

BEFORE THE
LOUISIANA PUBLIC SERVICE COMMISSION

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

DIRECT TESTIMONY OF

THOMAS P. BRICE

FOR

SOUTHWESTERN ELECTRIC POWER COMPANY

MAY 2022

TESTIMONY INDEX

<u>SECTION</u>	<u>PAGE</u>
I. INTRODUCTION	1
II. PURPOSE OF TESTIMONY	3
III. BENEFITS OF ACQUISITION	9
IV. RFP PURSUANT TO COMMISSION MBM ORDER	13
V. COST ALLOCATION OF THE ACQUISITION	14
VI. REGULATORY APPROVALS SOUGHT	15
VII. REQUESTED COMMISSION FINDINGS	29
VIII. CONCLUSION	29

GLOSSARY OF ACRONYMS

AEP	American Electric Power Company, Inc.
AEPSC	American Electric Power Service Corporation
APSC	Arkansas Public Service Commission
CT	Combustion Turbine
CPA	Capacity Purchase Agreement
ITC	Investment Tax Credit
LPSC	Louisiana Public Service Commission
MBM	Market Based Mechanism
MW	Megawatt
PPA	Power Purchase Agreement
PTC	Production Tax Credit
PUCT	Public Utilities Commission of Texas
RFP	Request for Proposal
SPP	Southwest Power Pool
SWEPCO	Southwest Electric Power Company
RECs	Renewable Energy Certificates
RTO	Regional Transmission Organization
WFA	Wind Facilities Acquisition

1 I. INTRODUCTION

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

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

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

7 A. I am responsible for SWEPCO's financial results and regulatory matters in Arkansas,
8 Louisiana, and Texas. I have responsibility for the preparation, filing, and litigation of
9 regulatory cases. Additionally, I am responsible for regulatory interactions, monitoring
10 of regulatory filings, participation in rulemakings, rate and tariff administration, and
11 ensuring compliance with regulatory requirements. I am also responsible for the
12 financial matters of the Company, which includes serving as the primary interface with
13 SWEPCO's parent company, American Electric Power Company, Inc. (AEP).

14 Q. WILL YOU BRIEFLY DESCRIBE YOUR EDUCATIONAL AND PROFESSIONAL
15 BACKGROUND?

16 A. I graduated from the University of Louisiana at Monroe (formerly Northeast Louisiana
17 University) in 1985 with a Bachelor of Business Administration in Accounting and a
18 minor in Finance. I am a certified public accountant and certified internal auditor. I
19 am a member of the American Institute of Certified Public Accountants and the
20 Louisiana State Society of Certified Public Accountants. I have 37 years of experience
21 in the electric and natural gas utility industries.

22 After graduation, I was employed by Arkla, Inc., which at the time was a
23 vertically integrated natural gas company, in the internal audit department. Upon my

1 departure in 1992, I was a senior auditor with primary responsibilities in contract and
2 joint venture auditing.

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

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

12 In 2004, I assumed the position of Director, Business Operations Support. I was
13 responsible for the Company's financial plans and coordination with other
14 organizations within the AEP system on matters directly affecting SWEPCO's
15 financial and operational results.

16 In June 2010, I assumed the responsibilities of Director, Regulatory Services.
17 In this capacity, I was responsible for the regulatory matters of SWEPCO in Texas,
18 Arkansas, and Louisiana. In May 2017, I assumed my current responsibilities of Vice
19 President of Regulatory and Finance.

20 Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE ANY REGULATORY
21 COMMISSION?

1 A. Yes. I have filed testimony before the Louisiana Public Service Commission (LPSC),
2 the Arkansas Public Service Commission (APSC), and the Public Utility Commission
3 of Texas (PUCT).
4

5 II. PURPOSE OF TESTIMONY

6 Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

7 A. My testimony supports the Company's request for authorization for the acquisition of
8 two wind generation facilities and one solar generation facility (collectively the
9 Selected Facilities), as well as the approval of the natural gas Capacity Purchase
10 Agreements (CPAs) to serve SWEPCO customers. The 200 MW Mooringsport Solar
11 facility is located in Caddo Parish, Louisiana, and along with the other Selected
12 Facilities will help SWEPCO meet its customers' needs at a reasonable cost. The
13 Mooringsport solar facility is discussed further below, along with the other Selected
14 Facilities summarized on Table 1.

Table 1: SELECTED FACILITIES OVERVIEW

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

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

1 These facilities were identified in competitive Request for Proposals (RFPs) conducted
2 in accordance with the Commission's Market Based Mechanism (MBM) Order dated
3 October 29, 2008 and in coordination with LPSC Staff and will help meet SWEPCO's
4 need for additional generation capacity.

5 Q. WHAT REGULATORY APPROVALS IS SWEPCO SEEKING FROM THE
6 COMMISSION IN THIS PROCEEDING?

7 A. In this proceeding, SWEPCO is seeking a finding that the Company complied with the
8 requirements of the LPSC's MBM Order for the acquisition of the Selected Facilities,
9 needed to serve SWEPCO customers. I also testify in support of the acquisition of the
10 Selected Facilities pursuant to the Commission's September 20, 1983 General Order
11 (1983 Order or Certification Order) governing certification of generation assets and the
12 March 18, 1994 General Order (1994 Order) governing LPSC approval of, or non-
13 opposition to, changes in ownership or control, as in the public interest and for the
14 benefit of customers. These requested regulatory authorizations and requested
15 Commission findings are discussed in Sections VI and VII of my testimony,
16 respectively.

17 Q. WHY DOES SWEPCO REQUEST AUTHORITY TO ACQUIRE THESE
18 GENERATION FACILITIES?

19 A. As discussed by SWEPCO witness A. Malcolm Smoak, SWEPCO has a capacity need
20 beginning in 2023 driven by the retirement of aging SWEPCO generation units.
21 Beginning in 2019, SWEPCO retired five gas-fired generating units placed in service

1 between 1949 and 1956.² SWEPCO considered the age and condition of the units'
2 equipment, the significant capital investment required for continued operation, and
3 their cost to generate electricity. In light of those circumstances, SWEPCO determined
4 it was in customers' best interest to retire these generating units. Also contributing to
5 SWEPCO's emerging capacity need is the 2021 retirement of the Dolet Hills lignite-
6 fired generation plant and the announced 2023 retirement of the Pirkey lignite-fired
7 generation plant. In light of this emerging capacity need, during the first quarter for
8 2021, SWEPCO internally evaluated the acquisition of new generation resources to
9 meet that need. That analysis demonstrated that the lowest cost, best customer value
10 option to meet this capacity need was wind and solar resources along with short-term
11 capacity to bridge the gap between the 2023 capacity need and the in-service date of
12 the new resources. SWEPCO witness James F. Martin further discusses this analysis
13 (the Q1 2021 analysis).

14 Q. HAS THE NEED IDENTIFIED IN THE Q1 2021 ANALYSIS FOR THESE
15 GENERATION RESOURCES BEEN RECENTLY CONFIRMED?

16 A. Yes. Acquisition of the Selected Facilities is consistent with SWEPCO's recently
17 completed Integrated Resource Plan (2021 IRP) filed with the APSC on December 15,
18 2021.³ SWEPCO's need was also addressed at the March 29, 2022 Stakeholder
19 Conference in connection with the current IRP process pending in Louisiana in Docket
20 I-36242.

² Knox Lee Unit 4, retired January 1, 2019; Knox Lee Units 2 and 3, retired May 1, 2020; Lone Star Unit 1 and Lieberman Unit 2, retired May 1, 2020

³ APSC Docket No. 07-011-U, Doc. 44-2, 2021 Integrated Resource Plan Report to the Arkansas Public Service Commission; http://www.apscservices.info/pdf/07/07-011-U_44_2.pdf.

1 Q. PLEASE DISCUSS THE 2021 IRP AND HOW IT SUPPORTS SWEPCO'S
2 ACQUISITION OF WIND AND SOLAR RESOURCES.

3 A. The IRP identifies the amount, timing, and type of supply- and demand-side resources
4 required to ensure affordable and reliable capacity and energy to customers. The IRP
5 employed modeling software to select an optimal portfolio of resources to meet
6 expected future customer needs under various market scenarios. The modeling and its
7 use in the IRP are further discussed by SWEPCO witness Patrick N. Augustine.

8 Q. DID THE IRP ANALYSIS INFORM SWEPCO'S SELECTION OF A PLAN TO
9 MEET ITS EMERGING CAPACITY NEED?

10 A. Yes. Informed by the IRP analysis, SWEPCO identified what the IRP terms as a
11 "Preferred Plan" to meet SWEPCO's capacity need.⁴ The Preferred Plan includes
12 among its supply-side resources the addition of 4,000 MW of new solar and 2,450 MW
13 of new wind by 2041. Within these longer-term totals, 550 MW of new solar is added
14 over the next five years, with the majority of new solar additions made during the 2027-
15 2033 timeframe. All of the 2,450 MW of wind was selected to be added by the end of
16 2025 while production tax credits are available to bring down the cost of those
17 resources to customers. The value of these tax credits is discussed by Company witness
18 David A. Hodgson. The Preferred Plan also proposes to add 2,160 MW of new gas
19 combustion turbine (CT) units between 2036 and 2040. This Plan also assumes short-
20 term capacity purchases are made during 2023 and 2024 as new resources are phased

⁴ *Id.*, Section 9.1, Plan Summary, p. 121 and Figure 78.

1 into the generation portfolio. The Preferred Plan maintains affordable and stable rates
2 for SWEPCO customers and is expected to maintain reliability across all seasons.

3 Q. IS THE ADDITION OF THE SELECTED FACILITIES CONSISTENT WITH THE
4 PREFERRED PLAN?

5 A. Yes. The IRP Preferred Plan is discussed further by SWEPCO witness Martin.

6 Q. HAS THE COMPANY UPDATED ITS VIEW OF ITS CAPACITY NEED SINCE
7 THE IRP WAS ISSUED?

8 A. Yes. Developments since the IRP was issued led the Company to update its forecasted
9 need for capacity, primarily during the period through 2028. This updated view of the
10 capacity need is discussed further by SWEPCO witness Martin.

11 Q. DOES SWEPCO HAVE ANY OTHER PENDING APPLICATIONS TO HELP
12 ADDRESS ITS NEED FOR CAPACITY?

13 A. Yes. On January 28, 2022 SWEPCO filed simultaneous applications in Louisiana (U-
14 36256) and Arkansas seeking approval to enter into a long-term Power Purchase
15 Agreements (PPA) to acquire 72.5 MW of solar energy at the Rocking R solar facility
16 located in Caddo Parish, Louisiana. These applications are still pending.

17 Also, on April 29, 2022, SWEPCO filed an Application for expedited approval
18 of a 2023 natural gas Capacity Purchase Agreement with Oneta for 250 MW for the
19 benefit of customers. This application is also still pending.

20 Q. WILL SWEPCO CUSTOMERS BENEFIT FROM A LOUISIANA BASED SOLAR
21 PROJECT AS PART OF THE SELECTED FACILITIES?

22 A. Yes. The Mooringsport Solar facility to be built in Caddo Parish will provide reliable
23 service to SWEPCO customers and help SWEPCO meet Southwest Power Pool (SPP)

1 capacity requirements as further discussed by Company witness Smoak. Along with
2 the other two wind farms in Texas and Oklahoma comprising the Selected Facilities,
3 this will help improve SWEPCO's fuel diversity with renewable resources. The
4 Commission has long supported fuel diversity and acquisition of the Selected Facilities
5 will help meet that goal. The construction and operation of Solar facilities in Louisiana
6 will also help bring jobs to the region and further promote economic growth.

7 Q. ARE THERE OTHER BENEFITS ASSOCIATED WITH THE SELECTED
8 FACILITIES IN ADDITION TO MEETING SWEPCO'S CAPACITY NEED?

9 A. Yes. In addition to further diversifying SWEPCO's portfolio of supply-side resources,
10 acquisition of the wind and solar facilities will also provide additional renewable
11 energy certificates (RECs) that customers may desire to acquire. SWEPCO continues
12 to see customer interest in more renewable energy to meet their sustainability and
13 renewable energy goals. Therefore, SWEPCO is seeking to acquire these facilities to
14 meet its emerging capacity need and further diversify SWEPCO's supply-side
15 resources.

16 The LPSC approved in Docket No. U-35324 a voluntary Renewables Energy
17 Credit (REC) Rider in connection with the approval of the North Central project, so
18 that customers wishing to support SWEPCO's investment in renewable energy
19 resources could do so through the REC Rider. Acquisition of the Selected Facilities
20 will enhance SWEPCO's ability to provide REC opportunities to its customers.
21 Further, following this filing, SWEPCO will request that the Commission expand and
22 provide new offerings under SWEPCO's REC tariff for customers who may have

1 renewable energy goals or wish to support the beneficial attributes derived from
2 SWEPCO's procurement of renewable energy resources for other purposes.

3 There are additional economic development benefits associated with
4 SWEPCO's acquisition of the Selected Facilities. SWEPCO witness Smoak discusses
5 these additional economic development benefits associated with the Selected Facilities.

6 Q. WHAT TOPICS ARE COVERED BY THE REMAINDER OF YOUR TESTIMONY?

7 A. The remaining sections of my testimony are as follows:

- 8 • Section III - Discusses the expected ownership benefits for SWEPCO's
9 customers associated with acquisition of the Selected Facilities and the
10 short term CPAs;
- 11 • Section IV – Provides an overview of the RFPs;
- 12 • Section V – Describes how the cost of the acquisition may be allocated
13 if regulatory approvals are not obtained from all jurisdictions;
- 14 • Section VI - Describes the regulatory approvals the Company seeks,
15 including Certification in accordance with the 1983 and 1994 General
16 Orders, and confirmation of compliance with the Commission's MBM
17 Order;
- 18 • Section VII – Describes the requested Commission findings; and
- 19 • Section VIII - Conclusion.

20

21 III. BENEFITS OF ACQUISITION

22 Q. WHY IS IT IMPORTANT TO HAVE AN APPROPRIATE BALANCE BETWEEN
23 UTILITY OWNED RESOURCES AND PPAS?

24 A. With PPAs already a significant part of the Company's generation portfolio, utility
25 ownership provides better alignment and balancing of utility and customer interests.
26 Regulated utilities have an obligation to provide a cost-effective and reliable supply of
27 electricity for their customers. The utility's obligation to serve, along with its long-

1 term approach to resource planning, supports the utility-ownership model and
2 distinguishes it from PPAs, whose underlying resource owners have no such obligation
3 to serve. Further, utility ownership puts reliability at the forefront by adopting design
4 standards (including cold weather turbine packages) that focus on a high facility
5 availability throughout the year and especially during times of grid stress. The
6 reliability enhancing attributes of the Selected Wind Facilities are further discussed by
7 SWEPCO witness Joseph G. DeRuntz.

8 Q. WHY DID SWEPCO SEEK ACQUISITION OF GENERATION RESOURCES TO
9 FULFILL ITS CAPACITY NEED?

10 A. The acquisition of the Selected Facilities will further diversify SWEPCO's generation
11 resources and offer benefits to SWEPCO and its customers, including:

- 12 • Company control and ability to react to changes in the market that are not
13 available under a PPA;
- 14 • Allowing SWEPCO, on behalf of customers, to determine the feasibility of
15 running the facilities and supporting infrastructure beyond their estimated
16 depreciable life or of repowering facilities to maximize value to customers;
- 17 • The ability to incorporate technological advancements and cost decreases in
18 technology after the in-service date, such as more efficient inverters or turbines,
19 storage co-location, and advanced winterization equipment, if economical to do
20 so, that can bring reliability and resource adequacy benefits to customers; and
- 21 • Management of credit risk and metrics associated with PPAs.

22 Q. PLEASE DISCUSS FURTHER HOW FACILITIES OWNERSHIP AND
23 OPERATION WILL PROVIDE THE OPPORTUNITY TO MAXIMIZE VALUE TO
24 CUSTOMERS.

25 A. Ownership incentivizes the utility to meet its obligation to serve in a way that ensures
26 the benefits of that generation flow to its customers. Ownership allows the Company,
27 on behalf of customers, to have control of determining the feasibility of running the

1 facilities beyond their expected useful life, or to repower the facilities. These
2 alternatives provide the Company the ability to maximize the overall value to
3 customers given the fuel-free nature of the Selected Facilities. SWEPCO's mix of
4 PPAs in addition to ownership of resources provides a good balance to provide reliable
5 and cost effective generation to SWEPCO's customers.

6 Q. PLEASE DISCUSS FURTHER HOW FACILITIES OWNERSHIP WILL PROVIDE
7 THE COMPANY THE ABILITY TO REACT TO POTENTIAL CHANGES IN THE
8 MARKET.

9 A. Market conditions and market rules pertaining to frequency regulation, ancillary
10 services, congestion charges, and other factors continually evolve over time as the
11 system shifts toward renewable generation. With direct operational control over the
12 Selected Facilities, the Company will be better positioned to respond to changes in
13 market rules than it would be with an asset owned by a third party. There will be no
14 need to seek amendments to contractual arrangements, to which a counterparty may or
15 may not be amenable, in order to conform to changing market conditions or rules, for
16 example.

17 Q. ARE THERE ADDITIONAL BENEFITS TO ACQUIRING THE SELECTED
18 FACILITIES AT THIS TIME?

19 A. Yes. As discussed by SWEPCO witnesses Amy E. Jeffries and David A. Hodgson,
20 there are significant federal tax benefits available from pursuing the Selected Facilities
21 now. These tax benefits serve to buy down the cost of energy for customers. Under
22 current law, Production Tax Credits (PTCs) are scheduled to be phased-out for wind
23 projects, and solar projects will be permanently reduced to a 10% Investment Tax

1 Credit (ITC), for projects that achieve a commercial operation date later than December
2 31, 2025.

3 Q. WAS THERE AN ADDITIONAL CONSIDERATION IN THE PREPARATION OF
4 THIS SECTION OF YOUR TESTIMONY?

5 A. Yes. As part of the settlements in SWEPCO's acquisition of the North Central Wind
6 Facilities in both Arkansas and Louisiana, the Company agreed to include in its
7 testimony a discussion of the rationale for the types of renewable generation assets
8 requested in the RFP, as well as the rationale for excluding any type of renewable
9 resource from the RFP.⁵

10 Q. PLEASE SUMMARIZE THE BENEFITS OF ACQUISITION OF THE SELECTED
11 FACILITIES.

12 A. The acquisition of the Selected Facilities will meet SWEPCO's emerging capacity
13 need. Further, the Selected Facilities will:

- 14 • Provide customer value through delivery of PTCs associated with
15 energy production at the wind facilities and ITCs associated with the
16 solar facility;
- 17 • Continue SWEPCO's strategy of diversifying its generation portfolio,
18 including both owned assets and PPAs, and mitigate fuel price
19 volatility;
- 20 • Advance customers' sustainability and renewable energy goals; and
- 21 • Assure that SWEPCO will be in operational control of those assets
22 needed to fulfill its obligation to serve at all times.

⁵ See LPSC Order U-35324 dated June 24, 2020.

1 IV. RFP PURSUANT TO COMMISSION MBM ORDER

2 Q. WAS THE IDENTIFICATION OF THE SELECTED FACILITIES THE RESULT OF
3 MARKET COMPETITIVE RFPs CONDUCTED PURSUANT TO THE
4 COMMISSION MBM ORDER?

5 A. Yes. SWEPCO issued competitive RFPs for both wind and solar generation resources
6 on June 28, 2021 in accordance with the Commission's MBM Order, and in
7 coordination with LPSC Staff and Consultants. SWEPCO requested proposals for the
8 acquisition of up to 3,000 MW of wind resources and up to 300 megawatts (MW) of
9 solar resources. To qualify for consideration, wind projects must interconnect to the
10 Southwest Power Pool (SPP) Regional Transmission Organization (RTO) and be
11 located in Arkansas, Louisiana, Texas, Oklahoma, Kansas, or Missouri. To qualify for
12 consideration, solar projects must interconnect to the SPP RTO and be located in
13 SWEPCO's service territory. SWEPCO's RFPs are further discussed by Company
14 witness Jeffries.

15 Q. PLEASE BRIEFLY DESCRIBE HOW THE RFP PROCESS WAS DEVELOPED
16 AND EXECUTED PURSUANT TO THE MBM ORDER?

17 A. Once the Company developed its draft RFPs, in accordance with the Commission's
18 MBM Order , the Company filed notice of the intent to issue the RFP to the LPSC and
19 provided drafts to the LPSC Staff and its consultant for review, in docket X-35983.
20 The final RFP was then produced with input provided by LPSC Staff. Further, on June
21 22, 2021, the Company hosted a technical conference and webinar to review the
22 proposed RFP process. LPSC Staff and potential bidders participated by telephone and
23 SWEPCO responded to questions from the attendees. SWEPCO issued its RFPs after

1 this input on June 28, 2021. SWEPCO continued to coordinate with LPSC Staff and
2 its consultant to confidentially review the proposed bid packages, while the Company
3 completed its evaluation of bids in full compliance with the Commission's MBM
4 Order. The development and execution of the RFPs is further discussed by Company
5 witness Jeffries.

6

7 V. COST ALLOCATION OF THE ACQUISITION

8 Q. IS SWEPCO PROPOSING A COST ALLOCATION ASSOCIATED WITH THE
9 PURCHASE OF THE SELECTED FACILITIES TO ALIGN WITH REGULATORY
10 APPROVALS BY STATE?

11 A. Yes. Along with this request before the Louisiana Public Service Commission,
12 SWEPCO simultaneously filed requests for approval of the requested acquisition with
13 the APSC and the PUCT. However, realizing that it is possible that not all three of the
14 regulatory commissions will grant the requested relief, SWEPCO requests cost
15 allocation that allows the proposed acquisition of the Selected Facilities to be allocated
16 to the jurisdictions or jurisdiction that approve the Company's application. SWEPCO's
17 capacity need is such that allocation of the acquisition of the Selected Facilities to less
18 than all three states, even if only one state, is warranted. Further, the timing associated
19 with any decision concerning cost allocation is important to customers in procuring the
20 federal tax credit benefits of the Selected Facilities. Therefore, the Company is
21 requesting the following additional approval from the Commission concerning cost
22 allocation if SWEPCO does not receive all requested state regulatory approvals:

1 If one of SWEPCO's other state jurisdictions does not approve
2 acquisition of the Selected Facilities, the Commission authorizes
3 SWEPCO to acquire the Selected Facilities and to allocate the
4 retail share of the costs and benefits of that acquisition to
5 Louisiana and the other approving SWEPCO jurisdiction.
6 Given the magnitude of SWEPCO's capacity need, if no other
7 state jurisdiction approves the acquisition of the Selected
8 Facilities, the Commission approves acquisition of the Selected
9 Facilities found to be in the public interest by the Commission
10 and to allocate the retail share of the costs and benefits of that
11 acquisition to Louisiana.

12 This type of proposed allocation will help SWEPCO's Louisiana customers receive
13 an appropriate allocation of benefits.

14
15 VI. REGULATORY APPROVALS SOUGHT

16 Q. PLEASE GENERALLY DESCRIBE HOW THE SELECTED FACILITIES
17 SATISFY THE REQUIREMENTS OF THE 1983 CERTIFICATION ORDER.

18 A. These proposed Selected Facilities meet or exceed the criteria set forth in the
19 Commission's General Orders dated September 20, 1983 and March 18, 1994 and are
20 in the public interest. The acquisition of these Selected Facilities, along with the natural
21 gas CPAs selected through SWEPCO's RFP process serves public convenience and
22 necessity and is in the public interest because it helps SWEPCO's meet customer's
23 needs at a reasonable cost and contributes to generation and fuel diversity for the
24 benefit of SWEPCO customers. In support of the Application, SWEPCO's supporting
25 testimony and exhibits have described and set forth the specific data utilized by
26 SWEPCO showing the need for and benefits of the Selected Facilities, compared to
27 other available alternatives as discussed by Company witnesses Martin and Augustine.
28 SWEPCO's Application and supporting testimony, including the testimony of

1 Company witness DeRuntz, also contains an itemized projection of total costs, as well
2 as the scheduled completion dates, with the Selected Facilities to be completed by
3 fourth quarter 2024 or 2025, all in compliance with the 1983 Certification Order.

4 Q. HAS SWEPCO CONSIDERED ALL THE FACTORS SET FORTH BY THE
5 MARCH 18, 1994 GENERAL ORDER TO DETERMINE WHETHER THE
6 ACQUISITION OF THE SELECTED FACILITIES BY SWEPCO SHOULD BE
7 APPROVED?

8 A. Yes. While the approval of the natural gas CPAs component of this Application does
9 not require a Commission finding under the 1994 General Order; the proposed
10 Transaction to acquire the Selected Facilities from Invenergy pursuant to the Purchase
11 and Sale Agreements (PSA) discussed by witness Jeffries meets each of these 18 factors
12 from the 1994 General Order, which are discussed below.

13 *1. Whether the transfer is in the Public Interest:*

14 Q. IS THE TRANSFER OF THE SELECTED FACILITIES TO SWEPCO IN THE
15 PUBLIC INTEREST?

16 A. Yes. The acquisition of the Selected Facilities is in the public interest of Louisiana
17 customers. The proposed Selected Facilities acquisition meets a need for generation to
18 serve SWEPCO customers at a reasonable costs as discussed above and in other
19 testimony accompanying this application, as well as maintaining reliability and a
20 diversified fuel mix. Service will be improved because the Selected Facilities are
21 needed to meet a capacity need and the SPP reserve margin requirements, as further
22 discussed by SWEPCO witnesses Smoak and Martin.

1 Additionally, the Selected Facilities will also benefit the local economy by
2 developing a Louisiana based solar resource, and are in the public interest, as discussed
3 by Company witness Smoak.

4 2. *Whether the purchaser is ready, willing and able to*
5 *continue providing safe, reliable and adequate*
6 *service to the utility's ratepayers.*

7 Q. IS SWEPCO READY, WILLING AND ABLE TO CONTINUE PROVIDING SAFE,
8 RELIABLE AND ADEQUATE SERVICE?

9 A. Yes. SWEPCO has been serving Louisiana customers for over 110 years and is
10 committed to continuing to provide safe, reliable and reasonably-priced electric service
11 to its customers. The Selected Facilities result in an even more diversified fuel mix of
12 Louisiana solar, as well as wind, natural gas and solid fuels.

13 SWEPCO has a long history and proven track record of successful and safe
14 project management and construction of large-scale complex utility projects, ranging
15 from construction of power plants to environmental retrofit upgrades. Recent examples
16 of power plant construction for SWEPCO include the construction of the J. Lamar Stall
17 Combined Cycle power plant in downtown Shreveport, Louisiana in 2010 and the John
18 W. Turk ultra-super-critical clean coal plant in Arkansas, completed in 2012.
19 SWEPCO is also experienced in acquiring wind resources for the benefits of its
20 customers, with the LPSC having unanimously approved the North Central Wind
21 Project in 2020, which has already begun delivering benefits to SWEPCO's Louisiana
22 customers. SWEPCO and its parent, AEP, will leverage this considerable experience
23 and expertise in large-scale construction projects so that the Selected Facilities can
24 proceed for the benefit of customers.

1 3. *Whether the transfer will maintain or improve the*
2 *financial condition of the resulting public utility or*
3 *common carrier.*

4 Q. WILL SWEPCO MAINTAIN OR IMPROVE ITS FINANCIAL CONDITION IF THE
5 ACQUISITION IS APPROVED?

6 A. If the Selected Facilities are approved by its regulators as requested, SWEPCO expects
7 to maintain its overall financial condition and integrity, as discussed by Company
8 witness Noah K. Hollis. SWEPCO is respectfully seeking cost recovery through a
9 Rider as discussed below, similar to the Wind Facilities Acquisition (WFA) Rider
10 approved in connection with the North Central project in 2020.

11 4. *Whether the proposed transfer will maintain or*
12 *improve the quality of service to public utility or*
13 *common carrier ratepayers.*

14 Q. PLEASE DESCRIBE HOW THE ACQUISITION WILL AFFECT THE QUALITY
15 OF SERVICE TO SWEPCO CUSTOMERS.

16 A. SWEPCO will continue to provide safe and reliable service as discussed above. There
17 are no fuel costs for the Selected Facilities and the acquisition will help SWEPCO meet
18 the needs of its customers and provide reliable sources of energy so as to maintain and
19 ensure the quality of service.

1 5. *Whether the transfer will provide net benefits to*
2 *ratepayers in both the short term and the long term*
3 *and provide a ratemaking method that will ensure, to*
4 *the fullest extent possible, that the ratepayers will*
5 *receive the forecasted short and long term benefits.*

6 Q. WILL THE ACQUISITION OF THE SELECTED FACILITIES PROVIDE
7 BENEFITS TO SWEPCO CUSTOMERS IN BOTH THE SHORT TERM AND
8 LONG TERM?

9 A. Yes. The Selected Facilities are beneficial to customers in both the short term and long
10 term. By acting quickly to capture the PTC and ITC benefits, further discussed by
11 Company witness Hodgson, the Company will secure the advantages of a lower-cost
12 resource for the benefit of Louisiana customers, compared to alternatives. The IRP,
13 RFP, and Confirmation Analysis discussed by SWEPCO witnesses Martin and
14 Augustine demonstrate that the Selected Facilities are expected to provide lower costs
15 to customers compared to other options for meeting that capacity need.

16 Furthermore, in the long term, by owning the Selected Facilities, SWEPCO will
17 continue to provide the benefits to customers for years to come, while also improving
18 fuel diversity with a clean energy resource. The acquisition of the Selected Facilities
19 also allows SWEPCO to determine the possibility of continuing to operate the facilities
20 beyond their expected life for the benefit of customers.

21 SWEPCO has evaluated both the short-term and long-term benefits of the
22 Selected Facilities. The life of the facilities may be extended with a repowering of the
23 facilities, such that additional customer benefits would accrue.

24 SWEPCO's ownership and proposed rate treatments will provide for Louisiana
25 customers to receive the benefits of the Selected Facilities in both the short term and

1 long term. The prudent costs of the acquisition will be recovered through SWEPCO's
2 proposed rider as discussed above, which will be subject to Commission review and
3 approval.

4 6. *Whether the transfer will adversely affect*
5 *competition.*

6 Q. WILL THE SALE OF THE SELECTED FACILITIES TO SWEPCO ADVERSELY
7 AFFECT COMPETITION IN LOUISIANA?

8 A. No. The transaction to acquire the Selected Facilities will not adversely affect
9 competition. Invenergy LLC is not an affiliate of SWEPCO, AEP or AEPSC.
10 SWEPCO also conducted an RFP to test the market and coordinate with Commission
11 Staff in review of the bids. SWEPCO currently serves approximately 240,000
12 customers in Louisiana and this transaction will not change the number of Louisiana
13 customers receiving service from SWEPCO. The LPSC will retain its jurisdiction over
14 service in the service territories of SWEPCO in Louisiana, thus assuring that
15 post-transaction rates will be just, reasonable and non-discriminatory.

16 7. *Whether the transfer will maintain or improve the*
17 *quality of management of the resulting public utility*
18 *or common carrier doing business in the State.*

19 Q. WHAT IMPACT WILL THIS TRANSACTION HAVE ON THE QUALITY OF
20 MANAGEMENT OF SWEPCO?

21 A. SWEPCO will continue its long tradition of high-quality management and service to
22 customers after this acquisition. The developer of the Selected Facilities, Invenergy
23 has extensive experience in the operation and maintenance of wind farms and solar

1 facilities, and has a successful track record as most recently shown by the North Central
2 project which has already begun providing benefits to SWEPCO customers.

3 8. *Whether the transfer will be fair and reasonable to*
4 *the affected public utility or common carrier*
5 *employees.*

6 Q. HOW WILL THE ACQUISITION AFFECT THE EMPLOYEES OF THE
7 SELECTED FACILITIES?

8 A. SWEPCO will acquire 100% of the equity interests of each of the project holding
9 companies that own the rights and assets associated with each of the Selected Facilities,
10 so as to acquire the subject Selected Facilities in accordance with the PSAs discussed
11 herein, and further discussed by Company witness Jeffries. The Selected Facilities will
12 not adversely affect public utility employees. The acquisition of the Selected Facilities,
13 in accordance with the PSAs, is fair, reasonable and in the public interest.

14 9. *Whether the transfer will be fair and reasonable to*
15 *the majority of all affected shareholders.*

16 Q. WILL THE ACQUISITION OF THE ASSETS BE FAIR AND REASONABLE TO
17 AEP/SWEPCO SHAREHOLDERS?

18 A. Yes. The transaction to acquire the Selected Facilities is also fair and reasonable to
19 SWEPCO shareholders. If the Certification and approval is granted, including the
20 requested rate treatments, SWEPCO will be able to recover its reasonable costs and a
21 reasonable return on its investment in accordance with Louisiana law and Commission
22 practice while benefiting customers. From SWEPCO's perspective, the transaction
23 achieves an appropriate and fair balance between customers' and shareholders'
24 economic interests without adversely affecting credit metrics.

1 10. *Whether the transfer will be beneficial on an overall*
2 *basis to State and local economies and to the*
3 *communities in the area served by the public utility*
4 *or common carrier.*

5 Q. WILL THE TRANSFER BE BENEFICIAL ON AN OVERALL BASIS TO STATE
6 AND LOCAL ECONOMIES AND TO THE COMMUNITIES IN THE AREA
7 CURRENTLY SERVED BY SWEPCO?

8 A. Yes. The transaction will be beneficial on an overall basis to the State, local economies
9 and communities served by SWEPCO, as this will help bring a Louisiana solar
10 generation resource to serve SWEPCO customers. Additionally, acquiring the Selected
11 Facilities will enable SWEPCO to meet increasing load and service demands, while
12 creating construction and permanent jobs in the state of Louisiana.

13 11. *Whether the transfer will preserve the jurisdiction*
14 *of the Commission and the ability of the*
15 *Commission to effectively regulate and audit*
16 *operations in the State.*

17 Q. WILL THE ACQUISITION OF THE SELECTED FACILITIES BY SWEPCO
18 PRESERVE THE JURISDICTION OF THIS COMMISSION TO REGULATE AND
19 AUDIT OPERATIONS?

20 A. Yes. The Commission will continue to exercise jurisdiction over rates charged and
21 service provided by SWEPCO, as an electric public utility that serves customers in
22 Louisiana. That will not change with this transaction to acquire the Selected Facilities.

1 12. *Whether conditions are necessary to prevent*
2 *adverse consequences which may result from the*
3 *transfer.*

4 Q. DOES THIS COMMISSION NEED TO PLACE ANY CONDITIONS ON THE SALE
5 OF THE SELECTED FACILITIES TO SWEPCO?

6 A. No. For the reasons discussed above, the transaction to acquire the Selected Facilities
7 will not result in adverse consequences to SWEPCO or its customers. There is no need
8 for the Commission to impose any conditions on its approval of, or non-opposition to,
9 the transaction. As stated above and in the testimony, SWEPCO seeks certain
10 ratemaking approvals and the recovery of costs associated with the transaction, which
11 are discussed herein. As discussed previously, the Commission retains jurisdiction to
12 ensure proper regulatory and ratemaking treatment in the future without any additional
13 conditions.

14 13. *The history of compliance or noncompliance the*
15 *proposed acquiring entity or principals or affiliates*
16 *have had with regulatory authorities in this State or*
17 *other jurisdictions.*

18 Q. WHAT IS SWEPCO'S HISTORY OF COMPLIANCE WITH REGULATORY
19 AUTHORITIES?

20 A. SWEPCO has a long history of cooperation with the Commission and other regulators
21 during acquisitions. The most recent evidence of SWEPCO's compliance with
22 regulatory authorities and the 1994 Order has been shown following the approval of
23 the North Central project in 2020. It is SWEPCO's continuing practice to comply with
24 the applicable regulatory rules and regulations. SWEPCO will continue its

1 commitment to compliance and cooperation with this Commission and other regulatory
2 authorities in Louisiana and the other jurisdictions in which it serves.

3 14. *Whether the acquiring entity, persons or*
4 *corporations have the financial ability to operate*
5 *the public utility or common carrier system and*
6 *maintain or upgrade the quality of the physical*
7 *system.*

8 Q. WILL SWEPCO HAVE THE FINANCIAL ABILITY TO OPERATE, MAINTAIN
9 AND UPGRADE THE SELECTED FACILITIES?

10 A. Yes, SWEPCO has the financial ability to operate and maintain, and if necessary,
11 upgrade, the quality of the Selected Facilities as described above and set forth in the
12 PSAs, and subject to regulatory approval. SWEPCO has considerable experience in
13 securing other renewable assets for the benefit of customers, including the North
14 Central project unanimously approved by the Commission in 2020. Given SWEPCO's
15 considerable experience with wind assets and because SWEPCO, and its parent AEP,
16 are companies with a proven track record of success and ability to access capital
17 markets, the Company will be able to meet future needs.

18 15. *Whether any repairs and/or improvements are*
19 *required and the ability of the acquiring entity to*
20 *make those repairs and/or improvements.*

21 Q. WHAT DUE DILIGENCE DID THE COMPANY COMPLETE ON THE SELECTED
22 FACILITIES?

23 A. As an experienced and reliable electric service provider, SWEPCO performed
24 extensive due diligence on the Selected Facilities and is capable of making any
25 necessary repairs and/or improvements effectively and efficiently. As further described
26 by Company witnesses Jeffries and DeRuntz, AEPSC completed thorough due

1 diligence on the Selected Facilities prior to the execution of the PSAs. Included in
2 SWEPCO's due diligence was a review of the technology, site layout, permitting,
3 environmental, and wildlife impacts and site visits. SWEPCO has a long history and
4 proven track record of successful and safe project management in connection with
5 construction of large-scale complex utility projects, as well as a long tradition of safe
6 and efficient operation of generation units to provide a low-cost and reliable supply of
7 electricity to serve its customers. The Company carefully reviewed the Selected
8 Facilities and the results of its due diligence support SWEPCO's decision to purchase
9 the Selected Facilities for the benefit of customers.

10 16. *The ability of the acquiring entity to obtain all*
11 *necessary health, safety and other permits.*

12 Q. DOES SWEPCO HAVE THE ABILITY TO ACQUIRE ANY NECESSARY
13 HEALTH, SAFETY AND OTHER PERMITS IN CONNECTION WITH THE
14 ACQUISITION?

15 A. Yes. SWEPCO and Invenergy are experienced in obtaining the necessary health, safety
16 and other permits for many similar projects including various generation and
17 transmission facilities. SWEPCO, as an electric public utility serving Louisiana
18 customers for over 110 years, has the knowledge, experience and resources to ensure
19 that Invenergy evaluates and obtains the necessary permits. Invenergy, the developer
20 of the projects, has a proven track record as shown recently by the completion of the
21 North Central project and is an experienced and capable builder of wind and solar
22 projects throughout North America and Europe, as discussed by Company witness
23 Jeffries.

1 17. *Whether the manner of financing the transfer will*
2 *have any impact on encumbering the assets of the*
3 *entity and the potential impact on rates.*

4 Q. HOW WILL SWEPCO FINANCE THE PURCHASE OF THE SELECTED
5 FACILITIES?

6 A. SWEPCO will not carry the financing burden of the Selected Facilities during
7 construction; rather SWEPCO will make payment at Closing, as further discussed by
8 Company witness Jeffries. As further discussed by Company witness Hollis,
9 SWEPCO's method of financing will not encumber any of the assets of SWEPCO or
10 adversely affect the rates of its customers.

11 18. *Whether there are any conditions which should be*
12 *attached to the acquisition.*

13 Q. ARE THERE ANY CONDITIONS THAT SHOULD BE ATTACHED TO THE
14 PROPOSED ACQUISITION?

15 A. No. For all of the reasons discussed above, it is not necessary for the Commission to
16 attach any other conditions to the transaction, except for the necessary regulatory
17 approvals. From an operational perspective, the Selected Facilities will allow
18 SWEPCO to meet its emerging capacity need and continue reliable service to
19 customers. Although acquisition of the Selected Facilities would be a significant
20 investment for SWEPCO, the proposed rate treatment discussed later in my testimony
21 will mitigate any negative impact on the Company's financial standing from those
22 investments. In addition, as detailed by Company witness Hollis, the acquisition of the
23 Selected Facilities will be supportive of the Company's existing Moody's Baa2 credit

1 rating, assuming timely recovery of the investment through rates. Thus, the effect of
2 granting the application would be positive for the Company and for its customers.

3 Q. WHY IS SWEPCO'S ACQUISITION OF SELECTED FACILITIES AND
4 APPROVAL OF THE NATURAL GAS CPAS IN THE PUBLIC INTEREST?

5 A. As discussed above, SWEPCO's emerging capacity need requires SWEPCO to add
6 generation resources to continue providing reliable service and to meet its reserve
7 margin requirements, as discussed by SWEPCO witness Smoak. Further, the
8 generation facilities to be acquired were identified as a result of a market-based
9 competitive solicitation pursuant to the Commission's MBM Order designed to acquire
10 the resources at the lowest reasonable cost, as discussed by SWEPCO witness Jeffries.
11 Also, as discussed by SWEPCO witness Smoak, the Selected Facilities, with no fuel
12 costs, will make an important contribution to the diversity of SWEPCO's generation
13 portfolio. Additionally, the analysis confirmed that the short-term natural gas CPAs
14 were the best value option to help bridge the gap between the 2023 capacity need and
15 the in-service date of the new resources, as further discussed by Company witness
16 Martin.

17 Q. IS SWEPCO PAYING A REASONABLE VALUE FOR THE SELECTED
18 FACILITIES AND CPAS?

19 A. Yes. After conducting RFPs to select competitive proposals, the Company has
20 diligently negotiated with the developers of the Selected Facilities to arrive at terms for
21 the respective purchase agreements that provide reasonable pricing, performance
22 assurance, and risk mitigation to protect SWEPCO customers. The RFP also confirmed

1 that the natural gas CPAs are also reasonably priced relative to the market, as further
2 discussed by witnesses Jeffries and Martin.

3 Q. WHAT IS SWEPCO'S PROPOSAL FOR COST RECOVERY ASSOCIATED WITH
4 THE PROPOSED ACQUISITION OF THE SELECTED WIND FACILITIES AND
5 SHORT TERM NATURAL GAS AGREEMENTS?

6 A. SWEPCO anticipates using a Rider similar to the WFA Rider approved by the
7 Commission in connection with the North Central project. The proposed Rider allows
8 for the recovery of generation investment effective on the date the power generation
9 facility begins providing service to customers, subject to reconciliation in the utility's
10 next comprehensive base rate case. Consistent with this rule, SWEPCO intends to
11 begin recovery of its investment in the Selected Facilities at the time those facilities
12 begin providing service to customers. SWEPCO witness John O. Aaron also discusses
13 SWEPCO's cost recovery plan.

14 For the short term natural gas CPAs, SWEPCO is requesting to recover the
15 costs, including capacity charges, through its Fuel Adjustment Clause as soon as it
16 begins taking service under the CPA, until its next base rate case or Formula Rate Plan.
17 At that time, SWEPCO would seek for the capacity charges to be recovered through
18 base rates, consistent with prior Commission methodology.

1 VII. REQUESTED COMMISSION FINDINGS

2 Q. PLEASE DISCUSS THE SPECIFIC RELIEF SWEPCO IS SEEKING IN ORDER TO
3 MEET SWEPCO'S CAPACITY NEED WITH THE SELECTED FACILITIES.

4 A. SWEPCO requests that the Commission:

- 5 • Find that SWEPCO's purchase of the Selected Facilities is necessary
6 and in the public interest under the 1983 and 1994 General Orders;
- 7 • Find that SWEPCO fully complied with the MBM Order in conducting
8 its RFP; and
- 9 • Approve SWEPCO's requested ratemaking treatments

10
11 VIII. CONCLUSION

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

14 A. SWEPCO's emerging capacity need requires SWEPCO to add generation resources to
15 continue providing reliable service and to meet its reserve margin requirements. The
16 generation facilities to be acquired were selected as a result of a market-based
17 competitive solicitation in accordance with the MBM Order designed to acquire the
18 needed resources at the lowest reasonable cost. Further, the Selected Facilities, with
19 no fuel costs, will make an important contribution to the diversity of SWEPCO's
20 generation portfolio. Approval will also provide customers with additional options to
21 meet renewable needs for economic development and jobs. SWEPCO is respectfully
22 requesting that the Commission issue an order approving SWEPCO's application by
23 May 31, 2023. Thus, pursuant to the provisions of the 1983 Certification Order and
24 the 1994 General Order, and in compliance with the MBM Order, SWEPCO

1 respectfully requests approval of the transaction to acquire the Selected Facilities, as
2 well as the natural gas CPAs, and that the Commission issue a Certification Order
3 authorizing SWEPCO's cost recovery and rate treatments as requested and confirming
4 that the acquisition of the Selected Facilities is prudent and in the public interest.

5 Q. DOES THIS CONCLUDE YOUR TESTIMONY?

6 A. Yes, it does.