BEFORE THE

LOUISIANA PUBLIC SERVICE COMMISSION

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

REDACTED DIRECT TESTIMONY OF

MICHAEL J. DILLEY

FOR

SOUTHWESTERN ELECTRIC POWER COMPANY

DECEMBER 2024

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EXHIBITS

EXHIBIT	DESCRIPTION
HSPI Exhibit MJD-1	Hallsville Plant Proposal
HSPI Exhibit MJD-2	Welsh Conversion Proposal
Exhibit MJD-3	Facility Location Maps
HSPI Exhibit MJD-4	O&M and Capital Cost Estimates Years 1-10

I. INTRODUCTION

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

A. My name is Michael J. Dilley. I am employed by American Electric Power Service Corporation (AEPSC), a wholly owned subsidiary of American Electric Power Company, Inc. (AEP), as Director – Projects. AEP is the parent company of Southwestern Electric Power Company (SWEPCO or the Company). AEPSC supplies engineering, financing, accounting, regulatory, and similar planning and advisory services to AEP's regulated electric operating companies, including SWEPCO. My business address is 1 Riverside Plaza, Columbus, Ohio 43215.

Q. PLEASE DESCRIBE YOUR EDUCATIONAL AND PROFESSIONAL BACKGROUND.

A. I earned a Bachelor of Science Degree in Construction Systems Management from The Ohio State University in 2009. I hold a Project Management Professional certification from the Project Management Institute. My professional experience includes over 16 years working for AEP on new build and retrofit projects for coal, natural gas, solar, and wind generating facilities. I have held various positions of increasing responsibility including Construction Coordinator, Project Manager, Manager – Projects, and currently Director – Projects. I assumed my current position as Director – Projects in 2024.

Q. WHAT ARE YOUR CURRENT RESPONSIBILITIES?

A. My responsibilities include direct accountability for the successful completion of a wide range of projects varying in size, technology, complexity, and capital investment. I provide leadership to a team of project managers to ensure capital projects that serve

the needs of the operating companies and AEP's generation fleet are initiated, planned, executed, monitored, controlled, and closed in a safe, efficient, and effective manner.

Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE ANY REGULATORY COMMISSIONS?

A. No.

II. PURPOSE OF TESTIMONY

Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

A. The purpose of my testimony is to:

1) provide an overview of the Hallsville Natural Gas Plant (Hallsville Plant) and the Welsh Natural Gas Conversion Project (Welsh Conversion) (collectively, the Projects);
2) describe AEPSC's experience in self-build opportunities, and its role in project management, engineering, procurement, and construction of the Projects;
3) present milestones for construction activities and the estimated commercial operation dates (COD) for the natural gas fired generation Projects;
4) present the total project capital cost for the Projects; and
5) describe the Company's operation and maintenance (O&M) plans including ongoing O&M and capital cost estimates for the Projects.

III. THE PROJECTS

Q. HOW WERE THE PROJECTS IDENTIFIED?

A. The Company issued three separate competitive Requests for Proposals (RFPs) for up to 2,100 MW total of Southwest Power Pool (SPP) Accredited Capacity from Solar, Wind, Storage, Natural Gas Energy, and Capacity Resources. The RFPs were open to short term Capacity Purchase Agreements, Power Purchase Agreements, and Purchase and Sale Agreements (PSAs) which are discussed in more detail by Company witness Godfrey. Additionally, the PSA RFP was open to self-build proposals, to which

AEPSC (on behalf of the Company) submitted two proposals that included the Projects. Copies of the proposals for the two natural gas fired Plants, those being the Hallsville Plant and the Welsh Conversion, are attached as HSPI Exhibits MJD-1 and MJD-2, respectfully submitted in pursuant to the LPSC MBM Order requirements as further discussed by Company witness Melissa A. Gage.

Q. PLEASE PROVIDE A BRIEF OVERVIEW OF THE PROJECTS.

A. The Projects consist of two separate projects totaling 1,503 megawatts (MWs) of generating capacity. Table 1 below provides an overview of the Projects.

Table 1 – Projects Overview

	Hallsville Natural Gas Plant Units 1&2[1]	Welsh Natural Gas Conversion Project	
		Unit 1	Unit 3
Size (Nameplate MW)	450 MW	525 MW	528 MW
Planned COD	December 2027	May 2028	November 2027
State	TX	TX	TX
County	Harrison	Titus	Titus
Location (RTO)	SPP	SPP	SPP

A map showing the location of the Projects is attached as Exhibit MJD-3.

Q. WHAT IS THE DESIGN LIFE OF THE PROJECTS IDENTIFIED?

A. The Hallsville Natural Gas Plant will be engineered to have a minimum design life of 30-years and the Welsh Natural Gas Conversion Project will be engineered to have a minimum design life of 15-years, as required by the RFP.

[1] Referred to as Pirkey 3&4 in the project proposal found in HSPI EXHIBIT MJD-1.

A. Hallsville Natural Gas Plant

Q. PLEASE DESCRIBE THE HALLSVILLE NATURAL GAS PLANT.

A. The Hallsville Plant is a 450 MW simple cycle natural gas facility to be located on the site of SWEPCO's former Pirkey Plant in Hallsville, Texas, in Harrison County. The project involves installing two advanced class GE 7F.05 combustion gas turbine generators and the associated balance of plant equipment. The facility will also include the following major components:

- GE H35 Generators
- Generator Step Up (GSU) Transformers
- Collector Switchyard
- Generation Tie to Existing Switchyard
- Gas Conditioning Equipment
- Water Treatment Equipment
- Inlet Duct
- Exhaust Stack
- Electrical Systems
- Administration Building
- Roads
- Foundations
- Stormwater System/Pond
- Miscellaneous Balance of Plant (BOP) Equipment and Systems

All of these components will be located on SWEPCO owned property.

Q. ARE THERE ANY ADVANTAGES TO USING THE SITE OF THE FORMER PIRKEY PLANT FOR THE HALLSVILLE PLANT?

A. Yes, there are three primary advantages to using the existing SWEPCO property for the Hallsville Plant. First, using the existing SWEPCO property provides an opportunity to utilize the existing switchyard and interconnection rights associated with the property. Second, the site is in close proximity to existing gas infrastructure and rights of way. Third, using the existing SWEPCO property allows utilization or

repurpose of existing infrastructure such as water intake structure, potable water line, non-environmental and environmental permits, permitted outfalls, driveways, roads, and fencing, which reduce the overall cost of the project.

Q. CAN YOU EXPLAIN THE GAS TURBINE SELECTION PROCESS AND GIVE MORE DETAILS ON THE GE 7F.05 TURBINE THAT WAS SELECTED FOR THE HALLSVILLE PLANT?

A. Yes. An analysis of turbine original equipment manufacturers and models was performed to select a suitable gas turbine for the Hallsville Plant. Based on that analysis, proposals were solicited from selected turbine manufacturers. The proposals were reviewed, focusing on providing cost-effective, simple cycle generation, and it was determined that the GE 7F.05 was the most suitable turbine model.

The GE 7F.05 gas turbine is the latest evolution of the F-Frame model that has been in operation since the 1990s. It has a nominal capacity of approximately 225 MW, and it consists of a 14-stage compressor, a 3-stage hot gas path, and a low-NOx combustion system, which provides efficient power generation. The low-NOx combustion system allows operation without selective catalytic reduction (SCR) equipment. Additionally, the GE turbine can burn a blend of hydrogen as preferred by the RFP. More specifically, the GE 7F.05 can burn up to 10% hydrogen without upgrading the combustion system or adding NOx control. If necessary, the turbine can burn hydrogen beyond 10% with the addition of a hydrogen blending skid and upgraded fuel gas piping and equipment.

In short, the GE 7F.05 turbine is a fast starting and efficient gas turbine which will serve well as a simple cycle unit and provides the flexibility for future upgrades for hydrogen burning, combined cycle operation, and carbon capture.

Q. IF THE NEED WERE TO ARISE, COULD THE HALLSVILLE NATURAL GAS PLANT BE CONVERTED TO A COMBINED CYLE POWER PLANT IN THE FUTURE?

A. Yes. The project is planning to allocate space to convert the simple cycle combustion turbines to a combined cycle operation. The space allocated is for the inclusion of additional major equipment such as a steam turbine, heat recovery steam generator, additional environmental controls like a Selective Catalytic Reduction system, and other balance of plant equipment necessary to convert the simple cycle facility to a combined cycle facility. Should a capacity need arise in the future, the Company estimates that enough steam could be generated to support a steam turbine that generates an incremental 276 MW of additional power. This would increase the total size of the facility as a combined cycle up to 726 MW.

Q. CAN YOU DESCRIBE THE PROCESS FOR DEVELOPING THE HALLSVILLE NATURAL GAS PLANT PROPOSAL SCOPE, CAPITAL COST ESTIMATE, AND SCHEDULE?

A. Yes, the AEPSC Self-Development project team utilized internal subject matter experts and engaged an engineering consultant, Burns and McDonnell (B&M), to assist in defining scope, identifying environmental requirements, and performing design basis engineering to develop a cost estimate and project schedule. A key input to defining

the scope was the output of the combustion gas turbine analysis described above to determine the size of the facility and set the design basis for the major equipment and BOP systems. The engineering was approximately 10%-15% complete at the time the proposal was developed and submitted. B&M assisted in putting together an Association for the Advancement of Cost Engineering (AACE) Class IV cost estimate based on a COD of December 15, 2028. Later, the schedule was accelerated at the request of the RFP team and the project is now working towards a COD of December 15, 2027. The schedule is mainly driven by long lead procurement items which are the GE 7F.05 combustion turbines manufacturing and delivery. Other notable critical path activities are applying for and receipt of an approved air permit, which is required to physically start major construction of the facility.

Q. PLEASE DESCRIBE HOW THE CAPITAL COST ESTIMATE WAS DEVELOPED.

A. B&M assisted in the development of the direct capital costs based on actual installation quantities, labor rates and hours from projects with similar scope that were in-service in mid and late 2023. Adjustments to reflect current market conditions, commodities, and specific tie-in work were made to reflect the scope specific to the Hallsville Plant. A labor study was performed in the area to validate the estimated construction labor rates. The Self-Development team issued a formal RFP to solicit pricing for the combustion gas turbines and an informal request for budgetary pricing for the GSU transformer. B&M solicited budgetary pricing or used in-house information from other recently proposed or executed projects for the balance of plant equipment. Other direct costs in the proposal include conceptual and detailed engineering and design, Owner's

Internal costs comprised of expenses associated with AEPSC internal resources to manage a project of this scope and complexity, and Owner's Allowances. Indirect costs are also included as part of the total capital cost estimate and are applied to all AEP capital projects. See HSPI Exhibit MJD-1.

Q. DOES THE HALLSVILLE NATURAL GAS PLANT COST ESTIMATE INCLUDE CONTINGENCY?

A. Yes, a contingency value of REDACTED is included in the project cost estimate. The contingency was jointly developed between the Self-Development team and B&M based on a risk register and a subsequent Monte-Carlo simulation run by the team to select a value with a REDACTED confidence level. The contingency accounts for major risk categories including estimate accuracy associated with pricing and quantities, defined scope omissions, escalation uncertainty, project assumption impacts, and schedule impacts.

Q. PLEASE DESCRIBE THE NATURAL GAS PIPELINE ARRANGEMENT FOR THE HALLSVILLE PLANT.

A. The natural gas line will be brought to the property through a third-party gas transmission provider. The provider's pipeline will terminate at the Hallsville Plant site property. From this point, the project will construct the necessary equipment and piping to bring the gas line to the facility to provide fuel to each combustion turbine.

Q. PLEASE DESCRIBE THE GENERATION INTERCONNECTION AGREEMENT FOR THE HALLSVILLE PLANT.

A. An existing Generation Interconnection Agreement (GIA)[2] for the facility is currently in the process of being amended through SPP to allow the Hallsville Plant to connect and inject power to the electric grid. An executed amended GIA is expected by the end of 2024. Any needed transmission upgrades will be limited to the Hallsville Plant site. Transmission-related issues are discussed further in the Direct Testimony of SWEPCO witness Hassan Hayat.

Q. PLEASE DESCRIBE HOW THE HALLSVILLE PLANT WILL INCORPORATE WINTERIZATION.

A. SWEPCO is planning to winterize the Hallsville Plant as part of the engineering, design, and construction processes. The design will incorporate heat trace, insulation, and heated enclosures to ensure critical elements of the facility are reliable in varying weather conditions ranging from extreme cold to extreme heat. In addition, AEP Fossil Generation Fleet Management requires each plant to maintain and follow a Cold Weather Preparedness and Operation Plan to ensure reliable plant operation during subfreezing conditions. Recommendations included in NERC's Cold Weather Standards[3] are part of the annual winterization process that is followed across the AEP Fleet, which includes SWEPCO units. A Cold Weather Preparedness and Operation Plan will be drafted for the Hallsville Plant once the facility is in operation.

[2] SPP GIA Number: GEN-2022-GR1.
[3] *Available at* https://www.nerc.com/pa/Stand/Pages/ReliabilityStandards.aspx

B. Welsh Natural Gas Conversion Project

Q. PLEASE DESCRIBE THE WELSH NATURAL GAS CONVERSION PROJECT.

A. The Welsh Natural Gas Conversion Project is located in Titus County, Texas and consists of making modifications to Welsh Unit 1 (525MW) and Welsh Unit 3 (528MW) to accommodate burning natural gas. These modifications include the engineering, design, procurement, and construction of the following major equipment and associated balance of plant equipment:

- Removal of existing coal burners and installation of new natural gas burners at Unit 1;
- Modifications to existing coal burners to burn natural gas at Unit 3;
- Installation of new flue gas recirculation system;
- Combustion air ductwork modifications;
- New natural gas supply to each Unit and associated high and low pressure skids; and
- Upgrades to existing Distributed Control System to accommodate new natural gas burner equipment and burner management system.

Q. CAN YOU EXPLAIN THE PROCESS USED TO DETERMINE IF NATURAL GAS CONVERSION WAS A VIABLE OPTION FOR WELSH UNITS 1 AND 3?

A. Yes. As a result of the Federal Environmental Protection Agency's Coal Combustion Residual and Effluent Limitation Guidelines regulations, the Company did not elect to pursue cessation of sluicing bottom ash through a dry ash handling conversion, but instead elected to cease burning coal at Welsh Units 1 and 3 by 2028 as allowed per the rules. Company witness Gary O. Spitznogle discusses the associated environmental regulations in his direct testimony. As such, in August 2022, AEPSC hired Babcock and Wilcox (B&W), the original equipment manufacturer of the coal fired boiler for each unit, to perform a feasibility study on converting the existing Welsh Units 1 and 3 from firing on pulverized coal to 100% natural gas. The study concluded in January

2023, and the results showed the units could be converted to fire on natural gas by making certain modifications to the units.

In addition to the feasibility study, AEPSC and SWEPCO hired B&M to further define the scope of the natural gas conversion of the Welsh Units. B&M assisted AEPSC in the development of a conceptual design for the balance of plant systems, an AACE Class IV cost estimate, and a project schedule. The schedule was developed based on achieving a COD of November 30, 2027, for Unit 3 and May 31, 2028, for Unit 1.

Q. ARE THERE ADVANTAGES TO CONVERTING THE WELSH UNITS TO GAS RATHER THAN PURCHASING OTHER GENERATING RESOURCES?

A. Yes, there are three primary advantages to converting the Welsh Units to gas rather than purchasing other generating resources. First, using the existing SWEPCO property provides an opportunity to continue utilizing the existing switchyard and interconnection rights associated with the property. Second, the site is in close proximity to existing gas infrastructure and rights of way. Third, using the existing SWEPCO property and facilities allow utilization or repurpose of existing infrastructure such as water intake structure, potable water line, non-environmental and environmental permits, permitted outfalls, driveways, roads, and fencing, which reduce the overall cost of the project.

Q. PLEASE DESCRIBE HOW THE CAPITAL COST ESTIMATE WAS DEVELOPED.

A. B&M assisted in the development of the direct capital costs based on actual installation quantities, and labor hours and rates from recently executed projects that had a similar scope. B&M also solicited budgetary pricing or used in-house information from other

recently proposed or executed projects for the balance of plant equipment. Adjustments to reflect current market conditions, commodities, and specific tie-in work were made to reflect the scope specific to the Welsh Conversion. The boiler modification cost inputs were an output of the B&W study performed in January 2023, as discussed above. In addition, a budgetary proposal was solicited from a Distributed Control System (DCS) vendor to support the DCS scope cost inputs.

Other direct costs in the proposal included conceptual and detailed engineering and design, Owner's Internal costs comprised of the expenses associated with AEPSC internal resources to manage a project of this scope and complexity, and Owner's Allowances. Indirect costs are also included as part of the total capital cost estimate and are applied to all AEP capital projects.

Q. DOES THE WELSH NATURAL GAS CONVERSION PROJECT COST ESTIMATE INCLUDE CONTINGENCY?

A. Yes, the contingency value of REDACTED included in the project cost estimate was jointly developed between the Self-Development team and B&M based on a risk register. The contingency accounts for major risk categories including estimate accuracy associated with pricing and quantities, defined scope omissions, escalation uncertainty, project assumption impacts, and schedule impacts.

Q. PLEASE DESCRIBE THE NATURAL GAS PIPELINE ARRANGEMENT FOR THE WELSH CONVERSION.

A. The natural gas line will be brought to the property through a third-party gas transmission provider. The provider's pipeline will terminate on the Welsh

Conversion site property. From this point, the project will construct the necessary equipment and piping to bring the gas line to the facility to provide fuel to each Unit.

Q. PLEASE DESCRIBE THE GENERATION INTERCONNECTION AGREEMENT FOR THE WELSH CONVERSION.

A. The Welsh Generating Facility has an existing GIA[4] in place with SPP that requires no modifications as a result of converting Units 1 and 3 from firing on pulverized coal to firing on natural gas.

Q. PLEASE DESCRIBE HOW THE WELSH CONVERSION INCORPORATES WINTERIZATION.

A. SWEPCO is planning to winterize the Welsh Natural Gas Conversion Project as part of the engineering, design, and construction phases. The design will incorporate heat trace, insulation, and heated enclosures to ensure critical elements of the facility are reliable in varying weather conditions ranging from extreme cold to extreme heat. In addition, recommendations included in NERC's Cold Weather Standards are part of the annual winterization process that is followed across the AEP Fleet, which includes SWEPCO units. Finally, the Cold Weather Preparedness and Operation Plan currently in place for the Welsh Generating Station will be revised for the natural gas conversion once the facility is in operation.

[4] SPP Original Service Agreement Number 3174.

IV. DEVELOPMENT AND CONSTRUCTION OF THE PROJECTS

Q. WHAT RESPONSIBILITIES WILL AEPSC HAVE IN THE DEVELOPMENT AND CONSTRUCTION OF THE PROJECTS?

A. AEPSC will be responsible for the development, environmental studies, permitting, engineering, interconnection, procurement of all necessary equipment and materials, construction, and commissioning of the Projects.

Q. PLEASE DESCRIBE AEPSC'S PROJECT MANAGEMENT AND CONSTRUCTION EXPERIENCE.

A. AEPSC has a long history of safe project management and construction of large-scale complex utility projects including the construction of power plants, environmental retrofits and upgrades, and the execution of renewable projects. This currently comprises approximately 25,000 MWs of generating capacity and includes coal fired, gas fired, simple cycle combustion turbine, combined cycle, nuclear, and renewable resource facilities. Some examples of power plant construction include the building of the Turk, Mattison, and Stall power-generating facilities for SWEPCO and Riverside Units 3 and 4 and Southwestern Units 4 and 5 for Public Service Company of Oklahoma. AEPSC has also successfully converted two coal fired generation resources (Big Sandy Plant and Clinch River Plant) to gas fired generation resources similar to the scope of work planned for the Welsh Conversion. Finally, AEPSC has retrofitted assets in excess of 15,000 MW with SCR technology as well as retrofitted approximately 9,000 MW with flue gas desulfurization technology systems.

Q. PLEASE DESCRIBE THE PROJECT EXECUTION STRATEGY FOR THE PROJECTS.

A. The project execution strategy for the Projects is aligned with AEPSC's proven project management processes and procedures for executing a complex project and will incorporate best practices for effective project management in power plant construction to deliver the project on time and within budget. AEPSC will use a "stage gate process" to manage the entire lifecycle of the projects and a "multi-prime" approach to construction contracting to better manage cost, schedule, quality, and safety. The stage gate process for AEP Project Management is comprised of eight stages (initiation, business planning and screening, scope selection, preliminary engineering, detailed engineering, construction, commissioning and startup, and closeout) with key deliverables and funding approval gates which require authorization by key stakeholders to proceed to the next stage. The multi-prime approach is a contracting strategy which aims to expand the contractor base, foster local engagement, and mitigate labor availability risks. The construction packages are bundled by discipline (civil, structural/mechanical, electrical and instrumentation controls) as the engineering and design packages are completed. This approach will involve a full complement of AEPSC project control personnel, including schedulers, estimators, cost control analysts, and construction management personnel for on-site oversight. In addition, a competitive solicitation was initiated to select an Engineer of Record for final engineering and design.

Finally, identifying long lead items will be a priority early in the engineering phases. AEPSC intends to execute the balance of necessary procurements to support

the project schedules. Any remaining procurement items will be the responsibility of the selected multi-prime contractors.

Overall, along with SWEPCO, which has an obligation to provide safe and reliable energy to its customers, AEPSC has a commitment of delivering the Projects efficiently, within budget, and in alignment with corporate goals and industry best practices.

Q. HOW DOES AEPSC PLAN TO MONITOR THE PROGRESS OF CONSTRUCTION OF THE PROJECTS?

A. AEPSC and the Company will have experienced personnel on-site managing the site construction to ensure that the selected contractors perform the work safely while adhering to the contract specifications and requirements, scopes of work, and integrated project schedule. In addition, AEPSC has stringent project cost and schedule control requirements that require project vendors and contractors to develop and maintain integrated construction schedules utilizing Primavera P6 schedule software so that the schedule can be monitored and controlled. Project expenditures and planned commitments are reviewed and forecasted regularly by the project team in accordance with AEPSC and Company policies and procedures to control the budget.

Q. WILL THERE BE REQUIRED PERMITTING FOR THE PROJECTS?

A. Yes. The following initial permits and related processes identified for the Hallsville Natural Gas Plant will be obtained and followed as necessary:

- Spill Prevention Control and Countermeasure Plan;
- Texas Pollutant Discharge Elimination System (TPDES) Construction General Permit TXR150000 for Construction Stormwater Discharges;
- TPDES General Permit TXG670000 to Discharge Hydrostatic Test Water;
- Railroad Commission of Texas Hydrostatic Discharge;

- Following conversations with the Texas Commission on Environmental Quality (TCEQ), it was determined the Hallsville Plant will require the acquisition of a new Title V air Permit. Procuring this new permit is a prerequisite for commencing major construction activities;
- Federal Aviation Administration Hazard Determination;
- Emergency Planning and Community Right to Know Act Emergency Planning Requirements;
- TPDES Industrial Multi-Sector General Permit TXR050000 for Stormwater Discharges (Operations);
- TPDES Individual NPDES Permit (new permit or modification of existing permit);
- Tier II Chemical Inventory Reporting;
- State Solid Waste Registration; and
- EPA Identification Number.

For the Welsh Conversion, acquiring the air permit only requires a minor modification of the existing Title V Permit for the Welsh Generating Station. This modification will recognize the fundamental difference between the current coal fired generation at Unit 1 and Unit 3 and the proposed natural gas fired generation at Unit 1 and Unit 3. AEPSC will pursue the maximum operational flexibility for future operations while remaining in compliance with all environmental requirements.

Permitting will be further investigated and sought as necessary during the engineering and design stages of the project to ensure compliance. Permitting requirements and processes for the Projects are discussed further in the project proposals attached as HSPI Exhibits MJD-1 and MJD-2. Company witness Spitznogle provides additional information about the permits required for these resources.

Q. HAS THE COMPANY ADDRESSED SITE-SPECIFIC REQUIREMENTS CONTAINED IN TEXAS UTILITIES CODE § 37.056?

A. Yes. The Projects are located on existing SWEPCO property that has previously been used for generation, has no historical or aesthetic significance, does not have any park

areas, and is not used for recreational activities. Further, the projects will positively impact local economies by generating local property and sales tax revenues, which will contribute to the overall financial health of the community. In addition, these projects will also help with local job creation, starting with hundreds of temporary positions in construction, ranging from skilled labor to engineering and support services. Finally, the projects will stimulate local businesses by increasing demand for goods and services. This demand can lead to growth opportunities for small and medium-sized enterprises in the region, further bolstering the local economy.

Q. WHAT IS THE STATUS OF ENVIRONMENTAL IMPACT AND WILDLIFE STUDIES ASSOCIATED WITH THE PROJECTS?

A. Relative to the Hallsville Natural Gas Plant, a desktop review has been performed for Critical Issues Analysis (CIA) as it relates to environmental impact and wildlife studies. There are minimal impacts identified as it pertains to the CIA.

For the Welsh Natural Gas Conversion project, because it is an existing operating facility, there are minimal environmental impacts outside of a minor modification to the Title V Air Permit.

In the case of both projects, these items will be further investigated, as necessary, during the engineering and design stage to ensure compliance.

Additional information concerning the environmental regulations that could have an impact on the Projects are discussed by Company witness Spitznogle.

Q. WHAT IS THE SCHEDULE FOR THE CONSTRUCTION OF THE PROJECTS?

A. Please see Table 2 below for construction milestones for the Projects.

Table 2 – Construction Milestones

Milestone Description	Hallsville Natural Gas Plant[5]	Welsh Natural Gas Conversion Project
Start Engineering	August 2024	January 2025
Issue Construction (IFC) Drawings	August 2025	July 2026
Contractor Mobilization	January 2026	January 2027
Start Site Prep and Major Foundations	March 2026	January 2027
Start Thermal Unit Installation	June 2026	June 2027
Complete Thermal Construction	June 2027	March 2028
Gas Delivery Service Available to Site	January 2027	October 2027
Complete Transmission Line and Substation	January 2027	n/a
Electrical Back Feed	May 2027	n/a
Mechanical Completion	August 2027	March 2028
Substantial Completion	October 2027	Unit 3 – November 2027 Unit 1 – May 2028
COD	December 2027	May 2028

[5] The construction schedule for the Hallsville Plant represents the accelerated timeline as requested by the RFP team.

V. PROJECTS PROJECTED COSTS

Q. WHAT IS THE ESTIMATED COST OF THE PROJECTS?

A. The estimated total project capital cost for the Projects is approximately $722,500,000, which includes direct costs, indirect costs, and owner's costs for the projects. Cost estimates for the Projects are discussed in more detail in the project proposals attached as HSPI Exhibits MJD-1 and MJD-2.

Q. WHY IS THE INCLUSION OF A CONTINGENCY NECESSARY AND APPROPRIATE?

A. As with any complex generating facility project, there are risks that may impact the overall cost. In addition to general estimating accuracy, risks common to each of the Projects include market pressures in commodity pricing such as for steel, supply chain delays for equipment and material, transportation costs, and overall inflation. It is impossible to predict with certainty whether the market will return to more historical escalation rates or if it will continue to exceed expectations. These factors, as well as project risks such as extended construction schedules and scope changes, extreme shortage of qualified labor, extreme shortage of qualified construction contractors, change in contracting approach, other similar changes, and force majeure events such as abnormal weather contribute to the contingency need. These risks were accounted for in the Company's assessment. It is a standard industry practice to allocate contingency within an estimate at completion to address identified risks. The Company has allocated a reasonable contingency and will work with all parties to manage the associated risks.

Q. WHO WILL OPERATE AND MAINTAIN THE PROJECTS?

A. SWEPCO employees will perform the O&M activities at the Projects with support from AEPSC employees similar to support provided to other SWEPCO generating plants.

Q. WHAT TYPE OF O&M ACTIVITIES WILL BE PERFORMED AT THE PROJECTS?

A. The Projects will be staffed with plant operations personnel to operate and maintain the equipment. Daily O&M activities will include such things as routine inspections, equipment monitoring, preventive maintenance, minor maintenance repairs, acknowledgement and troubleshooting of equipment alarms, and resetting of relays and devices including startup and shut down when dispatched by AEPSC.

Q. WHAT ARE THE ESTIMATED ONGOING O&M AND CAPITAL COSTS FOR THE PROJECTS?

A. The ongoing O&M and capital forecast for years 1-10 are included in HSPI DIRECT EXHIBIT MJD-4 for each of the Projects.

VI. CONCLUSION

Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?

A. Yes, it does.