the developer, and CPAs
Joseph G. DeRuntz	Description of Selected Facilities, Total Project Capital and O&M Costs
Kamran Ali	Deliverability Assessment and Congestion Modeling
David A. Hodgson	Federal Tax Credits, Intercompany Allocations, and Deferred Tax Asset
Noah K. Hollis	Credit Metrics and Financing
John O. Aaron	Customer Impacts, Recovery Mechanisms, and Accounting Treatment

8

IV. CAPACITY NEED

9 Q. PLEASE PROVIDE A BRIEF DISCUSSION OF THE NEED FOR CAPACITY.

10 A. SWEPCO has a capacity need that emerges in 2023, driven by the retirement of aging  
11 SWEPCO generation units, including the retirement of five natural gas-fired units in

1        2019 and 2020<sup>2</sup>, the 2021 retirement of the Dolet Hills lignite-fired generation plant,  
2        and the announced 2023 retirement of the Pirkey lignite-fired generation plant.  
3        SWEPCO's current capacity position forecast identifies and quantifies SWEPCO's  
4        capacity need. The need for additional capacity was also confirmed in SWEPCO's  
5        recent Integrated Resource Plan (IRP) stakeholder meeting on March 29, 2022 in  
6        docket I-36242, as further discussed by SWEPCO witness Brice.

7        Q.     PLEASE DESCRIBE THE PURPOSE OF A CAPACITY POSITION FORECAST.

8        A.     A capacity position forecast is used to determine the need for generating resources to  
9        meet customers' peak demand requirements, including satisfying the Southwest Power  
10       Pool (SPP) reserve margin requirement. The current SPP minimum reserve margin  
11       requirement is 12%. In other words, a utility must maintain reserve generation capacity  
12       of *at least* 12% above its peak demand. The Company's capacity position forecast is  
13       discussed further by Company witness Martin.

14       Q.     PLEASE SUMMARIZE SWEPCO'S PRESENT CAPACITY POSITION  
15       FORECAST.

16       A.     With the retirement of aging natural gas-fired units, as well as the Dolet Hills and  
17       Pirkey plants, SWEPCO is facing a capacity deficit in 2023 that grows to  
18       approximately 1,574 MW in 2028 after the retirement of other generating units.  
19       SWEPCO's current capacity position forecast is discussed further by SWEPCO witness  
20       Jim Martin.

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<sup>2</sup> Knox Lee Unit 4, January 1, 2019; Knox Lee Units 2 and 3, Lone Star Unit 1, and Lieberman Unit 2, May 1, 2020.

1 Q. WILL THE SELECTED FACILITIES MEET A PORTION OF SWEPCO'S  
2 CAPACITY NEED?

3 A. Yes. SPP recognizes the capacity value of both wind and solar resources for meeting  
4 capacity reserve requirements. While SPP does not accredit wind and solar resources  
5 capacity at the nameplate capacity of these resources, as identified by SWEPCO  
6 witness Martin, the Selected Facilities are projected to provide 237 MW of SPP  
7 accredited capacity by the end of 2025, when all of the Selected Facilities are in  
8 commercial operation.

9 Q. PLEASE DISCUSS THE CIRCUMSTANCES OF THE 2019 AND 2020  
10 RETIREMENTS OF NATURAL GAS-FIRED UNITS.

11 A. Beginning in 2019, SWEPCO retired five gas-fired generating units placed in service  
12 between 1949 and 1956. SWEPCO considered the age and condition of the units'  
13 equipment, the significant capital investment required for continued operation, and  
14 their relatively high cost to generate electricity. In light of those circumstances,  
15 SWEPCO determined it was in customers' best interest to retire these generating units.

16 Q. PLEASE DISCUSS THE CIRCUMSTANCES OF THE DOLET HILLS  
17 RETIREMENT.

18 A. The Dolet Hills Plant was a 650 MW lignite fueled generating station that began  
19 providing service to customers more than 35 years ago, in 1986. SWEPCO's  
20 ownership share of the plant was 262 MW. Cleco Power LLC (CLECO) is a co-owner  
21 of the plant and is responsible for operation of the plant. Lignite for the Dolet Hills  
22 plant was mined from adjacent lignite mines. Despite diligent efforts to reduce costs  
23 at the mines, SWEPCO and CLECO determined that economically recoverable lignite

1 had been depleted. SWEPCO, in conjunction with CLECO, determined that the least-  
2 cost option for SWEPCO and its customers was the retirement of the plant and decided  
3 to retire the plant at the end of 2021.

4 Q. PLEASE DISCUSS THE CIRCUMSTANCES OF THE ANNOUNCED 2023  
5 PIRKEY RETIREMENT.

6 A. Pirkey is a 675 MW lignite-fired generation plant. SWEPCO's ownership share of the  
7 plant is 580 MW. On November 5, 2020, SWEPCO announced that it would retire  
8 Pirkey rather than retrofit the plant to continue operations in compliance with the  
9 United States Environmental Protection Agency (EPA) Coal Combustion Residual  
10 (CCR) Rule and Effluent Limitation Guidelines (ELG). In light of that decision and  
11 consistent with the requirements of the CCR Rule, Pirkey will be retired in 2023.  
12 SWEPCO's decision was informed by an analysis performed in the Fall of 2020 to  
13 determine the cost-effectiveness of making CCR and ELG retrofits necessary to  
14 continue operation. SWEPCO evaluated the cost-effectiveness of making the  
15 necessary CCR and ELG capital expenditures that would allow Pirkey to continue  
16 operation. The analysis demonstrated greater expected customer benefits from  
17 retirement of the plant rather than making CCR and ELG expenditures.

18 Q. WHAT ACTION DID SWEPCO TAKE TO ADDRESS THE CAPACITY NEED  
19 AND PROCURE RESOURCES TO SATISFY THAT NEED?

20 A. SWEPCO evaluated the acquisition of new generation resources to meet the capacity  
21 need. That analysis demonstrated that the best value to customers to meet this emerging  
22 capacity need was the acquisition of wind and solar resources along with short-term  
23 CPAs to bridge the gap between the 2023 capacity need and the expected in-service

1 date of the newly acquired resources. SWEPCO witness Martin further discusses this  
2 analysis (the Q1 2021 Analysis). As a result, SWEPCO issued three market  
3 competitive RFPs in June 2021 pursuant to the Commission's MBM Order.  
4 SWEPCO's RFP was carefully reviewed and coordinated with Commission Staff and  
5 Consultants throughout the RFP process in accordance with the MBM Order as further  
6 discussed by SWEPCO witnesses Brice and Jeffries. One RFP was for up to 3,000  
7 MW of wind resources, one was for up to 300 MW of solar resources, and one was for  
8 short-term accredited deliverable CPAs. SWEPCO witness Jeffries further discusses  
9 these RFPs and the evaluation of the bids received.

10 Q. WERE THE SELECTED FACILITIES THE ONLY RESOURCES SELECTED BY  
11 SWEPCO IN THE 2021 RFPs?

12 A. No. Through the CPA RFP, SWEPCO selected approximately 250 MW of short-term  
13 contracted natural gas capacity from existing resources for the capacity planning year  
14 of 2023, 350 MW for planning years 2024 and 2025, and 200 MW for planning year  
15 2026. The 2023 CPA has been addressed in a separate application that was filed with  
16 the Commission on April 29<sup>th</sup>, 2022, requesting expedited consideration from the  
17 Commission. SWEPCO is requesting Commission approval of the remaining CPAs for  
18 planning years 2024-2026 in this proceeding. These resources are an important part of  
19 the comprehensive portfolio of resources that will satisfy SWEPCO's capacity need  
20 and serve as a bridge between the near-term capacity need and the in-service date of  
21 the Selected Facilities.

1 Q. DOES THE ACQUISITION OF THE SELECTED FACILITIES PROVIDE SWEPCO  
2 AND ITS CUSTOMERS WITH AN IMPORTANT GENERATION DIVERSITY  
3 BENEFIT?

4 A. Yes. The Commission has long recognized the benefits of fuel diversity. The proposed  
5 acquisition of the Selected Facilities, with no fuel costs at all, will further diversify  
6 SWEPCO's owned generation resources beyond its still substantial gas and coal-fired  
7 resources. Today's rising natural gas price environment only emphasizes the value of  
8 a diversified generation portfolio.

9 Q. WILL SWEPCO'S ACQUISITION OF THE SELECTED FACILITIES PROVIDE A  
10 SOLID HEDGE AGAINST SPIKES IN NATURAL GAS AND PURCHASED  
11 POWER PRICES?

12 A. Yes. For example, in just twelve days last year, February 9 through 20, 2021,  
13 SWEPCO's total company fuel costs increased by approximately \$168.8 million on a  
14 Louisiana jurisdictional basis because of the 2021 winter storm. The cost increase  
15 during the 2021 winter storm was caused by significantly higher natural gas prices,  
16 SWEPCO's obligation to fulfill reliability, must-run directives issued by SPP, and  
17 higher costs for purchased power. SWEPCO's acquisition of all three Selected  
18 Facilities will provide a hedge for SWEPCO's customers against such spikes in natural  
19 gas and purchased power costs.

20 Q. HAS THE COMPANY ESTIMATED THE FUEL COST SAVINGS THAT WOULD  
21 HAVE BEEN ACHIEVED IF SWEPCO'S RECENTLY ACQUIRED NORTH  
22 CENTRAL WIND FACILITIES HAD BEEN IN SERVICE DURING THE 2021  
23 WINTER STORM?

1 A. Yes. The North Central wind facilities that SWEPCO acquired for its Louisiana and  
2 Arkansas customers have now been placed in service. The Company estimates that, if  
3 those facilities had been in service during the 2021 winter storm, SWEPCO customers  
4 in Arkansas and Louisiana would have seen a significant fuel cost savings.

5 Q. WILL THE ACQUISITION OF THE SELECTED WIND FACILITIES PROVIDE  
6 SWEPCO WITH MORE CONTROL OVER THE WINTERIZATION OF ITS  
7 GENERATION RESOURCES?

8 A. Yes. Ownership of these facilities provides SWEPCO the ability to control the  
9 winterization of the facilities. In fact, the Selected Facilities will be equipped with a  
10 cold weather package for low temperature operation and dynamic balancing to avoid  
11 shut down due to imbalance from icing. SWEPCO witness DeRuntz discusses further  
12 this feature of the Selected Facilities. SWEPCO witness Brice further addresses the  
13 advantages of ownership of the Selected Facilities.

14

15 V. SUMMARY OF SELECTED FACILITIES BENEFITS

16 Q. WHAT ARE THE EXPECTED CAPACITY BENEFITS OF THE SELECTED  
17 FACILITIES?

18 A. SWEPCO's emerging capacity need requires SWEPCO to add generation resources to  
19 continue providing reliable service and to meet its reserve margin requirements. The  
20 Selected Facilities were chosen as the result of market-based competitive solicitation  
21 designed to acquire capacity resources at the lowest reasonable cost. Further, the  
22 Selected Facilities, with no fuel costs, will make an important contribution to the  
23 diversity of SWEPCO's generation capacity portfolio.

1 Q. IN ADDITION TO MEETING A CAPACITY NEED, WILL THE SELECTED  
2 FACILITIES PROVIDE OTHER BENEFITS TO CUSTOMERS?

3 A. Yes. Approval of the project will support our economic development efforts to retain  
4 existing and attract new customers. Current and potential customers have expressed an  
5 increasing need for renewable energy to meet their sustainability goals. In fact, many  
6 local, regional, national, and international companies have sustainability goals, of  
7 which renewable energy is a key component. The Selected Facilities will meet both a  
8 capacity need and customer demand for sustainability. SWEPCO witness Brice  
9 discusses further customers' current opportunity to procure Renewable Energy  
10 Certificates (RECs) from SWEPCO and SWEPCO's plan to expand that opportunity.

11 Q. IS THE ACQUISITION OF THE SELECTED FACILITIES CONSISTENT WITH  
12 THE COMPANY'S RECENT INTEGRATED RESOURCE PLANS AND THE  
13 DESIRES OF ITS STAKEHOLDERS?

14 A. Yes. In each of the last three IRPs SWEPCO's stakeholders have urged the Company  
15 to accelerate renewables when satisfying a capacity and energy need. In each IRP the  
16 Preferred Plan discussed the Company's desire to maximize the efficient and affordable  
17 continuation of its existing generation facilities for the benefit of its customers, all the  
18 while recognizing that volatile fuel prices and changing environmental regulations may  
19 drive changes in the generation resource mix going forward. The Preferred Plan also  
20 recognized the need to take opportunities as they were presented to take advantage of  
21 federal tax benefits that could be captured for the benefit of its customers by  
22 transitioning to renewable energy facilities.



1 Q. IS THERE AN ECONOMIC DEVELOPMENT OPPORTUNITY FOR LOUISIANA  
2 BEYOND THOSE DISCUSSED ABOVE?

3 A. Yes. The Mooringsport Solar project will be located in Louisiana. The construction  
4 and operation of this facility will create jobs in northwest Louisiana and lease payments  
5 for Louisiana landowners. In fact, the Company performed a study of the economic  
6 impact of the Mooringsport project for the state of Louisiana. The study concluded  
7 that construction and other on-going operations and investment expenses will support  
8 over 4,400 jobs, directly and indirectly, during the construction phase; support  
9 permanent employment, directly and indirectly, for over 130 people a year in  
10 Louisiana; and add nearly \$1.4 billion (\$2022) in state domestic product over its 35-  
11 year expected life.

12

13 VI. CONCLUSION

14 Q. PLEASE SUMMARIZE WHY THE COMMISSION SHOULD APPROVE  
15 SWEPCO'S ACQUISITION OF THE SELECTED FACILITIES.

16 A. SWEPCO has a capacity need driven by the retirement in 2019 and 2020 of aging gas  
17 fired units and other existing SWEPCO generation units, including the 2021 retirement  
18 of the Dolet Hills lignite-fired generation plant and the 2023 retirement of the Pirkey  
19 lignite-fired generation plant. The Company's analysis demonstrates that the best  
20 customer value option to meet the capacity need is wind and solar resources with short-  
21 term capacity to bridge the gap between the 2023 capacity need and the in-service date  
22 of the Selected Facilities. SWEPCO issued RFPs in compliance with the Commission's  
23 MBM Order and coordinated closely with Commission Staff and Consultants during

1 the RFP process. SWEPCO selected competitive bids received in the RFPs to meet the  
2 capacity need. Approval of the projects will support our economic development efforts  
3 to retain existing and attract new customers. Current and potential customers have  
4 expressed an increasing need for renewable energy to meet their sustainability goals.  
5 Accordingly, pursuant to the provisions of the 1983 Certification Order and the 1994  
6 General Order, and in compliance with the MBM Order, SWEPCO respectfully  
7 requests approval of the transaction to acquire the Selected Facilities, as well as the  
8 natural gas CPAs, and that the Commission issue a Certification Order authorizing  
9 SWEPCO's cost recovery and rate treatments as requested and confirming that the  
10 acquisition of the Selected Facilities is prudent and in the public interest.

11 Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?

12 A. Yes, it does.