

BEFORE THE

LOUISIANA PUBLIC SERVICE COMMISSION

IN RE: APPLICATION OF SOUTHWESTERN
ELECTRIC POWER COMPANY FOR
(i) DEFERRAL OF CERTAIN SOUTHWEST
POWER POOL (SPP) COSTS, (ii) DEFERRAL
OF PROPERTY TAX EXPENSES ASSOCIATED
WITH THE J. LAMAR STALL POWER PLANT,
AND (iii) EXPEDITED RELIEF

DOCKET NO. U- 35821

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DEC 11 2020

LA Public Service Commission

DIRECT TESTIMONY OF

THOMAS P. BRICE

FOR

SOUTHWESTERN ELECTRIC POWER COMPANY

DECEMBER 2020

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1 I. INTRODUCTION

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

3 A. My name is Thomas P. Brice, and my position is Vice President, Regulatory and Finance
4 for Southwestern Electric Power Company (SWEPCO or Company). My business address
5 is 428 Travis Street, Shreveport, Louisiana 71101.

6 Q. PLEASE DESCRIBE YOUR EDUCATIONAL AND PROFESSIONAL EXPERIENCE.

7 A. I graduated from the University of Louisiana at Monroe (formerly Northeast Louisiana
8 University) in 1985 with a Bachelor of Business Administration in Accounting and a minor
9 in Finance. I am a certified public accountant and certified internal auditor. I am a member
10 of the American Institute of Certified Public Accountants and the Louisiana State Society
11 of Certified Public Accountants. I have more than 35 years of experience in the electric
12 and natural gas utility industries.

13 After graduation, I was employed by Reliant Energy (formerly Arkla, Inc.), which
14 at the time was a vertically integrated natural gas company, in the internal audit department.
15 Upon my departure in 1992, I was a senior auditor with primary responsibilities in contract
16 and joint venture auditing.

17 In 1992, I was employed by SWEPCO as an audit manager and soon thereafter
18 assumed the responsibilities of audit director on an interim basis in early 1993. My primary
19 responsibilities as audit manager/interim audit director included managing the day-to-day
20 operation of the department, ensuring successful completion of the annual audit plan, and
21 reporting annual audit results to SWEPCO's Board of Directors.

1 From 1994 through 2004, I worked as a senior consultant for SWEPCO in the areas
2 of planning and analysis, business ventures and regulatory services. During this period, I
3 had the opportunity to manage a diverse set of projects for the Company.

4 In 2004, I assumed the responsibilities of Director, Business Operations Support
5 wherein I was responsible for the Company's financial plans and coordination with other
6 organizations within the American Electric Power Company, Inc. (AEP) system on matters
7 directly affecting SWEPCO's financial and operational results.

8 In June 2010, I assumed the responsibilities of Director, Regulatory Services. In
9 that role, I was responsible for SWEPCO regulatory matters in Arkansas, Texas, and
10 Louisiana. In May 2017, I assumed my current responsibilities of Vice President of
11 Regulatory and Finance.

12 Q. HAVE YOU TESTIFIED ON BEHALF OF SWEPCO AS A WITNESS BEFORE THE
13 LOUISIANA PUBLIC SERVICE COMMISSION?

14 A. Yes. Recently I testified in Louisiana regarding SWEPCO's prior Formula Rate Plan (FRP)
15 in Dockets U-34200 and U-32220. I also testified in SWEPCO's prior FRP in Docket U-
16 23327, Subdocket A, and SWEPCO's prior Fuel Audit Settlement in Docket U-23327,
17 Subdocket E. I have also testified concerning SWEPCO's Stall Combined Cycle Plant and
18 Turk Ultra-super Critical Plant in Dockets U-29702 consolidated with U-27866, Subdocket
19 B, as well as SWEPCO's purchase of Valley Electric Membership Corporation (Valley)
20 approved in Docket U-31351. I also previously testified in support of SWEPCO's
21 acquisition of long-term natural gas contracts in compliance with the Commission's Gas
22 Hedging Rule in Docket U-34354, as well as in support of SWEPCO's environmental
23 retrofits at the Flint Creek and Welsh solid-fuel power plants in Docket U-34369. I also

1 previously testified in support of SWEPCO's acquisition of wind resources in Docket U-
2 32814, Docket U-34619, and most recently in U-35324 and U-35441.

3 II. PURPOSE OF TESTIMONY

4 Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

5 A. The purpose of my testimony is to support a deferral of certain costs associated with the
6 property taxes from the J. Lamar Stall combined cycle natural gas power plant (Stall)
7 located in downtown Shreveport, Louisiana, which property taxes are due in 2021. The
8 taxes were initially subject to a ten-year abatement under the Louisiana Industrial Tax
9 Exemption program, but that exemption will expire in 2021. The Application also seeks a
10 deferral of incremental transmission costs under the Southwest Power Pool (SPP) which
11 have not yet been recovered in rates, as SWEPCO's rates have not been adjusted since its
12 last FRP became effective in August 1, 2018, as further described herein. In order to
13 minimize regulatory lag as to the Stall plant property taxes and incremental SPP costs,
14 SWEPCO respectfully requests expedited treatment by the Commission in early 2021.

15 III. SWEPCO'S REQUEST TO SEEK DEFERRAL OF PROPERTY TAX EXPENSES
16 ASSOCIATED WITH THE J. LAMAR STALL POWER PLANT

17 Q. PLEASE DESCRIBE THE J. LAMAR STALL POWER PLANT.

18 A. The J. Lamar Stall power plant is a 508 MW natural gas-fueled combined cycle power
19 plant located at Arsenal Hill in downtown Shreveport, Louisiana. The certification of the
20 Stall plant was unanimously approved by the Commission in Docket Nos. U-29702 and U-
21 27866, Subdocket, B and has reliably served SWEPCO customers with affordable
22 electricity since it went into service in 2010.

23 Q. PLEASE DESCRIBE THE PROPERTY TAX STATUS OF THE PLANT.

1 A. When the Stall Plant went into service in 2010, the Company received a ten-year property
2 tax abatement under the Louisiana Industrial Tax Exemption Program, which expires at the
3 end of 2020. With the expiration of the tax abatement, the property taxes associated with
4 the plant will increase approximately \$11 million dollars annually beginning in 2021.

5 Q. DID SWEPCO CUSTOMERS BENEFIT FROM THE TAX EXEMPTION?

6 A. Yes, this property tax abatement has saved SWEPCO customers millions of dollars in the
7 last decade.

8 Q. WILL THE STATE AND COMMUNITY BENEFIT FROM PAYMENT OF THESE
9 PROPERTY TAXES?

10 A. Yes, the payment of approximately \$11 million annually in incremental property taxes on
11 the Stall plant will benefit the state and local community.

12 Q. WILL THE STALL PLANT CONTINUE TO SERVE SWEPCO CUSTOMERS?

13 A. Yes, the Stall plant will continue to provide affordable and reliable service to SWEPCO
14 customers in Louisiana, with clean burning natural gas-fired generation

15 Q. PLEASE SUMMARIZE SWEPCO'S REQUESTED DEFERRAL.

16 A. In light of these Stall plant property tax expenses, SWEPCO is respectfully requesting a
17 deferral of these costs until they can be recovered in rates in SWEPCO's rate case
18 proceeding, subject to Commission and Staff review.

19 Q. IS SWEPCO REQUESTING EXPEDITED CONSIDERATION BY THE
20 COMMISSION?

21 A. Yes, in light of SWEPCO's pending rate case which is expected to not have a change in
22 rates before 2022, SWEPCO is respectfully requesting the Commission grant the requested
23 deferral in order to avoid anticipated regulatory lag.

1 IV. REQUEST TO SEEK DEFERRAL OF INCREMENTAL SPP COSTS

2 Q. PLEASE DESCRIBE SWEPCO'S PRIOR RECOVERY OF SPP COSTS?

3 A. SWEPCO is a member of the SPP Regional Transmission Organization (RTO), which
4 provides SWEPCO with access to competitive market priced power for the benefit of
5 SWEPCO customers. The Commission previously approved SWEPCO's recovery of
6 FERC-approved SPP Open Access Transmission Tariff (OATT) costs through its last FRP,
7 with SWEPCO's 2017 TY FRP having last set rates effective in August 1, 2018.

8 Q. PLEASE DESCRIBE THE CHANGES TO THE SPP CHARGES SWEPCO HAS
9 INCURRED IN THE PAST AND ANTICIPATES IN THE FUTURE?

10 A. Over time, SWEPCO has seen an increase in the charges it incurs as part of its participation
11 in the SPP. In 2021, SWEPCO anticipates experiencing increased SPP charges, totaling
12 approximately \$11.2 million in excess of the 2017 TY FRP level of costs, which have not
13 yet been recovered in rates. The SPP charges for 2021 are expected to further increase in
14 connection with the cost of construction of transmission facilities to serve SPP members.

15 Q. HAS THE COMMISSION PREVIOUSLY AUTHORIZED SWEPCO TO DEFER
16 CERTAIN SPP COSTS?

17 A. Yes. The Commission previously authorized SWEPCO to defer for future recovery the
18 difference between the 2015 and 2017 net SPP charges in Commission Order U-34200-A,
19 dated May 18, 2017, Attachment A, para. 5(m), in order to avoid regulatory lag.

20 Q. PLEASE SUMMARIZE SWEPCO'S REQUEST TO DEFER CERTAIN SPP COSTS.

21 A. In light of these incremental SPP expenses and infrastructure investments to serve
22 SWEPCO customers, SWEPCO requests a deferral for the difference between the 2017 net

1 SPP costs currently in rates, and projected 2021 SPP charges net of revenues for SPP
2 Schedules 1, 1A, 9, 11 and 12.

3 Q. IS SWEPCO REQUESTING COST RECOVERY IN THIS PROCEEDING?

4 A. No. SWEPCO is only seeking a deferral, and will seek cost recovery in its base rate
5 proceeding currently pending in Docket No. U-35441, subject to Commission and Staff
6 review.

7 V. CONCLUSION

8 Q. PLEASE SUMMARIZE SWEPCO'S REQUEST IN THIS PROCEEDING

9 A. SWEPCO respectfully requests that the Commission approve an expedited deferral of the
10 Stall Plant property taxes and the incremental SPP charges over the 2017 TY FRP level of
11 costs, subject to Commission and Staff review in SWEPCO's pending base rate
12 proceeding.

13 Q. DOES THIS CONCLUDE YOUR TESTIMONY?

14 A. Yes.
15