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2020 APR 14 AM 10:01
LA PUBLIC SERVICE COMMISSION

April 9, 2020

Filed Electronically and via Federal Express
Ms. Terri Lemoine Bordelon
Records Section
Louisiana Public Service Commission
Galvez Building, 12th Floor
602 North Fifth Street
Baton Rouge, LA 70802

Re: ***Docket No. U-35324, Application of Southwestern Electric Power Company (SWEPCO) for Certification and Approval of the Acquisition of Certain Renewable Resources in Accordance with the MBM Order and the 1983 and 1994 General Orders***

Dear Terri:

Pursuant to the Louisiana Public Service Commission's Executive Order dated March 24, 2020, authorizing electronic filing, enclosed for filing in the above captioned docket is a *Joint Motion for Consideration of Proposed Uncontested Joint Stipulation and Settlement Agreement by the Commission Pursuant to Rule 57*, along with the following exhibits:

Attachment 1—	Joint Stipulation and Settlement Term Sheet, executed by the Company, Staff, and Intervenors April 8, 2020;
Attachment 2—	Testimony of Thomas P. Brice on Behalf of SWEPCO in Support of the Joint Stipulation and Settlement Agreement, dated April 9, 2020.
Attachment 3—	Testimony of Robert Lane Sisung on Behalf of Commission Staff in Support of the Joint Stipulation and Settlement Agreement, dated April 8, 2020.
Attachment 4—	Testimony of Kevin W. O'Donnell on Behalf of the Alliance for Affordable Energy in Support of the Joint Stipulation and Settlement Agreement, dated April 9, 2020.
Attachment 5—	Testimony of Lisa V. Perry on Behalf of Walmart Inc. in Support of the Joint Stipulation and Settlement Agreement, dated April 9, 2020.

Fed Ex

Please note that we are requesting that the Commission consider the Joint Stipulation and Settlement Agreement at the Commission's next Business & Executive Session.

We will follow up with original and requisite copies by mail. Please provide us with a stamped copy once filed with the Commission. We thank you and appreciate your continued assistance and cooperation.

With best regards, I am

Yours very truly,

WILKINSON, CARMODY & GILLIAM

By: Bobby S. Gilliam

Bobby S. Gilliam
Jonathan P. McCartney
Gemma Zuniga

BSG/gz

BEFORE THE

LOUISIANA PUBLIC SERVICE COMMISSION

2020 APR 14 AM 10:01
LA PUBLIC SERVICE COMMISSION

SOUTHWESTERN ELECTRIC POWER COMPANY,	**DOCKET NO.: U-35324**
EX PARTE	

In re: Application for Certification and Approval of the Acquisition of Certain Renewable Resources.

JOINT MOTION FOR CONSIDERATION OF PROPOSED UNCONTESTED JOINT STIPULATION AND SETTLEMENT AGREEMENT BY THE COMMISSION PURSUANT TO RULE 57

NOW COME Applicant Southwestern Electric Power Company ("SWEPCO" or the "Company"), Louisiana Public Service Commission Staff ("Staff"), and Intervenors—Alliance For Affordable Energy (the "Alliance") and Walmart Inc. ("Walmart")—who, pursuant to Rule 57 of the Rules of Practice and Procedure of the Louisiana Public Service Commission, respectfully submit this Joint Motion, requesting that the Louisiana Public Service Commission ("LPSC" or the "Commission") assert its original and primary jurisdiction and consider at its May 20, 2020, Business & Executive Session ("B&E"), the proposed uncontested stipulated settlement ("Settlement"), which resolves all issues in the docket and issue an order approving the Settlement. The Settlement reflects the terms agreed upon between the parties and is submitted as Attachment 1 to this Joint Motion. In support of this Joint Motion, the parties represent as follows:

1.

On July 15, 2019, the Company filed its Application with supporting testimony and exhibits, seeking Commission approval of the acquisition of the Selected Wind Facilities ("SWF"), comprised of the Maverick, Sundance, and Traverse wind generation facilities in central Oklahoma, for the benefit of its Louisiana customers.

2.

Notice of this proceeding was published in the Official Bulletin of the Commission on July 26, 2019, after which the Alliance and Walmart timely intervened.

3.

This matter was assigned to Administrative Law Judge ("ALJ") Joy Guillot, and following a status conference on September 19, 2019, in which counsel for SWEPCO explained that it was necessary to proceed on an expedited basis to allow Louisiana customers to receive all benefits contemplated by the transaction, a procedural schedule was set.

4.

The Company, Staff, and Intervenors have strictly adhered to the timelines contained therein in exchanging substantial discovery, filing testimony, and participating in comprehensive settlement negotiations.

5.

On March 6, 2020, in light of continuing settlement negotiations, the Company and Staff filed their *Joint and Unopposed Motion to Amend Procedural Schedule*, asking the Tribunal to amend the procedural schedule, and on March 9, 2020, ALJ Guillot issued a Ruling granting said Motion.

6.

After continuing and extensive negotiations, the Company, Staff, and Intervenors agreed to the terms of the Settlement.

7.

Prior to the parties filing the Stipulation in accordance with Rule 6 of the Commission's Rules of Practice and Procedure, on March 17, 2020, in response to Governor John Bel Edwards's

Proclamation Number JBE 2020-30, *Additional Measures for COVID-19 Public Health Emergency*, the Tribunal issued a Notice informing the parties that the procedural schedule in this matter was continued without date.

8.

Due to the time-sensitive nature of the project with regard to realizing the benefits of the Production Tax Credits ("PTCs") to their fullest extent and the unprecedented circumstances due to COVID-19, the parties agree that this matter should be submitted for the Commission's consideration under Rule 57 of the Commission's Rules of Practice and Procedure.

9.

Therefore, in support of this Joint Motion, SWEPCO, Staff, and Intervenors submit the following:

Attachment 1—	Joint Stipulation and Settlement Term Sheet, executed by the Company, Staff, and Intervenors April 8, 2020;
Attachment 2—	Testimony of Thomas P. Brice in Support of the Joint Stipulation and Settlement Agreement, dated April 9, 2020.
Attachment 3—	Testimony of Robert Lane Sisung in Support of the Joint Stipulation and Settlement Agreement, dated April 8, 2020.
Attachment 4—	Testimony of Kevin W. O'Donnell in Support of the Joint Stipulation and Settlement Agreement, dated April 9, 2020.
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10.

If approved, including a determination from the Commission regarding the "Flex-Up" option, the Settlement would resolve all of the issues outstanding in the above-captioned docket. The parties support the Settlement as being in the public interest.

11.

As noted, the parties seek Commission consideration of the Settlement, including a definitive determination regarding the "Flex-Up" option, pursuant to Rule 57 at the Commission's May 20, 2020 B&E. Prompt consideration and approval of the Settlement by the Commission would allow SWEPCO to maximize the PTCs available for the benefit of its customers. The project is time-sensitive, as the Maverick and Traverse SWF must be placed in service no later than December 31, 2021, if Louisiana customers are to receive 80% of the PTCs available for those facilities, and Sundance must be placed in service no later than December 31, 2020, in order for Louisiana customers receive 100% of the PTCs available for that facility. In fact, cognizant of the time constraints posed by the sought-after PTCs, the parties agreed to an accelerated procedural schedule in this docket, a schedule to which all parties adhered and only recently requested modification in order to finalize settlement discussions. Moreover, the modified schedule still anticipated consideration of this matter at the May 20, 2020 B&E, following a stipulation hearing; however, the parties did not foresee the delays associated with the COVID-19 pandemic. Because the issuance of Proclamation Number JBE 2020-30 has prompted the suspension of all dates in this matter, including any for a tentative Settlement Hearing, the parties respectfully request the Commission's direct consideration of this matter at the May 20, 2020, B&E pursuant to Rule 57 of Rules of Practice and Procedure of the Commission. The granting of this Motion and subsequent consideration by the Commission would not prejudice any party to this proceeding, but instead, would allow SWEPCO's customers to receive maximum benefits in a timely and expedient manner as contemplated and contained within the Settlement.

WHEREFORE, for the reasons set forth above, SWEPCO, Staff, and Intervenors respectfully request that the Commission assert its original and primary jurisdiction pursuant to

Rule 57 of the Rules of Practice and Procedure of the Louisiana Public Service Commission; consider the settlement of all legal and factual issues as contained in the Settlement Agreement at its May 20, 2020, B&E; and find that the Joint Stipulation and Settlement Agreement is in the public interest, and issue an order approving the same in this docket.

Respectfully submitted,

Bobby S. Gilliam

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Counsel for Walmart Inc.

CERTIFICATE OF SERVICE

I hereby certify that a copy of the above and foregoing has been served upon all parties of record by email, fax, or U.S. Mail, properly addressed and postage prepaid, on this 9th day of April, 2020.

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OF COUNSEL

ATTACHMENT 1

JOINT STIPULATION AND SETTLEMENT TERM SHEET, EXECUTED BY THE COMPANY, STAFF, AND INTERVENORS APRIL 8, 2020

BEFORE THE

LOUISIANA PUBLIC SERVICE COMMISSION

APPLICATION OF SOUTHWESTERN	)	
ELECTRIC POWER COMPANY (SWEPCO)	)	
FOR CERTIFICATION AND APPROVAL OF	)	
THE ACQUISITION OF CERTAIN	)	DOCKET NO. U-35324
RENEWABLE RESOURCES IN	)	
ACCORDANCE WITH THE MBM ORDER	)	
AND THE 1983 AND 1994 GENERAL ORDERS	)	

JOINT STIPULATION AND SETTLEMENT AGREEMENT

COME NOW the undersigned parties to the above entitled docket and present the following Joint Stipulation and Settlement Agreement (Joint Settlement) for the Commission's review and approval as their compromise and settlement of all issues in this proceeding between the parties to this Joint Settlement (Settling Parties) as described below. The Settling Parties represent to the Commission that this Joint Settlement represents a fair, just and reasonable settlement of these issues, that this Joint Settlement addresses the resolution of all legal and factual issues presented in this docket, that the terms and conditions of the Joint Settlement are in the public interest, satisfy the MBM Order and the 1983 and 1994 General Orders, and the Settling Parties urge the Commission to issue an Order in this docket adopting and approving this Joint Settlement.

It is hereby agreed by and between the Settling Parties as follows:

TERMS OF THE JOINT SETTLEMENT

Effective with the final order of the Louisiana Public Service Commission (LPSC or Commission) approving all elements of this Joint Settlement:

1. Approval of the Application.

(a) Except as described below, the Settling Parties request that the Commission approve the relief requested by the Company in its Application. The Company clarifies that its request for a finding that the purchase of the Selected Wind Facilities (SWFs) (also referred to collectively as North Central Energy Facilities) is in the public interest should not be construed as a request for finding a value for ratemaking purposes.

(b) Southwestern Electric Power Company (SWEPCO or the Company) is authorized to acquire up to 810 MW from the Selected Wind Facilities, based on the receipt of all regulatory approvals by SWEPCO.

(c) The Company is further authorized to acquire either 810 MW or a lesser amount of MW from the Selected Wind Facilities (SWF) if the Company does not receive certain regulatory approvals, as set forth in the Direct Testimony of Thomas P. Brice, Page 20, line 17, to Page 21, line 13, or if Invenergy delivers and SWEPCO accepts a lesser amount of MW pursuant to the terms of the PSAs. The anticipated scenarios, including scenarios E and F (Flex-Up Scenarios) where the Louisiana jurisdictional share of the Selected Wind Facilities will flex-up in comparison to the Base Case, are set forth in the table in Attachment 1, provided, however, that approval of the Flex-Up Scenarios is subject to Section 1(d). The Louisiana share of the Selected Wind Facilities, estimated in Attachment 1 based on the jurisdictional allocators used in the Company's direct testimony, will be determined in accordance with the Direct Testimony of Thomas P. Brice, Page 20, line 17, to Page 21, line 13, and using the jurisdictional allocation methodology set forth below in Section 3(e).

(d) The Company, Walmart Inc. and the Alliance for Affordable Energy support inclusion of the Flex-Up Scenarios in the Settlement Agreement. The Louisiana Public Service Commission Staff and the other Settling Parties agree to present the Flex-Up Scenarios to the Commission as an option for approval in this matter.

2. **<u>Guarantees</u>.**

(a) <u>Cost Cap</u>. SWEPCO commits to a total cost cap of 100% of filed capital costs, including AFUDC and contingency, as well as the interconnection costs related to the SWF that are within the scope of the Company's Application, as set forth in Attachment 1 for the Base Case and each other scenario. The Cost Cap will be reduced by the amount of any purchase price reduction realized by the Company under the terms and conditions of the Purchase and Sale Agreements (PSAs), plus a proportionate share of contingency, including any amount that reflects a reduction in the amount of MW acquired by SWEPCO if the Company does not receive certain regulatory approvals. Costs above the cap are not recoverable. There shall be no exceptions to the cap for force majeure or changes in applicable law.

(b) <u>PTC Eligibility</u>. SWEPCO will provide a guarantee, for cost recovery purposes, that the SWFs will be eligible for the applicable value of the federal Production Tax Credits (PTCs) (80% for Traverse and Maverick and 100% for Sundance) for the actual output of the SWFs. SWEPCO will be excused from this guarantee protecting against a reduction in the value of PTCs to the extent such reduction is a direct result of a Change in Law which, for purposes of this PTC guarantee shall be limited to the adoption, repeal, imposition, promulgation or material modification of the Internal Revenue Code or other authority constituting substantial authority as defined in Section 1.6662-4(d)(3)(iii) of the Internal Revenue Code, and further provided that SWEPCO will prudently defend against any such reduction in value from a Change of Law at its own cost. Based on the combined effect of the PTC and Net Capacity Factor (NCF) Guarantees, customers will receive PTCs equal to the greater of actual or guaranteed MWh production upon completion of the SWFs.

(c) Net Capacity Factor (NCF). SWEPCO guarantees a minimum net average capacity factor from the SWFs of P95 over the six five-year periods of the first thirty full years of operations (with the first year of full operations starting January 1, 2022). The NCF guarantee will be measured in MWh and at P95 will equal the applicable Total SWEPCO MWh at P95 (as set forth in Attachment 1) for each five-year period at the applicable Total SWEPCO MW (as set forth in Attachment 1), adjusted ratably for the Company's share of any reduction in the final amount of MW installed by Invenergy and its subsidiaries pursuant to the PSAs for the SWFs. The MWh guarantee for the sixth five-year period (years 26-30) will be adjusted ratably downward if the Sundance facility is constructed but is no longer in operation after its 30th year of operations.

NCF will be measured across all facilities on a combined basis and will be evaluated in a filing to the Commission in this docket to be made no later than May 1 of the year following the 5-year performance period. The output of each facility will be measured at its point of interconnection under its Generation Interconnection Agreement. Any make-whole payments resulting from a NCF production shortfall in any five-year period will flow back to customers through the Fuel Adjustment Clause over the 12-month period following the performance evaluation covering each five-year performance period. (For example, any make-whole payment pertaining to years 1-5 will flow back to customers during the 12 months following the performance evaluation in year 6.) The calculation for determining amounts due to customers under this guarantee shall be as set out in Attachment 2 hereto. Hours impacted by force majeure will not be excluded from the calculation. Economic curtailments of the Selected Wind Facilities by the Southwest Power Pool (SPP) will also not be excluded from the NCF guarantee calculation. However, reliability curtailments and curtailments for environmental reasons will be excluded from the NCF guarantee calculation.[1]

(d) Most Favored Nations (MFN). The MFN guarantee will apply to the Cost Cap Guarantee, NCF Guarantee, PTC Eligibility Guarantee and any other term or condition adopted for the Company in Arkansas and Texas or for the Public Service Company of Oklahoma (PSO) in any of the state jurisdictions on behalf of which it or PSO acquires a share of the Selected Wind Facilities, whether through settlement or order issued by any such jurisdiction, to the extent such terms or conditions are

[1] For purposes of clarification, reliability curtailments are those curtailments due to reliability directives issued by SPP caused by system emergencies, transmission outages or other reliability-associated out of merit energy (OOME) instructions issued by SPP. Environmental curtailments are curtailments that may occur at a future date to comply with laws or regulations related to impacts of the facilities on wildlife, provided that, unless the curtailment is temporary in duration, any Settling Party may request that the Commission review whether the Company made prudent efforts to mitigate or reduce the impact of such curtailments on the affected SWFs considering all of the facts and circumstances related to the curtailment. Economic curtailments are curtailments that are made for economic market reasons and exclude curtailments for reliability or environmental reasons, as described above. Furthermore, for purposes of clarification, the "Total SWEPCO MWh P95" target for the NCF Guarantee set forth in Attachment 1 will be reduced to account for reliability and environmental curtailment hours, but will not be reduced to account for hours affected by force majeure or economic curtailment, to reflect that the Company is responsible for force majeure and economic curtailment.

more favorable to the Company's Louisiana customers. The respective terms of the Joint Settlement shall be deemed to be modified to incorporate those more favorable terms provided the term or condition is not unique to the SWEPCO jurisdiction or PSO (for example, the MFN will not apply to issues related to customer cost allocation, jurisdictional allocation and rate design). The Company will serve the Settling Parties with the orders and settlements described above promptly after they are issued and identify any provisions to which this MFN Guarantee applies.

(e) Net Benefits Guarantee. The Company will provide a net benefits guarantee as set forth in Attachment 3 hereto.

3. **Other Settlement Terms and Conditions.**

(a) Deferred Tax Asset (DTA). The Company will earn a return on the DTA balance resulting from unused production tax credits over the first twenty (20) years of operation of the Selected Wind Facilities using its then applicable cost of long term debt on any deferred tax asset balance.

(b) Off-System Sales. The Fuel Adjustment Clause will be modified such that the Company's retail customers will be credited with one-hundred percent of its off-system energy sales margins effective January 1, 2021.

(c) Wind Facility Asset (WFA) Rider. The Company is authorized to implement a rider ("WFA Rider") to recover the revenue requirement of the Selected Wind Facilities (including O&M expenses, depreciation expense, a return on the DTA, and a return and taxes on the facilities' assets), as well as to provide to customers the benefit of the PTCs, until the date as of which the costs of the Selected Wind Facility are included in the base rates of the Company. In determining the revenue requirement, the WFA rider may use forecasted amounts of depreciation and net plant in service, adjusted by accumulated deferred income taxes, as well as forecasted PTC benefits (net of a return on the DTA) and O&M, subject to true-up on an annual basis. The WFA Rider factor for the Lighting and Power and Large Industrial classes will be calculated on a kW basis, and for all other classes on a per kWh basis.

(d) Gen-Tie. Nothing in this Joint Settlement should be interpreted as recommending or providing approval for (1) any future transmission lines that interconnect the SWF to the SPP transmission system (i.e., gen-ties) that are not within the scope of the Company's Application, and (2) any future transmission-related upgrades or modifications to relieve any operational issues related to the deliverability of the Selected Wind Facilities that are not within the scope of the Company's Application, and this Joint Settlement shall not constitute nor be cited as precedent nor deemed an admission by any Settling Party in any future proceeding related to such facilities. In any application to the Commission seeking approval for a future SWF gen-tie that is not within the scope of the Company's application, SWEPCO will demonstrate to the Commission how it analyzed and considered alternative options such as non-wire alternatives (e.g., battery storage) to mitigate transmission or congestion costs, with an explanation regarding why the gen-tie option was selected.

(e) Jurisdictional Allocator. All of the costs of the SWFs to SWEPCO will be allocated among the Company's jurisdictions on behalf of which SWEPCO acquires a share of the SWFs based on energy using the Company's jurisdictional energy allocator in effect at the time of the allocation. In the event of a flex-up scenario including Louisiana and another SWEPCO jurisdiction, Louisiana and the other approving retail jurisdiction will share ratably in the non-approving jurisdiction's share of the costs of the Selected Wind Facilities to SWEPCO. The jurisdictional allocation methodology set forth above will not be impacted by any alternative jurisdictional allocation methodology adopted by another SWEPCO jurisdiction.

(f) Allocation to Customer Classes of Revenue Requirement Net of PTCs. The Louisiana jurisdictional share of the revenue requirement of the Selected Wind Facilities under the WFA Rider will be allocated among the Company's Louisiana customer classes based on energy.

(g) Renewable Energy Certificates (RECs). The proceeds, net of transaction costs, from the sale of RECs associated with the SWFs will be provided to customers through the Fuel Adjustment Clause. Within 90 days of the effective date of this Joint Settlement, the Company will file a tariff to provide customers with the option to purchase RECs available to the Company and derived from the SWF. The tariff filing will be submitted in accordance with section 501(B) of the LPSC's General Order dated July 1, 2019.

(h) Information Reporting for Louisiana.

(i) The Company will keep the Commission updated on significant events and the status of SWF approval proceedings in other jurisdictions by filing updates in this Docket as needed, but not less than semi-annually.

(ii) The Company will promptly file copies of settlements reached in other state jurisdictions related to SWF approval and file amendments to this Joint Settlement to incorporate additional terms under the MFN Guarantee once those terms are agreed to by SWEPCO (or PSO) in other jurisdictions, with supporting testimony.

(iii) The Company shall report semi-annually to Staff on the status of project construction and any anticipated delay in the Selected Wind Facilities commencing commercial operation.

(iv) The Company shall notify the Settling Parties when the Selected Wind Facilities commence commercial operation.

(v) In its next application to acquire a new renewable generation asset, the Company will include in its testimony a discussion of the rationale for the selection of the types of renewable generation assets included in the request for proposals (RFP), including a discussion of the rationale for excluding any type of renewable asset from the RFP.

(vi) The Company will keep the Staff updated of the plan of financing needed to maintain a capital structure consistent with the Company's current levels of debt and equity by providing updates to Staff as needed, but not less than semi-annually.

(vii) The Company will provide the following information (related to the Updated Wind Report process set forth in Section 3.16 of the PSAs) to Staff for each SWF: (1) Buyer's Wind Report, (2) any Updated Wind Report, and (3) any Updated Wind Report Adjustment or revised calculation of the Updated Wind Report Adjustment. Items (2) and (3) will be provided promptly after each report and/or calculation is completed pursuant to the PSAs.

(i) Development Costs. The Company agrees that it will not seek recovery of development costs associated with the SWF if the SWF are not placed in service for any reason.

(j) Guiding Principles. The Company will ensure that the rate base included in the Company's revenue requirement regarding the SWF includes only those costs prudently incurred through sound planning, construction cost control, and all aspects of effective plant operations and dispatch designed to ensure that ratepayers receive the benefit they are projected to receive. The guiding principle is the Company's continuing obligation to provide safe, reliable service at the lowest reasonable cost.

(k) Solar RFP. SWEPCO agrees to conduct an RFP pursuant to applicable Commission orders for up to 200 MW of Solar generation resources located within the SWEPCO service territory. This RFP requirement may be satisfied by an unsolicited offer or a combination of unsolicited offers and RFP for up to 200 MW, in accordance with the Unsolicited Offer Order and other applicable Commission Orders. The RFP will request that the developer(s) of the solar resource(s) begin construction within 3 years of the Commission's approval of this Joint Settlement. By the inclusion of this provision in this joint stipulated settlement, the Commission is in no way agreeing to a need for SWEPCO to acquire energy or capacity and any such RFP and/or unsolicited offer would be fully subject to the Commission's MBM Order, the 1983 Certification Order, and/or the Unsolicited Offer Order and other applicable Commission Orders.

(l) Clarification. The first unnumbered paragraph of Section 3.18 of the Traverse and Sundance PSAs should be interpreted to be Section 3.18(a) for purposes of this Joint Settlement.

4. Discovery and Motions.

As between and among the Settling Parties, all pending requests for discovery, and all motions pending before either the Commission or the Administrative Law Judge are hereby withdrawn.

5. General Reservations.

The Settling Parties represent and agree that, except as specifically otherwise provided herein:

(a) This Joint Settlement represents a negotiated settlement for the purpose of compromising and settling all issues which were raised relating to this proceeding.

(b) Each of the undersigned counsel of record affirmatively represents that he or she has full authority to execute this Joint Settlement on behalf of their client(s).

(c) None of the signatories hereto shall be prejudiced or bound by the terms of this Joint Settlement in the event the Commission does not approve this Joint Settlement nor shall any of the Settling Parties be prejudiced or bound by the terms of this Joint Settlement should any appeal of a Commission order adopting this Joint Settlement be filed with the courts.

(d) Nothing contained herein shall constitute an admission by any Settling Party that any allegation or contention in these proceedings as to any of the foregoing matters is true or valid and shall not in any respect constitute a determination by the Commission as to the merits of any allegations or contentions made in this rate proceeding.

(e) The Settling Parties agree that the provisions of this Joint Settlement are the result of extensive negotiations, and the terms and conditions of this Joint Settlement are interdependent. The Settling Parties agree that settling the issues in this Joint Settlement is in the public interest and, for that reason, they have entered into this Joint Settlement to settle among themselves the issues in this Joint Settlement. This Joint Settlement shall not constitute nor be cited as a precedent nor deemed an admission by any Settling Party in any other proceeding except as necessary to enforce its terms before the Commission or any state court of competent jurisdiction. The Commission's decision, if it enters an order consistent with this Joint Settlement, will be binding as to the matters decided regarding the issues described in this Joint Settlement, but the decision will not be binding with respect to similar issues that might arise in other proceedings. A Settling Party's support of this Joint Settlement may differ from its position or testimony in other dockets. To the extent there is a difference, the Settling Parties are not waiving their positions in other dockets. Because this is a settlement, the Settling Parties are under no obligation to take the same position as set out in this Joint Settlement in other dockets.

6. **Non- Severability.**

The Settling Parties agree that the agreements contained in this Joint Settlement have resulted from negotiations among the Settling Parties and are interrelated and interdependent. The Settling Parties hereto specifically state and recognize that this Joint Settlement represents a balancing of positions of each of the Settling Parties in consideration for the agreements and commitments made by the other Settling Parties in connection therewith. Therefore, in the event that the Commission does not approve and adopt the terms of this Joint Settlement in total and without modification or condition (provided, however, that the affected party or parties may consent to such modification or condition), this Joint Settlement shall be void and of no force and effect, and no Settling Party shall be bound by the agreements or provisions contained herein. The Settling Parties agree that neither this Joint Settlement nor any of the provisions hereof shall become effective unless and until the Commission shall have entered an Order approving the terms and provisions as agreed by the parties to this Joint Settlement and such Order becomes final and non-appealable.

WHEREFORE, the Settling Parties hereby submit this Joint Settlement to the Commission as their negotiated settlement of this proceeding with respect to all issues which were raised with respect to this Application, and respectfully request the Commission to issue an Order approving this Joint Settlement.

[Signatures appear on next page]

SOUTHWESTERN ELECTRIC POWER COMPANY

By: ______________________________
Bobby Gilliam
Attorney for SWEPCO

LOUISIANA PUBLIC SERVICE COMMISSION STAFF

By: ______________________________
Jaclyn Dale Penzo
Attorney for the LPSC

ALLIANCE FOR AFFORDABLE ENERGY

By: ______________________________
Susan Stevens Miller
Attorney for the Alliance for Affordable Energy

WALMART INC.

By: ______________________________
Rick D. Chamberlain, JD, CPA
Wheeler & Chamberlain
Attorney for Walmart Inc.

SOUTHWESTERN ELECTRIC POWER COMPANY

By: ______________________________
Bobby Gilliam
Attorney for SWEPCO

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Jaclyn Dale Penzo
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ALLIANCE FOR AFFORDABLE ENERGY

By: Susan Stevens Miller
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WALMART INC.

By: ______________________________
Rick D. Chamberlain, JD, CPA
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Attorney for Walmart Inc.

SOUTHWESTERN ELECTRIC POWER COMPANY

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Attachment 1

Acquisition Scenarios for SWEPCO That Include Louisiana

Scenarios*	Scenario A - Base Case, All states and FERC approve	Scenario B - PSO, Ark, La and FERC. No Texas	Scenario C - PSO, TX, La and FERC. No Ark.	Scenario D - PSO,La and FERC. No Ark or Texas	Flex Up E - PSO, Ark, La and FERC. No Texas	Flex Up F - PSO, TX, La and FERC. No Ark.
Total LA MW (Retail Only)**	268	268	268	268	464	341
Total SWEPCO MW	810	468	638	297	810	810
Total SWEPCO Cost	$1,088,846,127	$615,140,793	$856,521,683	$382,664,910	$1,088,846,127	$1,088,846,127
Total SWEPCO MWh at P95***	13,523,352	7,822,937	10,656,528	4,956,113	13,523,352	13,523,352

* Scenario references are to the paragraphs of the Direct Testimony of Thomas P. Brice, Page 20, line 17, to Page 21, line 13.
Flex up refers to scenarios where the share of the wind facilities initially allocated to a non-approving SWEPCO jurisdiction is proportionately reallocated to approving SWEPCO jurisdictions.

** Estimated

*** The MWh set forth in the table above are the total 5-year P95 MWh for the SWF from the wind report dated May 29, 2019 provided to Company by Simon Wind, LLC. The MWh will be updated to reflect the total 5-year P95 MWh for the SWF acquired by the Company from the updated wind report prepared by Simon Wind, LLC to reflect the actual wind turbine layout of the acquired SWF pursuant to Section 3.16 (*Updated Wind Report and Mechanical Loads Analysis*) of the PSAs.

Attachment 2

Details for Determining the Net Capacity Factor Guarantee

Following the fifth, tenth, fifteenth, twentieth, twenty-fifth and thirtieth full years of operations of the SWFs (with the first year of full operations starting January 1, 2022), the Company will sum the actual metered energy output from the SWFs for each hour of the previous five years across all facilities on a combined basis.

- If the Company's Share of that total energy equals or exceeds the Minimum Net Average Quantity, no other calculations are made and no net capacity factor guarantee payment is necessary.

- If the Company's Share of that total energy is less than the Minimum Net Average Quantity (such differential, the Company's Five-Year Energy Shortfall), then the dollar value of both the Energy and PTC components of the net capacity factor guarantee will be separately calculated and totaled to determine the total make-whole payment to customers.

    - Energy Component. The Company's Five-Year Energy Shortfall will be multiplied by a generation-weighted market price to determine the dollar value of the shortfall energy. The Company's Share of each SWF's hourly production will be multiplied by its interconnection point's day-ahead hourly LMP for each hour of the five-year period. The resulting total energy revenue for the SWFs will then be summed and combined. This combined total revenue will then be divided by the actual total hourly production for the 5-year period to arrive at a single generation-weighted average price applicable to that 5-year period. That price will be multiplied by the Company's Five-Year Energy Shortfall to compute the energy value portion of the NCF make-whole payment.

    - PTC Component. The Company's Share of each facility's shortfall amount of PTC's will be separately computed by first multiplying the Company's Share of each facility's shortfall energy over the 5-year period (based on the facility's percentage of the total output of the SWFs during that period) by 80% for Traverse and Maverick and by 100% for Sundance (such percentages adjusted for any reduction in the federal PTC). Sundance will be excluded from the PTC calculation for the 2031 year, to the extent its 10-year PTC period ends in 2030. These three amounts will be added together and the total will be the total shortfall in PTCs. Any shortfall amount will then be multiplied by the average of the five actual IRS PTC credit rates applicable during the 5-year period. This total will be grossed up by the average federal and state effective tax rate during the five-year period for the first ten Calendar Years that the facility is in commercial operation when it is producing PTCs, and not for subsequent periods. The grossed up total shall be the shortfall PTC value.

If the Company is making payments under both the PTC and NCF Guarantees, as set forth in Section 2(b), PTC make whole payments in total for any five-year period may not exceed the greater of actual or guaranteed MWh production based on the combined effect of PTC and the NCF Guarantees.

As used in this Attachment:

- "Company's Share" means the Company's applicable Total SWEPCO MW share (as set forth in Attachment 1) of the output of the SWFs, adjusted ratably for any reduction in the final amount of MW installed by Invenergy and its subsidiaries pursuant to the PSAs.

- "Minimum Net Average Quantity" means, for the Company, the applicable Total SWEPCO MWh at P95 (as set forth in Attachment 1) for each five-year period of full operation of the SWFs, adjusted ratably for any reduction in the final amount of MW installed by Invenergy pursuant to the PSAs and further adjusted downward for the sixth five-year period (years 26-30) if the Sundance facility is constructed but is no longer in operation after its 30^{th} year of operations. For purposes of clarification, the "Total SWEPCO MWh P95" target for the NCF Guarantee set forth in Attachment 1 will be reduced to account for reliability and environmental curtailment hours, but will not be reduced to account for hours affected by force majeure or economic curtailment, to reflect that the Company is responsible for force majeure and economic curtailment.

ATTACHMENT 3

Net Benefit Guarantee

I. Overview.

The Company will evaluate the SWF's net benefits for the period from the date the SWF is first placed in service until the first date the Company has a need for the SWF capacity, not to exceed ten years. Specifically, the Company will apply the calculation set forth below to the period (Evaluation Period) beginning on January 1, 2021 and ending as of the earlier to occur of (1) December 31, 2030 (i.e., a period of ten years) or (2) December 31 of the year preceding the first year in which the Company has a need (prior to any future capacity additions) for an amount of capacity equal to fifteen percent of the amount of SWF capacity acquired by the Company, which can be delivered by the SWF to meet SPP reserve margin requirements. In addition, the Company will also apply the calculation below, and the Evaluation Period will include, any subsequent year during the ten-year period ending December 31, 2030 for which the amount of capacity that can be delivered by the SWF to meet SPP reserve margin requirements is less than fifteen percent of the amount of SWF capacity acquired by the Company. For purposes hereof, the amount of net benefit allocated to the Company's Louisiana jurisdiction will be determined using its then-current energy allocator.

Net Benefit for Customers = Fuel Savings + PTCs + RECs Value + Minimum Net Capacity Factor Guarantee Payments + Carbon Savings* – SWF Revenue Requirement*

** if applicable*

II. Procedure for Evaluating Net Benefits.

A. **Annual Informational Filings:** The Company will make an annual informational filing by no later than May 1 of each year (beginning May 1, 2022) setting forth (1) a table of the Company's capacity, demand and reserves for purposes of determining the first year the Company has a need (prior to any future capacity additions) for an amount of capacity equal to fifteen percent of the amount of SWF capacity acquired by the Company, and for reporting the amount of capacity that can be delivered by the SWF to meet SPP reserve margin requirements, for the then-current calendar year and (2) applying the net benefits calculation set forth below for the preceding calendar year during the Evaluation Period.

B. **Net Benefits for Customers:** If the net benefit for customers at the end of the Evaluation Period is positive, that means that customers have received net savings and, therefore, the Company does not owe customers any compensation under this customer net benefit guarantee. If the net benefit for customers at the end of the Evaluation Period is negative, that means that customers have incurred a net cost and, therefore, the Company will compensate customers for such net cost under this customer net benefit guarantee. A regulatory liability will be established if customers are owed a credit under this calculation. The regulatory liability will be amortized in retail rates over a 10-year amortization period starting in year 11 of commercial operations (after the determination is complete for the second five-year NCF guarantee period).

III. Components of Net Benefits Equation.

A. **Fuel Savings**: The Louisiana retail portion of the fuel savings achieved by the SWF during the Evaluation Period will be based upon a comparison of a Base Case to a Modified Base Case for each hour of the period. The Base Case shall represent the thermal and non-thermal generating units set forth on Table 1 hereto, which represents for purposes hereof the thermal and non-thermal generating units that the Company currently owns or controls under power purchase agreements (collectively, the "Company's Generation"), and including the Company's share of energy from the SWF. In the Modified Base Case, the Company will remove the SWF and re-dispatch the Company's Generation to replace the removed SWF generation. The difference in costs (including all variable unit production costs) between the Base Case and Modified Base Case will be used to determine the fuel savings attributable to the SWF. The Fuel Savings will be the incremental generation from the units in the Modified Base Case multiplied by the costs for each of those units. The Modified Base Case will incorporate the following assumptions:

(i) Unit operating characteristics, constraints and limits including such inputs as heat rate coefficients, unit availability, start-up costs, tolling fees, non-fuel operating and maintenance costs, and fuel prices. Unit minimums will not be used to exclude dispatch of the next economic unit.

(ii) Actual integrated hourly operating reserve requirements.

(iii) To the extent that the Company's Generation in the Modified Base Case is insufficient to replace the SWF generation, the Company will assume in its calculations that the marginal unit is used to serve the entirety of the insufficiency.

B. **PTCs:** The Company's portion of the PTCs grossed up for taxes, either passed through or held in a regulatory liability (or asset) and determined annually, and any credits to customers resulting from the Company's PTC guarantee.

C. **Minimum Net Capacity Factor Guarantee:** Any payments by the Company pertaining to the minimum net capacity factor guarantee for each of the first two five-year NCF periods.

D. **RECs Value:** Any Company renewable energy credit value received, or inventory value at the prevailing market price, resulting from the SWF.

E. **Carbon Savings:** Any carbon costs that would have been actually incurred by the Company through the operation of the Company's fossil generation fleet but for the SWF.

F. **SWF Revenue Requirement:** The Company's Revenue Requirement for the SWF that is in rates.

Table 1 – The Company's Generation

Unit Name[B]	State	Fuel Type	Capacity MW	2021-2030 Period Retirements[A]
Arsenal Hill 5	LA	ST-Gas	110	12/31/2025
Dolet Hills 1	LA	Lignite	258	12/31/2026
Flint Creek 1	AR	Coal	259	
JL Stall 1	LA	CC-Gas	534	
Knox Lee 5	TX	ST-Gas	348	
Lieberman 3	LA	ST-Gas	109	12/31/2022
Lieberman 4	LA	ST-Gas	108	12/31/2024
Mattison 1	AR	CT-Gas	78	
Mattison 2	AR	CT-Gas	78	
Mattison 3	AR	CT-Gas	79	
Mattison 4	AR	CT-Gas	80	
Pirkey 1	TX	Lignite	580	
Turk TXLA	AR	Coal	389	
Welsh 1	TX	Coal	528	
Welsh 3	TX	Coal	517	
Wilkes 1	TX	ST-Gas	168	12/31/2029
Wilkes 2	TX	ST-Gas	365	
Wilkes 3	TX	ST-Gas	360	
Canadian Hills 048	OK	Wind PPA	48	
Canadian Hills 053	OK	Wind PPA	52.8	
Canadian Hills 100	OK	Wind PPA	100.45	
Flat Ridge II	KS	Wind PPA	31	
Flat Ridge III	KS	Wind PPA	77.8	
Majestic	TX	Wind PPA	79.5	1/31/2029
Majestic II	TX	Wind PPA	79.6	
North Central Energy Facilities	OK	Wind	810[C]	

Notes:
A. Units without retirement dates indicated are assumed on-line through the 2021-2030 period. Units with retirement dates will no longer be included in the fuel cost calculation after the date listed.
B. Units listed will be utilized independent of future modifications to retirement dates of existing units or commercial operation dates of new units.
C. Estimated. Subject to adjustment based on the actual number of MW acquired by the Company, as further set forth in Section 1 of the Joint Settlement.

ATTACHMENT 2

TESTIMONY OF THOMAS P. BRICE IN SUPPORT OF THE JOINT STIPULATION AND SETTLEMENT AGREEMENT, DATED APRIL 9, 2020, AND ACCOMPANYING EXHIBITS

BEFORE THE

LOUISIANA PUBLIC SERVICE COMMISSION

APPLICATION OF SOUTHWESTERN ELECTRIC POWER COMPANY (SWEPCO) FOR CERTIFICATION AND APPROVAL OF THE ACQUISITION OF CERTAIN RENEWABLE RESOURCES IN ACCORDANCE WITH THE MBM ORDER, THE 1983 AND 1994 GENERAL ORDERS	:	DOCKET U-35324

SETTLEMENT TESTIMONY OF

THOMAS P. BRICE

FOR

SOUTHWESTERN ELECTRIC POWER COMPANY

APRIL 9, 2020

TESTIMONY INDEX

EXHIBITS

EXHIBIT	DESCRIPTION
EXHIBIT TPB-1S	SWEPCO's Response to Commission Staff's Data Request 1-36, with Supplemental Attachment 1
EXHIBIT TPB-2S	SWEPCO LA WFA Rider

I. INTRODUCTION

Q. PLEASE STATE YOUR NAME, BUSINESS ADDRESS, AND POSITION IN THE COMPANY.

A. My name is Thomas P. Brice. My business position is Vice President Regulatory and Finance for Southwestern Electric Power Company (SWEPCO or Company). My business address is 428 Travis Street, Shreveport, Louisiana 71156.

Q. ARE YOU THE SAME THOMAS P. BRICE WHO FILED DIRECT TESTIMONY IN THIS DOCKET?

A. Yes, I am. I have testified before the Louisiana Public Service Commission (LPSC, or Commission) on behalf of the Company many times, and I previously filed Direct Testimony in this proceeding.

II. TESTIMONY PURPOSE

Q. WHAT IS THE PURPOSE OF YOUR SETTLEMENT TESTIMONY?

A. The purpose of my Settlement Testimony is to support the Joint Stipulation and Settlement Agreement (Settlement or Joint Stipulation) attached as Attachment 1 to the Joint Unopposed Motion. The Settlement results in benefits to Louisiana customers by securing lower energy costs and with there being no fuel costs for the life of the project. The acquisition and terms of the Settlement also include material guarantees for Louisiana customers and with the project being time sensitive so that Louisiana customers can receive these benefits, including the Production Tax Credits.

The parties to the Settlement include Louisiana Public Service Commission Staff (Staff), SWEPCO, and Intervenors Wal-Mart and the Alliance for Affordable Energy (collectively the Parties, or when referenced in the Settlement, the Stipulating

Parties). I discuss and explain the Settlement agreed to by the Parties. The Oklahoma Commission and FERC have approved the acquisition and issued final orders, and the parties have reached settlement in Arkansas, completed the settlement hearing, and are awaiting the final order.

In connection with the Settlement, my testimony confirms that SWEPCO's July 15, 2019, Application to the Commission for certification and authorization to acquire the Traverse, Maverick and Sundance wind facilities, in North Central Oklahoma (collectively, the Selected Wind Facilities or SWF), is prudent and clearly in the public interest. The acquisition of the SWF provides substantial savings to Louisiana ratepayers, and assures that there are no fuel costs for the energy delivered from the Project. Acquisition of the facilities does not require the addition of a generation tie-line. SWEPCO is also providing material guarantees to protect ratepayers. The guarantees were negotiated at arm's length with Staff and Intervenors and include: the Cost Cap; Production Tax Credit (PTC) eligibility for at least 80% value for Maverick and Traverse, and 100% value for Sundance; Net Capacity Factor; Off-System Energy Sales Margins; and the Net Benefit Guarantee, all of which provide substantial assurances for ratepayers.

My Settlement Testimony confirms that the acquisition of the SWF is expected to lower energy costs over the 30 year life of the project for the benefit of customers while bringing the benefit of the PTCs to Louisiana customers. The Company conducted extensive due diligence to confirm the substantial benefits, and Staff conducted thorough discovery over many months, with the Settlement being the result of extensive negotiations by the parties. The acquisition of the SWF and Settlement are in the public interest and fully comply with the Commission's Market Based Mechanism Order (MBM Order), the General Order dated September 20, 1983 (1983 Order) and the General Order dated March 18, 1994 (1994 Order). The Settlement fully resolves all issues raised in this Docket by Staff, and Intervenors and supports SWEPCO's request for certification and approval. The terms included in the Settlement are expected to result in $718 million in benefits for Louisiana customers over the 30-year life of the project in the Base case for the Louisiana jurisdictional share of 268 MW.[1] Further, with SWEPCO owning the wind assets, the life of the project could be extended, thus ensuring additional benefits to Louisiana customers.

The Commission also has the opportunity to increase the benefits to Louisiana customers from $718 million to $1.24 billion by Flexing-Up as provided in the Settlement and acquiring approximately 464 MW of the project if the Texas Commission does not approve.[2] Respectfully, for the reasons described below, the Commission should find the Settlement is in the public interest, and exercise the option to Flex-Up to secure greater savings for Louisiana customers.

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[1] The SWEPCO total Company benefits are $2.2 billion, and with the SWEPCO Louisiana jurisdictional share of benefits including off-system sales margins being credited 100% to customers, and the Company earning a long-term debt return on the DTA balance.

[2] The parties to the Arkansas settlement, including the APSC Staff have entered into a settlement that includes the flex-up. The Settlement Hearing has been completed, and the Final Order should be issued by May 8, 2020.

III. SWEPCO'S RFP PURSUANT TO THE MBM ORDER AND COORDINATION WITH COMMISSION STAFF

Q. DID SWEPCO DECIDE TO ISSUE AN RFP AND WHAT FACTORS LEAD TO THIS DECISION?

A. Yes. SWEPCO's most recent Integrated Resource Plan (IRP) in LPSC Docket I-34715 demonstrates that customers will benefit from SWEPCO's acquisition of up to 1400 MW of low-cost wind generation resources by 2023. The plan shows that increases in renewable energy, including wind and solar, over the planning period will provide significant benefits to customers in the form of lower energy costs. Acquisition of the SWF will reduce customer's energy costs and further diversify SWEPCO's portfolio of supply-side resources. Further, SWEPCO continues to see strong customer interest in more renewable energy to meet their sustainability and renewable energy goals and to take advantage of approximately $848 million in customer cost savings remaining available under the federal PTC extension contained within the Protecting Americans From Tax Hikes Act of 2015, net of Deferred Tax Asset (DTA) carrying costs. The savings resulting from the PTCs net of the DTA carrying costs represent approximately 78% of the acquisition costs of the SWF for SWEPCO.[3] Moreover, the SWF would result in zero fuel costs for the life of the facilities and further SWEPCO's goal of a diverse resource mix. Accordingly, SWEPCO prepared a draft Request for Proposal (RFP) pursuant to the MBM Order.

[3] The PTCs represent up to 88% of the initial investment, before netting the DTA carrying costs, which savings directly benefit customers.

Q. DID SWEPCO PROVIDE NOTICE TO STAFF OF ITS INTENT TO CONDUCT AN RFP FOR WIND RESOURCES IN ACCORDANCE WITH THE COMMISSION'S MBM ORDER?

A. Yes. SWEPCO contacted Staff on October 24, 2018, to provide Notice of its Intent to Conduct an RFP for Wind Resources, and offered to provide supplemental information for review by Staff. SWEPCO also requested that the Commission grant SWEPCO a waiver of the advanced notice period so that it could proceed with the Informational Filing in accordance with the MBM Order.

Q. DID THE COMMISSION GRANT SWEPCO'S REQUEST FOR A WAIVER OF THE ADVANCED NOTICE REQUIREMENT?

A. Yes, the Commission voted unanimously on November 16, 2018, to grant SWEPCO's request for a waiver of the advanced notice requirement under the MBM Order. (Special Order 87-2018, dated December 11, 2018). The Commission also voted to approve a Consultant in Docket X-35085 to assist Staff in their review of SWEPCO's proposed RFP for Wind Resources.

Q. DID SWEPCO COMPLETE ITS INFORMATIONAL FILING IN ACCORDANCE WITH THE MBM ORDER?

A. Yes. On October 30, 2018, SWEPCO made its Informational Filing with the Commission, which contained a draft RFP, as well as other supporting documents as required by the MBM Order including: a description of the proposed resource acquisition, the proposed bidding criteria and methodology, the need for the resource, safeguards in the bidding process, preferences regarding deliverability, and a proposed schedule for bidding and construction of the SWF. This information was also provided to the Staff and Consultant for review in connection with the MBM process.

Q. **WAS SWEPCO'S DRAFT RFP ALSO MADE PUBLICLY AVAILABLE ONLINE?**

A. Yes. SWEPCO's draft RFP was also made publicly available online on November 2, 2018, for review by potential bidders or interested parties.

Q. **PLEASE DESCRIBE THE RFPS ISSUED BY SWEPCO AND PSO.**

A. After coordinating with Staff in accordance with the MBM Order, SWEPCO and PSO (the Companies) both issued RFPs for Wind Generation Resources in January 2019. SWEPCO requested proposals for the acquisition of up to 1,200 megawatts of wind energy resources to be in commercial operation by December 15, 2021. PSO requested proposals for the acquisition of up to 1,000 megawatts of wind energy resources to be in commercial operation by December 15, 2021. The Companies sought facilities on a turnkey, fixed-cost basis in which they would acquire all of the equity interest in the facility or the facility and all its assets. Key considerations in the RFP evaluation process included cost, performance, and long-term deliverability. SWEPCO and PSO sought projects located in, and interconnected to, the Southwest Power Pool (SPP) regional grid in Louisiana, Arkansas, Texas, or Oklahoma, such that no generation tie line would be required and with a primary goal of limiting costs from congestion.

Q. **DID SWEPCO AND STAFF COORDINATE AND CONSULT THROUGHOUT PREPARATION OF THE RFP?**

A. Yes. The Staff and the Consultant carefully reviewed SWEPCO's proposed RFP and supporting documents submitted in accordance with the MBM Order, and SWEPCO worked throughout November and December 2018 to discuss the proposed RFP with Staff and answer questions. Staff also provided comments concerning the draft RFP, which SWEPCO reviewed in connection with preparing the final RFP.

Q. DID SWEPCO ALSO HOST A TECHNICAL CONFERENCE TO REVIEW THE DRAFT WIND RFP IN ACCORDANCE WITH THE MBM ORDER?

A. Yes. On December 10, 2018, SWEPCO hosted a technical conference and webinar to review the proposed RFP process. Staff and potential bidders participated by telephone, and SWEPCO responded to written questions from attendees and later by prospective bidders via the RFP website.

Q. PLEASE DESCRIBE THE RESULTS OF THE RFP.

A. The Companies received a robust response to the RFP with 35 bids, representing 19 unique wind projects totaling 5,896 megawatts on March 1, 2019. Following a thorough review of all bids, SWEPCO and PSO selected three (3) wind facilities. The SWF consist of three (3) separate projects totaling 1,485 megawatts in total installed name plate capacity that are currently under construction in northcentral Oklahoma. They are (1) The Traverse (999 MW) Wind Project with Traverse Wind Energy, LLC (Traverse), (2) The Maverick (287 MW) Wind Project with Maverick Wind Project, LLC (Maverick), and (3) The Sundance (199 MW) Wind Project with Sundance Wind Project, LLC (Sundance). Traverse, Maverick and Sundance are all affiliates of Invenergy, LLC, the largest privately held wind energy developer in North America. SWEPCO's pro-rata of portion of the 1,485 MW is 54.5% or 810 MW.

Q. DID SWEPCO ENTER INTO AGREEMENTS TO ACQUIRE THE SELECTED WIND FACILITIES SUBJECT TO COMMISSION APPROVAL?

A. Yes, the Companies entered into three Purchase and Sale Agreements (PSAs) with Invenergy affiliates (Sellers) for a total of 1,485 MW of wind energy projects located within the State of Oklahoma. The PSAs govern the construction of the SWF by the Seller and the Companies' purchase of 100% of the equity interest of each of the respective SWF holding companies, each a single purpose entity that will own the rights and assets associated with each of the wind facilities.

The total purchase price for the SWF to be paid by SWEPCO and PSO is $1.86 billion ($1,253/kW), including all interconnection facility upgrade costs. The purchase price is payable to the Sellers at closing of each of the SWF with no pre-closing progress or other payments. Closing will occur when each wind facility has reached Project Substantial Completion or Interim Project Substantial Completion as defined in the PSA and all closing conditions precedent provided for in each of the respective PSAs have been satisfied. SWEPCO and PSO will share both the costs and benefits of the SWF consistent with their respective 54.5%/45.5% expected ownership shares. Accordingly, SWEPCO's share of the total purchase price is $1.014 billion, and the estimated Louisiana jurisdictional share of the cost is $336 million. The contracts are turnkey, fixed price PSAs that require project delivery to PSO and SWEPCO on the commercial operation date.

The Company intends to finance its pro-rata share of the acquisitions by employing cash flow from operations, to the extent available, and a combination of long-term debt and equity from its parent, American Electric Power Company, Inc.

Q. DID STAFF ISSUE A FINAL STATUS REPORT CONFIRMING THAT SWEPCO HAD COMPLIED WITH THE MBM ORDER?

A. Yes. On August 5, 2019, Staff issued the *Final Status Report of the Commission Staff* in LPSC Docket X-35085, summarizing the RFP process, providing a few recommendations and finding that SWEPCO "comported with the Commission's MBM Order." (p.6, Staff Report, dated August 5, 2019, Docket X-35085)

IV. CUSTOMER BENEFITS RESULTING FROM THE SETTLEMENT AGREEMENT AND OPPORTUNITY TO SECURE ADDITIONAL BENEFITS

Q. ARE THERE SAVINGS FOR CUSTOMERS IF THIS ACQUISITION IS APPROVED?

A. Yes, under the terms of the Settlement, the SWF are expected to provide savings of approximately $718 million in benefits to Louisiana customers and $2.2 billion for the Company as a whole over the 30 year life of the project in the Base case for the Louisiana jurisdictional share of 268 MW[4]. There are significant customer benefits under a wide range of scenarios. These time-sensitive SWF take advantage of federal PTCs for the benefit of customers so as to secure at least 80% of the value of the PTCs, and in the case of Sundance, 100% of the value of the PTCs. There are no fuel costs; SWEPCO is not seeking approval for the construction of a generation tie-line, and the purchase price includes all interconnection and upgrade costs for SWEPCO. Savings will increase if the Flex-Up described below is approved. Further, SWEPCO has offered a suite of guarantees designed to provide additional value to customers, including a cost cap, a long-term minimum production guarantee, a net benefits

[4] This includes the DTA carrying charge and Off Systems Sales, which increases benefits for Louisiana customers which are further described below.

guarantee, and a guarantee that the facilities will qualify for PTCs at the levels described above.

Q. DID THE COMPANY PERFORM SUBSTANTIAL DUE DILIGENCE IN EVALUATING AND CONFIRMING THE BENEFITS OF THE SELECTED WIND FACILITIES?

A. Yes. The customer benefits associated with the SWF were calculated under a variety of sensitivities, including a number of natural gas price projections both with and without a projected carbon emissions burden. Each was run on the overall portfolio to estimate net revenue requirements and net benefits to customers. The Direct Testimonies of Company witnesses Bletzacker and Torpey filed in this Docket on July 15, 2019, describe the various scenarios analyzed.

Q. DID STAFF CONDUCT EXTENSIVE DISCOVERY AND DID THE PARTIES FILE TESTIMONY ADDRESSING ALL ISSUES?

A. Yes. SWEPCO responded to over 230 data requests (not counting subparts) propounded by Staff throughout the discovery phase. Staff also requested and reviewed more than 1,000 discovery responses from the proceedings in Oklahoma, Arkansas, and Texas. After extensive discovery, Staff and Intervenors filed Direct Testimony on February 7, 2020. The parties negotiated at length, had multiple telephone conferences and face-to-face meetings over an extended period before reaching the Settlement, subject to Commission approval.

Q. DID SWEPCO SEEK ANY ADDITIONAL RELIEF IN ITS APPLICATION?

A. Yes. SWEPCO is a multijurisdictional public utility and simultaneously sought authorization to acquire up to 810 MW of wind energy produced by the SWF in both Texas and Arkansas. PSO sought approval to acquire 675 MW of wind energy in Oklahoma. If approved in all jurisdictions, the Louisiana allocated portion of the SWF is expected to be 268 MW under the current jurisdictional allocation. However, realizing that it is possible that one of the other two SWEPCO regulatory commissions will not grant the requested relief, SWEPCO seeks authority in this proceeding to acquire for its Louisiana customers a proportional part of the MWs otherwise allocated to a declining jurisdiction if the Commission determined such an increased proportional allocation to be in the public interest. Section 1(c) and corresponding Attachment 1 in the Settlement address the various Flex-Up scenarios.

Q. DID STAFF SEEK COST/BENEFIT INFORMATION FROM THE COMPANY REGARDING THE VARIOUS FLEX-UP OPPORTUNITIES?

A. Yes. Through Staff RFI 1-36, information was sought for any analyses showing how the costs/benefits to Louisiana customers would change if other Commissions should not approve the Companies' applications. In its response to the data request, attached hereto as Exhibit TPB-1S[5], the Company demonstrated that, while accepting a larger proportion of the overall costs, accepting the flex-up options with either of the other two state regulatory commissions not granting the requested relief provides greater benefits to Louisiana ratepayers.

[5] The costs/benefits originally set forth in this Exhibit have now changed pursuant to the Settlement Agreement, with benefits increasing.

Q. DOES THE FLEX-UP PROVIDE AN OPPORTUNITY TO INCREASE SAVINGS FOR LOUISIANA CUSTOMERS?

A. Yes. The Commission has the opportunity to Flex-Up and increase benefits for Louisiana customers from $718 million up to an estimated $1.24 billion, by acquiring an additional 196 MW, totaling approximately 464 MW for Louisiana, if the Public Utility Commission of Texas does not approve the Company's application.[6]

Q. DO ALL THE PARTIES TO THE SETTLEMENT FULLY SUPPORT THE FLEX-UP OPTION FOR LOUISIANA CUSTOMERS?

A. The Company, and Intervenors Walmart Inc. and the Alliance for Affordable Energy support inclusion of the Flex-Up Scenarios in the Settlement Agreement. All Parties, including Staff, agree to present the Flex-Up Scenarios to the Commission as an option for approval in this matter.

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[6] See Footnote 2 above concerning the settlement with Arkansas Staff and Intervenors.

V. SETTLEMENT AGREEMENT WITH STAFF, INTERVENORS AND SWEPCO, SUBJECT TO COMMISSION APPROVAL

Q. PLEASE DESCRIBE THE PROCESS LEADING TO THE SETTLEMENT AGREEMENT WITH STAFF AND INTERVENORS.

A. SWEPCO filed extensive testimony and exhibits on July 15, 2019. After extensive discovery, Staff and Intervenors Wal-Mart and the Alliance for Affordable Energy filed direct testimony on February 7, 2020. The Parties then commenced detailed settlement discussions, including face to face meetings, telephone conferences and with additional information being provided. The ultimate result is the Settlement Agreement which reflects the extensive review by Staff and Intervenors and hard work and good faith negotiations over multiple weeks. On March 6, 2020, Staff and the Company filed a Joint Motion to Amend the procedural schedule as all parties had committed to filing the Joint Stipulation and Settlement.

Q. DID THE PARTIES REACH AGREEMENT ON APPROVAL OF THE SELECTED WIND FACILITES?

A. Yes. The parties reached the following agreement related to the acquisition of the SWF:

- The parties request that the Commission approve the acquisition, as described by the Company in its Application, and as set forth in the Settlement Agreement. The request for a finding that the purchase of the SWF is in the public interest is not a request for a finding of value for ratemaking purposes.
- The Company is authorized to acquire 810 MW as SWEPCO's share from the SWF.

- SWEPCO is also authorized, pursuant to the Settlement Agreement, to Flex-Up to acquire an additional approximately 200 MW, under those circumstances where another state does not approve the project. Arkansas has approved the Flex-Up, subject to the final order. The Louisiana retail jurisdictional MW associated with the Flex-Up scenarios (Scenarios F and G) in Exhibit TPB-1S are consistent with the Company's most recent IRP filed in August 2019 in Docket I-34715, in which the Company projected a need for 1400 MW of wind generation by 2023 (of which the current Louisiana retail jurisdictional share is 33.1356% or approximately 464 MW). With approval by the LPSC of the Flex-up option, the Louisiana jurisdictional share with the flex-up option and assuming the PUCT denies the application is approximately 464 MWs, which consists of 268 MWs associated with the base Louisiana jurisdictional allocation and approximately 196 MWs associated with the flex-up option.
- The Louisiana share of the SWF, based on the jurisdictional allocators used in the Company's Direct Testimony, will be determined in accordance with the Direct Testimony of Thomas P. Brice, Page 20, line 17, to Page 21, line 13 and using the jurisdictional allocation methodology set forth in the Settlement Agreement.

Q. DID THE PARTIES REACH AGREEMENT ON THE ISSUE OF DTA?

A. Yes. The Company will earn a return on the DTA balance resulting from unused production tax credits over the first twenty (20) years of operation of the SWF using its then applicable cost of long term debt on any deferred tax asset balance. The Company expects this will add $32 million of the benefits to Louisiana customers described above.

Q. DID THE PARTIES REACH AGREEMENT ON THE ISSUE OF SHARING OF OFF-SYSTEM SALES?

A. Yes. The Fuel Adjustment Clause will be modified such that the Company's retail customers will be credited with one-hundred percent of its off-system energy sales margins effective January 1, 2021. The Company expects this will add $21 million in the overall benefits to Louisiana customers related to the SWF as described above, plus additional benefits from increased sharing of margins from the remainder of the Company's resources.

Q. DID THE PARTIES REACH ANY AGREEMENTS CONCERNING THE FUTURE USE OF A GEN-TIE LINE IN CONJUNCTION WITH THE SELECTED WIND FACILITIES?

A. Yes. SWEPCO is not proposing a generation-tie line in its Application, and the Parties agreed that nothing in this Settlement should be interpreted as providing approval for (1) any future transmission lines that interconnect the SWF to the SPP transmission system (i.e., gen-ties) not within the scope of the Company's Application, and (2) any future transmission-related upgrades or modifications to relieve any operational issues related to the deliverability of the SWF not within the scope of the Company's Application, and that this Settlement shall not constitute nor be cited as precedent nor deemed an admission by SWEPCO, Staff, or Intervenors in any future proceeding related to such facilities. Further, in any application to the Commission seeking approval for a future SWF gen-tie that is not within the scope of the Company's application, SWEPCO will demonstrate to the Commission how it analyzed and considered alternative options such as non-wire alternatives (e.g., battery storage) to mitigate transmission or congestion costs, with an explanation regarding why the gen-tie option was selected.

Q. DID THE PARTIES' AGREEMENT ADDRESS THE JURISDICTIONAL ALLOCATOR?

A. Yes. The parties agreed that all of the revenues and costs of the SWF to SWEPCO will be allocated among the Company's jurisdictions on behalf of whom SWEPCO acquires a share of the SWF based on energy, using the Company's jurisdictional energy allocator in effect at the time of the allocation. In the event of a flex-up scenario including Louisiana and another SWEPCO jurisdiction, Louisiana and the other approving retail jurisdiction will share ratably in the non-approving jurisdiction's share of the revenues and costs of the SWF to SWEPCO. Likewise, the PTCs produced by the SWF will be allocated in the same manner.

Q. WAS THE ALLOCATION TO CUSTOMER CLASSES OF REVENUE REQUIREMENT NET OF PTCs A PART OF THE SETTLEMENT?

A. Yes. The Louisiana jurisdictional share of the revenue requirement of the SWF under the Wind Facilities Asset (WFA) Rider, attached as Exhibit TPB-2S, will be allocated among the Company's Louisiana customer classes based on energy.

Q. WHAT DOES THE SETTLEMENT SAY ABOUT RENEWABLE ENERGY CERTIFICATES (RECs)?

A. The proceeds, net of transaction costs, from the sale of RECs associated with the SWF will be provided to customers through the Fuel Adjustment Clause. Within 90 days of the effective date of this Settlement, the Company will file a tariff to provide customers with the option to purchase RECs available to the Company and derived from the SWF.

The tariff filing will be submitted in accordance with section 501(B) of the LPSC's General Order dated July 1, 2019. Further, this newly established "green tariff" could potentially be utilized for RECs generated from future renewable projects, either owned by the Company or through a PPA, to be offered to SWEPCO's customers as suggested in Docket No. R-35423.

Q. DID SWEPCO AGREE TO PROVIDE ANY INFORMATIONAL REPORTING FOR LOUISIANA?

A. Yes. The Company agreed to the following informational reporting:

- The Company will keep the Commission updated on significant events and the status of proceedings in other jurisdictions by filing updates in this Docket as needed, but not less than semi-annually.
- The Company will promptly file copies of settlements reached in other state jurisdictions related to SWF approval and file amendments to this Joint Settlement to incorporate additional terms under the Most Favored Nations (MFN) Guarantee once those terms are agreed to by SWEPCO (or PSO) in other jurisdictions, with supporting testimony.
- The Company shall report semi-annually to Staff on the status of project construction and any anticipated delay in the SWF commencing commercial operation.
- The Company shall notify the Stipulating Parties when the SWF commence commercial operation.
- In its next application to acquire a new renewable generation asset, the Company will include in its testimony a discussion of the rationale for the

selection of the types of renewable generation assets included in the RFP, including a discussion of the rationale for excluding any type of renewable asset from the RFP.

- The Company will keep the Staff updated of the plan of financing needed to maintain a capital structure consistent with the Company's current levels of debt and equity by providing updates to Staff as needed, but not less than semi-annually.
- The Company will provide the following information (related to the Updated Wind Report process set forth in Section 3.16 of the PSAs) to Staff for each SWF: (1) Buyer's Wind Report, (2) any Updated Wind Report, and (3) any Updated Wind Report Adjustment or revised calculation of the Updated Wind Report Adjustment. Items (2) and (3) will be provided promptly after each report and/or calculation is completed pursuant to the PSAs.

Q. WERE THE PARTIES ABLE TO REACH AGREEMENT ON THE USE OF SWEPCO'S PROPOSED WIND FACILITY ASSET RIDER?

A. Yes. The Company is authorized to implement the WFA Rider to recover the revenue requirement of the SWF (including O&M expenses, depreciation expense, a return on the DTA as described above, and a return and taxes on the facilities' assets), as well as to provide to customers the benefit of the PTCs, until the date SWF are included in the base rates of the Company. In determining the revenue requirement, the WFA Rider may use forecasted amounts of depreciation and net plant in service, adjusted by accumulated deferred income taxes, as well as forecasted PTC benefits (net of a return on the DTA) and O&M, subject to true-up on an annual basis. The WFA Rider factor for the Lighting and Power and Large Industrial classes will be calculated on a kW basis, and for all other classes on a per kWh basis.

VI. GUARANTEES PROVIDING PROTECTION FOR LOUISIANA CUSTOMERS

Q. DID THE PARTIES REACH AGREEMENT ON THE GUARANTEES SWEPCO WOULD PROVIDE TO ITS RATEPAYERS?

A. Yes. The parties reached the following agreement related to the guarantees to be provided by SWEPCO:

- Cost Cap
  - 100% of filed capital costs, or \$1.088 billion, including AFUDC and contingency, as well as the interconnection costs related to the SWF that are within the scope of the Company's application.[7]
  - The Cost Cap will be reduced by the amount of any purchase price reduction realized by the Company under the terms and conditions of the PSAs (including a proportionate share of contingency), including any amount that reflects a reduction in the amount of MW acquired by SWEPCO if the Company or PSO do not receive certain regulatory approvals.
  - Costs above the cap are not recoverable.
  - No exceptions for Force Majeure or Change in Law.
- PTC Eligibility Guarantee
  - Eligibility for the applicable value of PTCs (80% for Traverse and Maverick and 100% for Sundance).

[7] The Louisiana jurisdictional share of these costs is capped at \$361 million.

- Exception for changes in federal law pertaining to PTCs, including changes to the Internal Revenue Code. SWEPCO will prudently defend against any such reduction in value from a Change in Law at its own expense.
- Based on the combined effect of the PTC and NCF guarantees, customers will receive PTCs equal to the greater of actual or guaranteed MWh production upon completion of the SWF.

- <u>Net Capacity Factor (NCF)</u>
  - P95 NCF average over the six five-year periods of first thirty full years of operations starting January 1, 2022. NCF will be measured in MWh across all facilities on a combined basis. The MWh guarantee for the sixth five-year period (years 26-30) will be adjusted ratably downward if the Sundance facility is constructed but is no longer in operation after the 30th year of operations.
  - The detailed methodology for determining and implementing this guarantee shall be as set forth in Attachment 2 to the Settlement Agreement, which includes the actual make whole payment methodology.
  - Hours impacted by Force Majeure will <u>not</u> be excluded from the calculation. Economic curtailments of the SWF by SPP will also <u>not</u> be excluded from calculation. However, reliability curtailments and curtailments for environmental reasons will be excluded from the NCF guarantee calculation.[8]

[8] For purposes of clarification, reliability curtailments are those curtailments due to reliability directives issued by SPP caused by system emergencies, transmission outages or other reliability-associated out of merit energy (OOME) instructions issued by SPP. Environmental curtailments are curtailments that may occur at a future date to comply with laws or regulations related to impacts of the facilities on wildlife, provided that, unless the curtailment is temporary in duration, any Settling Party may request that the Commission review whether the Company made prudent efforts to mitigate or reduce the impact of such curtailments on the affected SWF considering all of the facts and circumstances related to the curtailment. Economic curtailments are curtailments

- Most Favored Nations (MFN). The MFN will apply to the Cost Cap, NCF Guarantee, PTC Eligibility Guarantee and any other term or condition adopted for the Company in Arkansas and Texas or by Public Service Company of Oklahoma in any of the state jurisdictions on behalf of which it acquires a share of the SWF, whether through settlement or order issued by any such jurisdiction, to the extent such terms or conditions are more favorable to the Company's Louisiana customers. The respective terms of the Joint Stipulation shall be deemed to be modified to incorporate those more favorable terms provided the term or condition is not unique to the SWEPCO jurisdiction (for example, the MFN will not apply to issues related to customer cost allocation, jurisdictional allocation, and rate design). The Company will serve the Stipulating Parties with the orders and settlements described above promptly after they are issued and identify any provisions to which this clause applies.
- Net Benefit Guarantee. The Company will evaluate the SWF's net benefits for the period from the date the SWF are first placed in service until the first date the Company has a need for the SWF capacity, not to exceed ten years. Specifically, the Company will apply the calculation set forth in Attachment 3 of the Joint Stipulation to the period (Evaluation Period) beginning on January 1, 2021 and ending as of the earlier to occur of (1) December 31, 2030 (i.e., a period of ten years) or (2) December 31 of the year preceding the first year in which the Company has a need (prior to any future capacity additions) for an amount of capacity equal to fifteen percent of the amount of SWF

that are made for economic market reasons and exclude curtailments for reliability or environmental reasons, as described above. Furthermore, for purposes of clarification, the "Total SWEPCO MWh P95" target for the NCF Guarantee set forth in Attachment 1 will be reduced to account for reliability and environmental curtailment hours, but will not be reduced to account for hours affected by force majeure or economic curtailment, to reflect that the Company is responsible for force majeure and economic curtailment.

capacity acquired by the Company, which can be delivered by the SWF to meet SPP reserve margin requirements. In addition, the Company will also apply the calculation, and the Evaluation Period will include any subsequent year during the ten-year period ending December 31, 2030, for which the amount of capacity that can be delivered by the SWF to meet SPP reserve margin requirements is less than (15) fifteen percent of the amount of SWF capacity acquired by the Company. For purposes hereof, the amount of net benefit allocated to the Company's Louisiana jurisdiction will be determined using its then-current energy allocator.

VII. SWEPCO WILL CONDUCT A SOLAR RFP

Q. WHAT IS INCLUDED IN THE JOINT STIPULATION AND SETTLEMENT AGREEMENT IN REGARDS TO ISSUANCE OF A SOLAR RFP?

A. As set forth in Section 3(k) of the Joint Stipulation, SWEPCO agrees to conduct an RFP pursuant to applicable Commission orders for up to 200 MW of Solar generation resources located within the SWEPCO service territory. The RFP will request that the developer(s) of the solar resource(s) begin construction within three (3) years of the Commission's approval of this Settlement.

Q. DOES THIS ISSUANCE OF THE SOLAR RFP STIPULATE THE COMMISSION TO AGREE TO AN ENERGY OR CAPACITY NEED FOR SWEPCO?

A. No. The inclusion of this provision in the Joint Stipulation in no way binds the Commission to agreeing to a need for SWEPCO to acquire energy or capacity and any such RFP and/or unsolicited offer would be fully subject to the Commission's MBM

Order, the 1983 Certification Order, and/or the Unsolicited Offer Order and other applicable Commission Orders.

Q. IS THE TIMELINE ASSOCIATED WITH THE RFP AND CONSTRUCTION WITHIN 3 YEARS OF THE COMMISSION APPROVAL OF THE JOINT SETTLEMENT REASONABLE AND ACHIEVABLE?

A. Yes. The timeline for the RFP and construction within 3 years is appropriate and reasonable, as it allows the Company to evaluate and conduct due diligence on proposals in response to the RFP, as well as negotiate and execute contracts associated with any selected project(s), receive regulatory approvals, and for developers to submit new generation interconnection projects into the SPP Generator Interconnection Queue process for validation, study, and analysis and/or complete interconnection applications if already in process.

VIII. THE SELECTED WIND FACILITIES FULLY SATISFY THE 1983 AND 1994 GENERAL ORDERS

Q. DO THE SELECTED WIND FACILITIES MEET THE 18 FACTORS UNDER THE 1994 GENERAL ORDER?

A. Yes. The proposed transaction to acquire the SWF meets each of the 18 factors from the 1994 General Order and is in the public interest. Staff's Direct Testimony previously confirmed that SWEPCO has fully satisfied ten of the factors from the 1994 General Order:

- Factor 2- SWEPCO was ready, willing and able to continue providing safe, reliable and adequate service to its customers as a result of the SWF;
- Factor 4- The SWF would maintain or improve quality of service;

- Factor 7- The SWF will maintain or improve the quality of management;
- Factor 8- The SWF is fair and reasonable to the utility;
- Factor 9- The SWF is fair to shareholders;
- Factor 13- SWEPCO has a history of compliance with the Commission;
- Factor 14- SWEPCO has the financial ability to operate and maintain the SWF;
- Factor 15- SWEPCO can perform any needed repairs or improvements in connection with the SWF;
- Factor 16- SWEPCO can obtain all necessary health, safety, and other permits; and
- Factor 17- The manner of financing the SWF is appropriate.

Q. PLEASE SUMMARIZE THE SELECTED WIND FACILITIES'S COMPLIANCE WITH THE REMAINING FACTORS OF THE 1994 ORDER.

A. SWEPCO's material guarantees in the form of the Cost Cap, PTC eligibility, Net Capacity Factor, Net Benefit Guarantee, as well as the other terms set forth in the Settlement confirm that the SWF fully satisfy the public interest finding and the remaining requirement of the 1994 General Order. The Company's economic benefit analysis demonstrates that SWEPCO's customers across all jurisdictions are estimated to receive $2.2 billion in benefits over the 30 year life of the SWF; these SWF provide substantial net benefits to Louisiana customers satisfying Factor No. 5, and are most certainly in the public interest, satisfying Factor No.1. Further, the guarantees and other conditions as set forth in the Settlement satisfy Factor No. 12—there are conditions to prevent adverse consequences which may result from the transfer—and Factor No. 18—there are conditions which should be attached to the proposed acquisition.

AEP will manage SWEPCO's capital structure to ensure that SWEPCO maintains the appropriate capitalization, satisfying Factor No. 3. Further, SWEPCO remains a public utility serving Louisiana customers subject to the jurisdiction of the Commission, and the SWF will not diminish that jurisdiction, thus, Factor No. 11 is satisfied.

Section 3(h)(v) and 3(k) of the Settlement provide provisions for future RFPs to be issued by SWEPCO to include solar and/or provide a rationale for the selection of the types of renewable generation assets included in the RFP, satisfying Factor No. 6, as indicated in Staff's Direct Testimony. Louisiana has the potential to benefit from economic development opportunity of in-state solar as a result of the Settlement. In addition, the lower energy cost and a diversified resource mix incorporating renewable resources, has the potential of attracting and spurring industrial, commercial, and residential economic growth, satisfying Factor No. 10—the SWF will be beneficial to state and local economies and to the communities in the area served by SWEPCO.

Q. DO THE SELECTED WIND FACILITIES ALSO SATISFY THE REQUIREMENTS OF THE 1983 ORDER?

A. Yes. The SWF meet or exceed the criteria set forth in the 1983 and 1994 Orders, and are in the public interest. The acquisition of these SWF serves public convenience and necessity and is in the public interest because it lowers SWEPCO's total costs to customers and improves generation diversity with a renewable resource, satisfying the first requirement of the 1983 Order. Staff's testimony reflects that SWEPCO's Application had satisfied the second requirements under the 1983 Order, demonstrating specific data utilized in showing the justification of the project, an itemized projection of the total costs, as well as a scheduled completion date with appropriate time schedules and target dates.[9] The Company's economic analysis, including the Settlement provisions, indicates that SWEPCO customers on a company-wide basis will see $2.2 billion in projected net benefits, on a nominal basis, over the life of the SWF, as well as the Company's guarantees set forth in the Settlement, which provide material protections for the customers and further confirm the substantial benefits of the SWF, such that it is in the public interest and fully complies with the requirements of the 1983 Order, specifically the Cost Cap guarantee satisfying the third requirement of the 1983 Order. The fourth requirement of the 1983 Order addresses failure to comply with the Order and stipulates that "[f]ailure to comply with this order may result in the exclusion of some or all of the cost of the project or contract from rate base or expense for ratemaking purposes." As evidenced above, the Company has fully complied with the 1983 Order.

There is precedent for a transaction of this nature as SWEPCO has a proven track record of success with acquiring nearly 400 MW of wind resources for the benefit of SWEPCO customers in recent years, specifically in 2011 and 2016, in Dockets U-32095 and U-32814, respectively. Notably, the new SWF that SWEPCO is seeking certification for in this Application compare favorably with wind resources previously unanimously approved by this Commission in 2016 as prudent and in the public interest.

[9] Staff Direct Testimony Lane Sisung, filed February 7, 2020, p. 9, Table 1, LPSC Docket No. U-35324

IX. CONCLUSION

Q. WOULD COMMISSION APPROVAL OF THE SETTLEMENT AGREEMENT AND AUTHORIZATION FOR SWEPCO TO ACQUIRE THE SELECTED WIND FACILITIES BE IN THE PUBLIC INTEREST?

A. In my opinion, the answer is an unqualified yes. SWEPCO's customers and numerous other interested parties have been emphasizing the need for all utilities to increase their use of clean energy resources for years. The extension of the federal production tax credits and the improvements in both the cost and efficiency of wind generating facilities make this a very timely decision. The acquisition is wholly consistent with SWEPCO's most recent IRP and the desires of our stakeholders. The flex-up provisions will allow Louisiana customers to reap the benefits of the acquisition even if one of our other jurisdictions declines the opportunity. The 30-year savings in energy cost to our customers provides a singular opportunity to lock in affordable electric rates.

Q. DO YOU REQUEST THE COMMISSION TO APPROVE SWEPCO'S APPLICATION IN THIS DOCKET AS MODIFIED BY THE SETTLEMENT AGREEMENT?

A. Yes.

Q. DOES THIS CONCLUDE YOUR TESTIMONY?

A. Yes, it does.

BEFORE THE
LOUISIANA PUBLIC SERVICE COMMISSION

DOCKET NO. U-35324

SOUTHWESTERN ELECTRIC POWER COMPANY
EX PARTE

In re: Application for Certification and Approval of the Acquisition of Certain Renewable Resources.

STATE OF LOUISIANA

PARISH OF CADDO

AFFIDAVIT OF THOMAS P. BRICE

BEFORE ME, the undersigned authority, personally came and appeared, Thomas P. Brice, Vice President of Regulatory and Finance for Southwestern Electric Power Company ("SWEPCO" or the "Company"), who after being duly sworn, did depose and state:

I.

I hereby certify that the document attached as the Joint Stipulation and Settlement Agreement ("Stipluation") is a true and correct copy of the settlement between the Louisiana Public Service Commission ("LPSC" or "Commission") Staff , SWEPCO, and Intervenors Walmart Inc. and the Alliance for Affordable Energy in the above captioned proceeding.

II.

SWEPCO has reviewed and accepts the terms and conditions of the attached Stipulation. Accordingly, the parties have reached a stipulated settlement that serves the best interests of customers and SWEPCO.

Thomas P. Brice

SWORN TO AND SUBSCRIBED BEFORE ME, Notary Public, on this the 7 day of April, 2020.

NOTARY PUBLIC

JONATHAN P. McCARTNEY
NOTARY PUBLIC NO. 31508
STATE OF LOUISIANA
PARISH OF CADDO
My Commission is for Life

EXHIBIT TPB-1S

BEFORE THE

LOUISIANA PUBLIC SERVICE COMMISSION

APPLICATION OF SOUTHWESTERN ELECTRIC POWER COMPANY (SWEPCO) FOR CERTIFICATION AND APPROVAL OF THE ACQUISITION OF CERTAIN RENEWABLE RESOURCES IN ACCORDANCE WITH THE MBM ORDER, THE 1983 AND 1994 GENERAL ORDERS	DOCKET NO. U-35324

COMMISSION' STAFFS FIRST SET OF DATA REQUESTS TO SOUTHWESTERN ELECTRIC POWER COMPANY

Question 1-36:

Page 21 of the Company's witness, Thomas P. Brice, Direct Testimony states: "Any jurisdiction that does not approve the acquisition will neither bear the costs nor receive the benefits of any of the Selected Wind Facilities acquired by the Company or PSO. . . .." Has SWEPCO conducted analyses showing how the cost/benefits to Louisiana ratepayers would change should each of the various commissions not approve the Companies' applications? If not, please explain why not. If so, please provide any and all such analyses and supporting workpapers, in Microsoft Excel format, with working formulas and functions intact.

Response 1-36:

If less than all four states and FERC approve the proposal, then less than 1,485 MW will be acquired between the companies, assuming approving SWEPCO states do not flex-up for the entire non-approving states' shares. In accordance with the Buyer Flex Down Right in the confidential PSAs with the Sellers, all three facilities can be scaled down to a minimum number of megawatts without changing the price per MW. Those minimum megawatts are 810 MW for Traverse, 240 MW for Maverick, and 170 MW for Sundance. The Companies have the option to designate any number of MWs from any of the three projects and reduce down to these minimum levels (e.g. not a pro-rata reduction at each site), provided that a minimum of 810 MW from Traverse must be included. The minimum capacity that can be built at the same price per MW per the PSA's with the sellers is 810 MW from the Traverse facility.

In response to this request, the Company has prepared Louisiana jurisdictional cost and benefits estimates for the Company's base case plus 8 additional non-approval scenarios. See Staff 1-36 Attachment 1 for this analysis. The first four scenarios are the four possible one or two state non-approval scenarios assuming no flex-up from approving states. The next four scenarios are flex-up scenarios, in which two approving states elect to flex up and approve the capacity a non-approving SWEPCO state did not approve. In order for any of the flex-up scenarios to happen, two of the three SWEPCO states must approve the Company's proposal. The two states who flex-up would get a pro-rata share of the available capacity from the non-approving state. The scenarios include:

A. Base case- all 3 SWEPCO states, PSO and FERC approve
B. La, PSO, FERC and Texas approve. Arkansas does not approve
C. La, PSO, FERC and Arkansas approve. Texas does not approve.
D. La, PSO and FERC approve. Arkansas and Texas both do not approve.
E. All SWEPCO states and FERC approve. PSO does not approve. 810 MW of Traverse is built.
F. Flex-Up F- PSO Approves. Texas does not approve. Arkansas and Louisiana approve and flex up. All 1,485 MW is built
G. Flex-Up G- PSO Approves. Arkansas does not approve. Texas and Louisiana approve and flex up. All 1,485 MW is built
H. Flex-Up H- PSO does not approve. Texas does not approve. Arkansas and Louisiana approve and flex up. 810 MW of Traverse is built.
I. Flex-Up I - PSO does not approve. Arkansas does not approve. Texas and Louisiana approve and flex up. 810 MW of Traverse is built.

Louisiana's modeled allocated share in the no flex-up scenarios A-D is 268 MW (~ 33% of SWEPCO). That 268 MW can come from multiple combinations of the three proposed facilities, subject to each facility's minimum as discussed above. Attachment 1 shows that there is very little difference in Louisiana's allocated share of SWEPCO's total construction cost or net benefits under any of the alternatives. Louisiana's share of the construction cost ranges from \$345M up to \$361M depending on the combination of facilities. The costs net of PTC's, energy value and capacity value of the three facilities are all very close to each other, so Louisiana ratepayers would not be materially impacted by non-approvals in one or two of the other states.

In the Flex-Up scenarios F-G, Louisiana would flex up to either 340 MW or 464 MW, its share of the construction cost would increase to between \$439 million and \$624 million, and net customer benefits would increase as a result.

If Louisiana was the only SWEPCO state to approve the acquisitions, SWEPCO would also need PSO to approve its 675 MW share to move forward. If PSO does not approve, then approval of all three SWEPCO states is needed for SWEPCO to move forward with the at least the minimum 810 MW. If only two SWEPCO states approve and PSO does not, then approving states would need to flex up to a total of 810 MW between them in order for SWEPCO to acquire any of the proposed facilities.

EXHIBIT TPB-1S

Line	Louisiana Jurisdictional Net Customer Benefits - 268 MW share of North Central - No Flex Up				
		Scenario A - Base Case, All states and FERC approve	Scenario B - PSO, Ark, La and FERC. No Texas	Scenario C - PSO, TX, La and FERC. No Ark.	Scenario D - PSO,La and FERC. No Ark or Texas
1	Total MW - Both Companies	1,485	1,143	1,313	971
	Louisiana Share of MW of each facility				
2	Traverse	180	212	185	268
3	Maverick	52	56	49	-
4	Sundance	36	-	35	-
5	**Total Louisiana MW**	**268**	**268**	**268**	**268**
6	**La Share of Total Construction Cost**	**$361**	**$352**	**$360**	**$345**
	Net Customer Benefits (Base Gas with Carbon)				
7	31 Year NPV	$186	$217	$185	$232
8	31 Year Nominal	$665	$717	$647	$742

Line	Louisiana Jurisdictional Net Customer Benefits With Flex Up			
			Flex Up F - PSO, Ark, La and FERC. No Texas	Flex Up G - PSO, TX, La and FERC. No Ark.
9	Total MW - Both Companies		1,485	1,485
	Louisiana Share of MW of each facility			
10	Traverse		312	229
11	Maverick		90	66
12	Sundance		62	46
13	**Total Louisiana MW**		**464**	**340**
14	**La Share of Total Construction Cost**		**$624**	**$458**
	Net Customer Benefits (Base Gas with Carbon)			
15	31 Year NPV		$322	$236
16	31 Year Nominal		$1,149	$843

WIND FACILITY ASSET RIDER

PURPOSE

This Wind Facility Asset (WFA) Rider is designed to adjust monthly billings to recover costs associated with the North Central Wind Energy (NCWE) facilities as approved by the Louisiana Public Service Commission (LPSC) in Docket No. U-35324. The NCWE facilities consists of the three selected wind projects totaling 1,485 MW in total installed nameplate capacity that are currently under construction in North Central Oklahoma. SWEPCO is authorized to acquire up to 810 MW from the facilities. The terms of this cost recovery tariff are applicable only to the NCWE facilities.

The WFA Rider recovers the return on and of the NCWE facilities and operation and maintenance expenditures after the NCWE facilities commence commercial operation (revenue requirement), net of the Production Tax Credits. The WFA Rider will remain in effect until all the NCWE facilities are included in base rate schedules through a general base rate proceeding, at which time the WFA Rider will terminate in its entirety and be removed from available rate schedules, subject to any final true-up.

The WFA Factors will include the Louisiana jurisdictional portion of the facilities once they are placed in commercial operation. The Louisiana jurisdictional portion will be determined using the most recently approved energy allocation factors for SWEPCO Louisiana. The WFA Factors will be calculated in accordance with the following methodology and will be applied on a kW basis for the Lighting and Power and Industrial/Large Lighting and Power classes and on a per kWh basis for all other classes.

This schedule is applicable to and becomes part of each LPSC jurisdictional rate schedule and is applicable to energy consumption of retail customers and to facilities, premises and loads of such retail customers.

FACTOR DETERMINATION

The WFA Factors shall be the forecasted 12 months of operation after the commercial operation date of the NCWE wind project facilities.

A True-up Adjustment shall be calculated and reflected in the following year's WFA Factor calculation. The True-up Adjustment shall be defined as the difference between the actual WFA costs for the prior year including any refund compensation and the revenue received from the WFA Factors.

WIND FACILITY ASSET RIDER

The WFA Factors shall be calculated as shown below:

WFA Factors = [((((WFAP - ADIT - ADEP) * ROR) + (DTA * COD) + DEPX + O&M – PTC) * JAF * CAF) + TU]/ Class kWh sales or kW, as appropriate.

WFAP = Average project plant in service balance for the forecasted calendar.

ADIT = Average accumulated deferred income taxes for the forecasted calendar year related to the facilities.

ADEP = Average accumulated depreciation balance for the forecasted calendar year based on the depreciation rates in effect for the Louisiana Jurisdiction.

ROR = Return on plant in service at the pre-tax rate of return consistent with the methodology approved by the Commission in Docket No. U-34806.

DTA = Average Deferred Tax Asset resulting from unused Production Tax Credits for the forecast calendar year.

COD = Long-term debt rate consistent with the methodology approved by the Commission in Docket No. U-34806 applied to the average DTA balance.

DEPX = Depreciation expense for the forecast calendar year based on the depreciation rates in effect for the Louisiana Jurisdiction.

O&M = Operations and Maintenance expense including Ad Valorem taxes for the forecasted calendar year.

PTC = Federal Production Tax Credits with a tax gross-up for the forecast calendar year.

JAF = SWEPCO Louisiana jurisdictional energy allocation factor at the time of the allocation.

CAF = Class Allocation Factor for each major rate class based on the most recent SWEPCO Louisiana class energy allocation factors. The major classes are as follows:

WIND FACILITY ASSET RIDER

Major Rate Class
Residential
Commercial / Small Industrial
Lighting and Power
Industrial / Large Lighting and Power
Municipal
Lighting

TU = The true-up amount to correct for any variance between the actual WFA costs including any refund compensation for the prior year and the revenue received from the WFA Factors. The calculation will be done on an annual basis, and will determine the true-up for the following year.

FILING AND REVIEW
WFA Factors shall be filed by the Company with the Commission on or before October 1 of each year and shall be accompanied by a set of work papers sufficient to fully document the calculations of the WFA Factors including any potential True-up Adjustment. The Staff shall review the filed WFA Factors to verify that the formula has been correctly applied and shall notify the Company of any necessary corrections. The requested WFA Factors will become effective with the first billing cycle of January of each year.

TERM
The WFA Factors will remain in effect for 12 months and will expire unless a request for updated WFA Factors is filed by the Company or until updated WFA Factors are approved by order of the Commission or until the NCWE wind facilities are included in retail base rate schedules of the Company

If this WFA Rider is terminated by a future order of the Commission, the WFA Factors shall continue to be in effect until such costs are recovered through another mechanism or until the implementation of new base rate schedules reflecting such costs.

Collections under the WFA Rider are subject to refund, with interest, after notice and hearing to determine prudence.

WIND FACILITY ASSET RIDER

ATTACHMENT A

WFA FACTORS

Major Rate Class	Applicable Factor
Residential	$0.0000 per kWh
Commercial/Small Industrial	$0.0000 per kWh
Lighting and Power	$0.0000 per kW
Industrial/Large Lighting and Power	$0.0000 per kW
Municipal	$0.0000 per kWh
Lighting	$0.0000 per kWh

ATTACHMENT 3

TESTIMONY OF ROBERT LANE SISUNG IN SUPPORT OF THE JOINT STIPULATION AND SETTLEMENT AGREEMENT, DATED APRIL 8, 2020

BEFORE THE
LOUISIANA PUBLIC SERVICE COMMISSION

DOCKET NO. U-35324

SOUTHWESTERN ELECTRIC POWER COMPANY,
EX PARTE

In re: Application for Certification and Approval of the Acquisition of Certain Renewable Resources.

TESTIMONY IN SUPPORT OF STIPULATED SETTLEMENT

OF

R. LANE SISUNG

ON BEHALF OF THE

LOUISIANA PUBLIC SERVICE COMMISSION

APRIL 8, 2020

Table of Contents

I. INTRODUCTION AND PURPOSE OF TESTIMONY

Q. PLEASE STATE YOUR NAME, PLACE OF EMPLOYMENT, TITLE, AND BUSINESS ADDRESS.

A. My name is R. Lane Sisung. I am a Managing Director of United Professionals Company, LLC ("UPC"). My business address is 201 Saint Charles Avenue, Suite 4240, New Orleans, Louisiana. 70170.

Q. ON WHOSE BEHALF ARE YOU APPEARING IN THIS DOCKET?

A. I am appearing on behalf of the Louisiana Public Service Commission Staff ("Staff").

Q. DID YOU PREVIOUSLY SUBMIT DIRECT TESTIMONY IN THIS PROCEEDING?

A. Yes, I submitted Direct Testimony on behalf of the Staff of the Louisiana Public Service Commission ("LPSC" or the "Commission") on February 7, 2020, and my credentials and experience are contained therein.

Q. CAN YOU PLEASE SUMMARIZE THE DIRECT TESTIMONY THAT YOU FILED?

A. In its Application (the "Application"), Southwestern Electric Power Company ("SWEPCO" or the "Company"), the operating utility of the parent company, American Electric Power ("AEP"), requested that the Commission certify and approve its acquisition, through purchase, of certain renewable resources (the "Selected Wind Facilities" or "SWF") in compliance with the Commission's General Order dated October 29, 2008 (the "2008 MBM Order"),[1] General Order dated September 20, 1983 (the "1983 Certification Order"),[2] and General Order dated March 18, 1994 (the "1994 General Order").[3] SWEPCO sought approval to acquire a 54.5% interest in each of three separately located wind facilities in the State of Oklahoma. The remaining 44.5% is proposed to be acquired by SWEPCO's affiliated company, Public Service Company of Oklahoma ("PSO"), a sister company also owned by SWEPCO's parent company, AEP. The names of the three SWF are Traverse, Maverick, and Sundance. My Direct Testimony provided the conclusions of UPC's extensive

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[1] In re: Possible suspension of, or amendments to, the Commission's General Order Dated November 3, 2006 (Market Based Mechanisms Order) to make the process more efficient and to consider allowing the use of on-line auctions for competitive procurement.

[2] In Re: In the Matter of the Expansion of Utility Power Plant, Proposed Certification of New Plant by the Louisiana Public Service Commission.

[3] In Re: Commission Approval Required for Sales, Leases, Mergers, Consolidations, Stock Transfers, and All Other Changes of Ownership or control of Public Utilities Subject to Commission Jurisdiction.

review of the filings, information, and data related to Docket No. U-35324. In my Direct Testimony, I primarily concluded that the Project had not been shown to fill an immediate capacity need and was being proposed solely for ratepayers to have the opportunity to receive Net Present Value ("NPV") savings from the project in the form of Premium Tax Credit Benefits ("PTC Benefits") and adjusted production costs savings. After reviewing all of the information provided by Company, I concluded that the projected NPV savings were largely based on future forecasts that were speculative and in the nature of risks that should be borne by a merchant utility and not the type of risks that ratepayers, who do not have a need for the Project, should bear as their regulated utility is being provided the opportunity to earn a rate of return on the investment into that Project. Based upon that conclusion, I found that the Company's Application for the Project was not in the public interest. Upon reaching that conclusion, I proposed several conditions which might mitigate those concerns to allow the Commission to be able to find that the Project could be in the public interest.

Q. SINCE THE SUBMISSION OF YOUR DIRECT TESTIMONY ON FEBRUARY 7, 2020, WHAT HAS OCCURRED?

A. Staff and SWEPCO, along with Intervenors, the Alliance for Affordable Energy ("AAE") and Walmart Inc. ("Walmart"), have engaged in extensive negotiations and meetings and, as a result, have confected a stipulated settlement agreement that, in my opinion, meets the conditions I deemed necessary to present an acquisition of the proposed SWF that complies with the referenced orders and is in the public interest.

Q. WHAT IS THE PURPOSE OF YOUR SETTLEMENT TESTIMONY?

A. UPC, under my leadership, has performed an extensive review of all of SWEPCO's Application, as well as all discovery and testimony received in this docket. Following testimony by all parties, the parties began settlement negotiations. Those efforts resulted in a Joint Stipulation and Settlement Agreement with attachments ("Joint Stipulation") executed on April 8, 2020, which, if approved by the Commission, will resolve and result in a settlement of the outstanding issues related to SWEPCO's Application. My Stipulation Testimony provides Staff's support of the Joint Stipulation.

II. DISCUSSION OF JOINT STIPULATION

Q. PLEASE DESCRIBE THE CENTRAL PROVISION OF THE JOINT STIPULATION.

A. The central provision of Joint Stipulation is as follows:

- Subject to certain Agreed Upon Guarantees and Other Settlement Terms and Conditions, all parties to the Joint Stipulation recommend that the Commission find that SWEPCO's acquisition of up to 810 MW from the SWF, as requested by its Application, is in the public interest, provided it is made clear that such approval would not be an approval of value of the SWF for ratemaking purposes.

Q. PLEASE DESCRIBE THE GUARANTEES REQUIRED BY THE JOINT STIPULATION.

A. The required Guarantees are as follows:

- <u>Cost Cap Guarantee</u>. SWEPCO guarantees that the costs that are eligible to be considered for recovery can be no higher than 100% of the filed capital costs included with the Company's Application, such costs to be inclusive of an Allowance for Funds Used During Construction ("AFUDC") and any contingency. There are no exceptions to the Cost Cap Guarantee for force majeure or changes in applicable law.

- <u>PTC Eligibility Guarantee.</u> SWEPCO guarantees that the SWF will be eligible for their applicable value of the PTCs (80% for Traverse and Maverick and 100% for Sundance) for the actual output of the SWF. This guarantee does not cover the adoption, repeal, imposition, promulgation or material modification of the Internal Revenue Code or other substantial authority of the Internal Revenue Code, provided that SWEPCO is required to prudently defend against any such reduction in value from a Change of Law at its own cost.

- <u>Net Capacity Factor Guarantee</u>. SWEPCO guarantees a minimum net average capacity factor from the SWF of P95 of the six five-year periods of the first thirty full years of operation (with the first year of full operations starting in January 1, 2022). If the Company's Share of that total energy is less than the Minimum Net Average Quantity, then the dollar value of both the Energy and PTC components of the net capacity factor guarantee will be separately calculated and totaled to determine make-whole payments to customers. The Minimum Net Average Quantity is currently estimated to require 13,523,352 MWh of production for the five-year intervals, which roughly equates to a 39% capacity factor. The Minimum Net Average Quantity for the actual SWF acquired by the Company will be updated to reflect that actual wind turbine layout of the SWF.

- Hours impacted by force majeure and economic curtailments will not be excluded from the calculation; however, hours impacted by reliability and environmental curtailments will be excluded from the calculation.

- The combination of the PTC Eligibility Guarantee and the Net Capacity Factor Guarantee guarantees that customers will receive PTCs equal to the greater of actual or guaranteed MWh production upon completion of the SWF.

- <u>Most Favored Nations (MFN).</u> The MFN guarantee will apply to the Cost Cap Guarantee, NCF Guarantee, PTC Eligibility Guarantee and any other term or condition adopted for the Company in Arkansas and Texas or for the PSO in any of the state jurisdictions on behalf of which it or PSO acquires a share of the Selected Wind Facilities, whether through settlement or order issued by any such jurisdiction, to the extent such terms or conditions are more favorable to the Company's Louisiana customers.

- <u>Net Benefits Guarantee.</u> The Company will evaluate the SWF's net benefits for the period from the date the SWF is first placed in service until the first date the Company has a need for the SWF capacity, not to exceed ten years. Specifically, the Company will apply the calculation set forth below to the period ("Evaluation Period") beginning on January 1, 2021, and ending as of the earlier to occur of (1) December 31, 2030 (i.e., a period of ten years), or (2) December 31 of the year preceding the first year in which the Company has a need—prior to any future capacity additions—for an amount of capacity equal to fifteen percent of the amount of SWF capacity acquired by the Company, which can be delivered by the SWF to meet SPP reserve margin requirements.

  In addition, the Company will also apply the calculation below, and the Evaluation Period will include, any subsequent year during the ten-year period ending December 31, 2030, for which the amount of capacity that can be delivered by the SWF to meet SPP reserve margin requirements is less than fifteen percent of the amount of SWF capacity acquired by the Company.

For purposes hereof, the amount of net benefit allocated to the Company's Louisiana jurisdiction will be determined using its then-current energy allocator.

Net Benefit for Customers = Fuel Savings + PTCs + RECs Value + Minimum Net Capacity Factor Guarantee Payments + Carbon Savings* – SWF Revenue Requirement*

* *if applicable*

Q. PLEASE DESCRIBE THE MOST RELEVANT OTHER TERMS AND CONDITIONS REQUIRED BY THE JOINT STIPULATION.

A. The most relevant Other Settlement Terms and Conditions are described as follows:

- Deferred Tax Asset (DTA). SWEPCO is projected to be unable to use the PTCs as soon as they are eligible to be used, which could result in the creation of a DTA earning a return at SWEPCO's full Weighted Average Cost Capital. The Joint Stipulation requires that the DTA will earn a reduced return using the Company's then applicable cost of long-term debt on any DTA balance.

- Off System Sales. Currently, SWEPCO is allowed to retain a portion of the proceeds of all off-system sales margins. Pursuant to the Joint Stipulation the Fuel Adjustment Clause will be modified such that the Company's retail customers will be credited with 100% of its off-system energy sales margin effective January 1, 2021.

- Renewable Energy Certificates (RECs). The proceeds, net of transaction costs, from the sale of RECs associated with the SWF will be provided to customers through the Fuel Adjustment Clause.

- Gen Tie. The SWF as proposed do not contain a separate gen-tie line to the Tulsa load zone for each of the facilities to interconnect to the SPP transmission system, rather, each facility is interconnected to the SPP system through the standard SPP interconnection Queue whereby SWEPCO is being assigned costs for system upgrades deemed necessary for interconnection. Prior proposed projects by SWEPCO included the concept of the wind generation facility having a direct gen-tie line to the Tulsa load zone. All parties agree that nothing in this Joint Settlement should be interpreted as recommending or providing approval for (1) any future transmission lines that interconnect the SWF to the SPP transmission system (i.e., gen-ties) that are not within the scope of the Company's Application, and (2) any future transmission-related upgrades or modifications to relieve any operational issues related to the deliverability of the Selected Wind Facilities that are not within the scope of the Company's Application, and this Joint Settlement shall not constitute nor be cited as precedent nor deemed an admission by any Settling Party in any future proceeding related to such facilities.

- Wind Facility Asset (WFA) Rider. The Company is authorized to implement a rider ("WFA Rider") to recover the revenue requirement of the Selected Wind Facilities, including O&M expenses, depreciation expense, a return on the DTA, and a return and taxes on the facilities' assets, as well as to provide to customers the benefit of the PTCs, until the date as of which the costs of the Selected Wind Facility are included in the base rates of the Company.

Q. HOW ARE COSTS TO BE ALLOCATED AMONG AND BETWEEN THE JURISDICTIONS THAT APPROVE THE ACQUISITION OF AND RECEIVE POWER FROM THE SWF?

A. Costs of the SWF will be allocated among the jurisdictions that receive power from the SWF based on energy using the jurisdictional energy allocator in effect at the time of the allocation.

Q. HOW ARE COSTS TO BE ALLOCATED AMONG AND BETWEEN CUSTOMER CLASSES IN LOUISIANA?

A. The Louisiana jurisdictional allocation among customer classes will be based on energy.

Q. DOES THE PROJECT HAVE ANY REPORTING REQUIREMENTS?

A. Yes. The proposed settlement includes detailed reporting requirements as to the status of the SWF proceedings in other jurisdictions, the construction and acquisition process, and operation of the SWF.

Q. CAN SWEPCO RECOVER ITS INCURRED COSTS IF THE PROJECT IS NOT COMPLETED?

A. No. SWEPCO agrees in the Joint Stipulation that it will not attempt to recover development costs if, for any reason, the SWF are not placed in service.

Q. IS THERE ANYTHING IN THE JOINT STIPULATION REQUIRING SWEPCO TO EXPLORE THE POTENTIAL FOR DEVELOPMENT OF SOLAR GENERATION?

A. The Joint Stipulation requires SWEPCO to conduct an RFP for up to 200 MW of solar power with such facilities to be located in SWEPCO's service territory. This RFP requirement may be satisfied by an unsolicited offer or a combination of unsolicited offers and RFP for up to 200 MW, in accordance with the Unsolicited Offer Order and other applicable Commission Orders. The RFP will request that the developer(s) of the solar resource(s) begin construction within 3 years of the Commission's approval of this Joint Settlement. By the inclusion of this provision in the Joint Stipulation, the Commission is in no way agreeing to a need for SWEPCO to acquire energy or capacity and any such RFP and/or unsolicited offer would be fully subject to the Commission's MBM Order, the 1983 Certification Order, and/or the Unsolicited Offer Order and other applicable Commission Orders.

Q. DO TEXAS AND ARKANSAS HAVE TO APPROVE SWEPCO'S ACQUISITION OF THE SWF FOR THE SWF TO BE ACQUIRED BY SWEPCO?

A. No. The Oklahoma Corporation Commission has already approved SWEPCO's sister company PSO's participation in 45.5% of the SWF. If any of the other SWEPCO jurisdiction provides approval of its standard energy allocated amount, then the PSO allocation plus the SWEPCO jurisdiction allocation(s) provide enough size to allow the SWF to be acquired by PSO and SWEPCO.

Q. HAS SWEPCO REQUESTED THE COMMISSION TO APPROVE LOUISIANA RECEIVING THE ALLOCATED SHARES OF TEXAS OR ARKANSAS SHOULD THEIR COMMISSIONS DENY APPROVAL OF THE SWF?

A. Yes. SWEPCO refers to this as its proposed "Flex-Up". Should all three SWEPCO regulatory authorities approve SWEPCO's acquisition of the SWF then Louisiana's projected allocated share of the SWF is 268MW. If both Texas and Arkansas were to deny approval, then SWEPCO proposes that there would be no "Flex-Up", and Louisiana would still receive the same allocation based on its original proposed allocation of 268MW. However, should only Texas or Arkansas deny approval, SWEPCO has proposed that Louisiana's allocated share would increase by its proportional share of that denying jurisdiction's originally proposed energy allocated share. Currently the "Flex-Up" options are projected as follows: (i) if Arkansas denied approval, then Louisiana's share would "Flex-Up" from 268 MW to 341 MW; or (ii) if Texas denied approval, then Louisiana's share would "Flex-Up" from 268 MW to 464 MW.

Q. HAVE THE INTERVENORS AGREED TO THE POTENTIAL "FLEX-UP" AMOUNTS IN THE JOINT STIPULATION?

A. Yes.

Q. WHAT IS STAFF'S POSITION TO THE REQUESTED "FLEX-UP"?

A. Staff does not proactively support the potential "Flex-Up"; however, Staff would not oppose the Commission's acceptance of the request. Accordingly, the Joint Stipulation does not condition its approval of the acquisitions of the SWF on the Commission's acceptance of SWEPCO's requested "Flex-Up" provision. All parties have agreed to SWEPCO's acquisition of the SWF and allocation thereof to Louisiana of only approximately 268MW without any "Flex-Up" if another jurisdiction denies approval. However, the Joint Stipulation does provide the Commission with the option of the "Flex-Up", along with all of the parties' positions related to the request, so that the Commission can have the optional request and the parties' positions before it in order to decide whether it wants to include the "Flex-Up" request in a potential alternative approval of the acquisition of the SWF.

III. SUMMARY OF FINDINGS AND CONCLUSION

Q. PLEASE SUMMARIZE WHAT THE JOINT STIPULATION WILL ACCOMPLISH.

A. The Joint Stipulation provides guarantees and ratepayer protections that, when taken into account along with the potential benefits projected to be delivered by the SWF, sufficiently mitigates the risks such that the Commission should find the Application meets the requirements of the 1983 and 1994 General Orders. Accordingly, the Joint Stipulation provides for a fair and reasonable resolution of the issues in this proceeding and the Commission may approve SWEPCO's acquisitions of the SWF.

Q. DO YOU BELIEVE THE JOINT STIPULATION IS IN THE PUBLIC INTEREST?

A. I do.

Q. DOES ANY PARTY OPPOSE THE JOINT STIPULATION?

A. No. All parties support the Joint Stipulation.

Q. IS YOUR TESTIMONY INTENDED TO MODIFY IN ANY WAY THE TERMS OF THE JOINT STIPULATION?

A. No, it is not intended to modify the terms of the Joint Stipulation.

Q. DOES THIS CONCLUDE YOUR TESTIMONY?

A. Yes.

BEFORE THE

LOUISIANA PUBLIC SERVICE COMMISSION

SOUTHWESTERN ELECTRIC POWER	)	
COMPANY, EX PARTE	)	
RE: APPLICATION	)	
FOR CERTIFICATION AND	)	
APPROVAL OF THE ACQUISITION OF	)	**DOCKET NO. U-35324**
CERTAIN RENEWABLE RESOURCES	)	

AFFIDAVIT

R. Lane Sisung, being first duly sworn, deposes and says that he is the same R. Lane Sisung whose Settlement Testimony accompanies this affidavit: that such testimony was prepared by him; that he is familiar with the contents thereof; that the facts set forth therein are true and correct to the best of his knowledge, information and belief; and that he does adopt the same as his sworn testimony in this proceeding.

R Lane Sisung

R. Lane Sisung, Esq., CRRA

Subscribed and sworn before me on this 8 day of April, 2020.

Paul T. Christe 133553 34482

Notary Public

My Commission Expires: at death.

ATTACHMENT 4

TESTIMONY OF KEVIN W. O'DONNELL IN SUPPORT OF THE JOINT STIPULATION AND SETTLEMENT AGREEMENT, DATED APRIL 9, 2020

BEFORE THE
LOUISIANA PUBLIC SERVICE COMMISSION

APPLICATION OF SOUTHWESTERN ELECTRIC	*	
POWER COMPANY (SWEPCO) FOR	*	**DOCKET NO.**
CERTIFICATION AND APPROVAL OF THE	*	
ACQUISITION OF CERTAIN RENEWABLE	*	**U-35324**
RESOURCES IN ACCORDANCE WITH THE	*	
MBM ORDER AND THE 1983 AND 1994	*	
GENERAL ORDERS	*	

Direct Testimony of Kevin W. O'Donnell, CFA

On Behalf of the Alliance for Affordable Energy

April 9, 2020

I. INTRODUCTION

Q. PLEASE STATE YOUR NAME, POSITION, AND BUSINESS ADDRESS FOR THE RECORD.

A. My name is Kevin W. O'Donnell. I am President of Nova Energy Consultants, Inc. My business address is 1350 Maynard Road, Suite 101, Cary, North Carolina 27511.

Q. ON WHOSE BEHALF ARE YOU PRESENTING TESTIMONY IN THIS PROCEEDING?

A. I am appearing on behalf of the Alliance for Affordable Energy ("AAE"), which is a non-profit entity representing consumers' interests before the Louisiana Public Service Commission ("Commission" or "LPSC") and the New Orleans City Council. AAE's office is located in New Orleans, LA.

Q. DID YOU PREVIOUSLY SUBMIT TESTIMONY IN THIS PROCEEDING?

A. Yes, I did.

Q. WHAT IS THE PURPOSE OF THIS SETTLEMENT TESTIMONY?

A. The purpose of this settlement testimony is to explain my understanding of the settlement and to express AAE's opinion of the settlement.

II. SETTLEMENT DETAILS

Q. PLEASE DESCRIBE YOUR UNDERSTANDING OF THE SETTLEMENT IN WHICH AAE HAS ENTERED WITH SOUTHWESTERN ELECTRIC POWER COMPANY (SWEPCO).

A. Wal-Mart and AAE have agreed to support the Company's application to include 810 MW of wind power in rates. In return for their support, the Company has agreed to support the following conditions as part of the settlement: a cost cap; a production tax credit ("PTC") guarantee; a net capacity minimum guarantee; a most favored nations ("MFN") clause; analysis of alternatives to future transmission line construction; construction of 200 MW of solar; and a net benefits guarantee.

Q. PLEASE EXPLAIN THE COST CAP.

A. The Company's application in this case provided a stated cost for the proposed purchase of the wind assets. As part of the settlement in this case, SWEPCO commits to a not-to-exceed cap of the filed costs which include: allowance for funds used during construction ("AFUDC") costs; contingency costs; and interconnection costs.

Q. IN YOUR OPINION, IS THE ACCEPTANCE OF A COST CAP AN ESSENTIAL ELEMENT IN ANY POWER SUPPLY ARRANGEMENT?

A. Yes, as this Commission is aware, the utility industry, as a whole, has frequently experienced severe cost overruns in constructing plants and equipment used to serve customers. As an example, dating back to the 1970's and running through the current situations experienced in Georgia and South Carolina, nuclear plant cost overruns are painful reminders of why cost caps such as the one accepted in this settlement are needed in power supply arrangements. Customers cannot be held captive to utilities that constantly move the finish line and expect ratepayers to pay the entirety of the cost.

Q. PLEASE EXPLAIN THE PRODUCTION TAX CREDIT?

A. As explained in my direct testimony in this proceeding, a PTC is a reduction in tax liability for renewable energy producers that is intended to drive investment in the renewable energy industry. Wind energy PTCs began to phase out in 2017, and the credit was set to drop to 0 percent of its original value at the end of 2019. However, the Internal Revenue Service has allowed wind generation facilities an extra four years to become operational, thereby extending the deadline for projects to the end of 2023.[1]

The settlement in this proceeding provides a guarantee by SWEPCO that consumers will, for ratemaking purposes, receive the full value of the PTCs as related to the actual output of the wind facilities.

Q. IS THIS GUARANTEE OF THE PTC A CRITICAL ASPECT OF THE SETTLEMENT?

A. Yes, in my opinion, a PTC minimum guarantee is critical in the settlement. SWEPCO must be held to the promises that it has made in the application. I believe the settlement related to the minimum PTC provides consumers the assurances needed for ratemaking purposes.

Q. PLEASE EXPLAIN THE NET CAPACITY MINIMUM GUARANTEE AND ITS IMPORTANCE TO THE SETTLEMENT.

A. As part of the settlement in this case, SWEPCO guarantees a minimum net average capacity factor from the wind facilities of P95 over the six five-year periods of the first thirty full years of operations (with the first year of full operations starting January 1, 2022). This minimum capacity factor is needed to ensure the wind generation units perform as promised by SWEPCO. Without such a minimum capacity factor, consumers may be exposed to substantial cost increases with little-to-no benefits.

Q. WHAT IS A MOST FAVORED NATIONS CLAUSE AND DO YOU SUPPORT ITS INCLUSION IN THE SETTLEMENT?

A. A Most Favored Nations ("MFN") Clause essentially states that no other jurisdiction in which SWEPCO serves and must obtain regulatory approval will get

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[1] Benjamin Silliman, *A New Dawn for Wind Energy Infrastructure After the Production Tax Credit Sunset*, Council on Foreign Relations (July 15, 2019), https://www.cfr.org/blog/new-dawn-wind-energy-infrastructure-after-production-tax-credit-sunset.

a better deal than what the Company is offering to Louisiana consumers in this application. If a jurisdiction is promised some item that is not part of the settlement in this case, the Company must provide the same benefits to Louisiana consumers.

I definitely support a MFN Clause in all settlements in which my clients enter. A MFN Clause protects consumers in one jurisdiction from being shorted against another jurisdiction.

Q. PLEASE EXPLAIN THE NET BENEFITS GUARANTEE.

A. The net benefits guarantee ensures that the costs of the wind assets that will be placed in rate base for rate recovery will not exceed the benefits as promised by the Company in this application. The formula for this net benefits guarantee, as noted in Attachment 3 of the settlement states as follows:

Net Benefit for Customers = Fuel Savings + PTCs + RECs Value + Minimum Net Capacity Factor Guarantee Payments* + Carbon Savings* – SWF Revenue Requirement

The Company will apply the above calculation above to the period (Evaluation Period) beginning on January 1, 2021, and ending as of the earlier to occur of (1) December 31, 2030 (i.e., a period of ten years) or (2) December 31 of the year preceding the first year in which the Company has a need for capacity equal to fifteen percent of the amount of wind facilities' capacity. If the net benefits formula, as stated above, is positive, meaning that customers are receiving positive net benefits from the addition of the SWF, there will be no change in rates. If, however, the net benefits formula is negative, SWEPCO will credit customers an amount equal to the net benefits deficit, as found from the application of this formula.

Q. DO YOU BELIEVE THIS NET BENEFITS GUARANTEE IS A CRITICAL COMPONENT OF THE SETTLEMENT?

A. Yes, I do. The Company's application in this case amounts to a $1.86 billion investment by the Company for which it is asking consumers to pay in rates. The net benefits guarantee ensures customers will receive a value from the investment that ensures rates will not increase at a rate higher than they would otherwise increase absent this investment.

Q. DOES AAE ACCEPT THE SETTLEMENT AS PROPOSED IN THIS CASE?

A. Yes, AAE is a party to the settlement agreement and supports the settlement as-written.

Q. DOES THIS CONCLUDE YOUR TESTIMONY?

A. Yes, it does.

Recoverable Signature

X Kevin O'Donnell

Kevin O'Donnell

President, Nova Energy Consultants

Signed by: 1e24999a-cba4-486b-bc59-06db3ca4962d

ATTACHMENT 5

TESTIMONY OF LISA V. PERRY IN SUPPORT OF THE JOINT STIPULATION AND SETTLEMENT AGREEMENT, DATED APRIL 9, 2020

BEFORE THE LOUISIANA PUBLIC SERVICE COMMISSION

APPLICATION OF SOUTHWESTERN POWER COMPANY (SWEPCO) FOR CERTIFICATION AND APPROVAL OF THE ACQUISITION OF CERTAIN RENEWABLE RESOURCES IN ACCORDANCE WITH THE MBM ORDER AND THE 1983 AND 1994 GENERAL ORDERS	))))))	DOCKET NO. U-35324

SETTLEMENT TESTIMONY OF

LISA V. PERRY

ON BEHALF OF

WALMART INC.

APRIL 9, 2020

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

A. My name is Lisa V. Perry. My business address is 2608 SE J Street, Bentonville, AR 72716. I am employed by Walmart Inc. as Senior Manager, Energy Services.

Q. ON WHOSE BEHALF ARE YOU TESTIFYING IN THIS DOCKET?

A. I am testifying on behalf of Walmart Inc. ("Walmart").

Q. ARE YOU THE SAME LISA V. PERRY WHO SUBMITTED DIRECT TESTIMONY IN THIS DOCKET?

A. Yes.

Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

A. The purpose of my testimony is to support the Joint Stipulation and Settlement Agreement ("Stipulation") that is being filed with the Louisiana Public Service Commission ("Commission") on April 9, 2020, between the Southwestern Electric Power Company, Walmart, the Louisiana Public Service Commission Staff, and Alliance for Affordable Energy.

Q. WAS WALMART AN ACTIVE PARTICIPANT IN SETTLEMENT DISCUSSIONS IN THIS DOCKET?

A. Yes.

Q. WHAT IS WALMART'S RECOMMENDATION TO THE COMMISSION.

A. The Commission should approve the Stipulation as a reasonable resolution of the issues in this docket. The Stipulation is the result of arms-length negotiations between the parties and addresses Walmart's issues as presented in my Direct Testimony.

Q. DOES THIS CONCLUDE YOUR TESTIMONY?

A. Yes.