

BEFORE THE
LOUISIANA PUBLIC SERVICE COMMISSION

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

REDACTED DIRECT TESTIMONY OF

JAY F. GODFREY

FOR

SOUTHWESTERN ELECTRIC POWER COMPANY

DECEMBER 2024

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<u>EXHIBIT</u>	<u>DESCRIPTION</u>
Exhibit JFG-1	Purchase and Sale Agreement (PSA) RFP
Exhibit JFG-2	Power Purchase Agreement (PPA) RFP
Exhibit JFG-3	Capacity Purchase Agreement (CPA) RFP
Confidential Exhibit JFG-4	RFP Procedures Manual with Code of Conduct
HSPI Exhibit JFG-5	RFP Score Results
Confidential Exhibit JFG-6	Independent Monitor Service Agreement
Exhibit JFG-7	Louisiana Public Service Commission (LPSC) 2008 Market Based Mechanisms (MBM) Order
Exhibit JFG-8	Notice of Intent to Issue RFP

1 I. INTRODUCTION

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

3 A. My name is Jay F. Godfrey, and I am employed by American Electric Power Service
4 Corporation (AEPSC), a wholly-owned subsidiary of American Electric Power
5 Company, Inc. (AEP), as Vice President – New Generation Resource Development.
6 AEP is the parent company of Southwestern Electric Power Company (SWEPCO or
7 the Company). AEPSC supplies engineering, financing, accounting, regulatory, and
8 similar planning and advisory services to AEP's regulated electric operating
9 companies, including SWEPCO. My business address is 1 Riverside Plaza, Columbus,
10 Ohio 43215.

11 Q. WOULD YOU BRIEFLY DESCRIBE YOUR EDUCATIONAL AND
12 PROFESSIONAL BACKGROUND?

13 A. I earned a Bachelor of Science degree in Business Administration, with a Major in
14 Finance and a Minor in Economics, from California State University – Chico in 1985
15 and a Masters in Business Administration (MBA) from National University in 1990.
16 In 2006, I completed the AEP Strategic Leadership Program at The Ohio State
17 University Fisher School of Business.

18 I joined AEPSC in 2002. During my time at AEPSC, I have been involved in
19 management of AEP's wholesale marketing agreements, renewable project asset
20 management, renewable project financing, development efforts for potential greenfield
21 renewable energy projects, and the procurement and management of AEP's renewable
22 energy (wind, hydro, and solar) PPAs and CPAs (natural gas and wind resources).

1 My experience includes the negotiation of wind and solar energy PPAs, CPAs
2 from natural gas resources, asset purchase and sales agreements, operations and
3 maintenance agreements, real estate agreements related to wind and solar projects,
4 wind turbine purchase agreements, and project loan documents. I also possess
5 experience evaluating the impact of various financial parameters on project investment
6 returns.

7 I have over twenty-nine years of commercial and financial management
8 experience in the energy industry. Prior to joining AEP in 2002, I worked for seven
9 years (1995-2002) in various project finance and development roles in the United States
10 and Europe for Enron Wind Corporation, which has since been acquired by General
11 Electric and now operates as part of GE Vernova. I have also served as the Financial
12 Controller for two publicly held companies in non-energy related fields.

13 Q. WHAT ARE YOUR CURRENT RESPONSIBILITIES AS VICE PRESIDENT –
14 NEW GENERATION RESOURCE DEVELOPMENT?

15 A. As Vice President – New Generation Resource Development, I direct a team that (1)
16 structures and issues requests for proposals (RFPs) for generation resources; (2)
17 reviews and evaluates proposals received in response; (3) negotiates and finalizes the
18 agreements with the successful Bidder(s); and (4) provides ongoing commercial
19 support as the Company pursues regulatory approvals and moves forward to
20 construction and eventual completion of the generation resources.

1 Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE ANY REGULATORY
2 COMMISSIONS?

3 A. Yes. I have submitted testimony or testified in Louisiana, Texas, Arkansas, Indiana,
4 Kentucky, Michigan, Ohio, Oklahoma, and Virginia on behalf of AEP affiliates.

5 Q. DO YOU SPONSOR ANY EXHIBITS?

6 A. Yes. I sponsor the exhibits listed in the Table of Exhibits above.

7 II. PURPOSE OF TESTIMONY

8 Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

9 A. The purpose of my direct testimony is to:

- 10 1) Describe and support the Company's 2024 RFPs (see Exhibit JFG-1, JFG-2, and
11 JFG-3) for up to 2,100 megawatts (MW) total of Southwest Power Pool (SPP)
12 Accredited Capacity from Solar, Wind, Storage, Natural Gas Energy, and
13 Capacity Resources conducted in accordance with the LPSC's Market Based
14 Mechanism Order and 1983 Order as further discussed by Company witness
15 Melissa A. Gage. This competitive bidding process was conducted in full
16 compliance with the LPSC's Market Based Mechanism (MBM) General Order,
17 and while coordinating with LPSC Staff Counsel and Consultants, as well as the
18 Independent Monitor, as further discussed by Company witness Gage;
- 19 2) Explain how the Capacity RFP stressed the importance of executing short-term
20 agreements that could begin as early as 2025, while the Purchase Sale Agreement
21 (PSA) and PPA RFPs focused on resources that could achieve commercial

operation by 2027 and 2028. See Table 1 below for additional details about the three RFPs;

- 3) Support the selection of the Welsh Natural Gas Conversion Project (Welsh Conversion) and the Hallsville Natural Gas Plant (Hallsville Plant) (collectively, the Projects or natural gas Projects), and provide an overview of those projects; and
- 4) Provide an overview of the executed CPA for planning years 2025-2029 that was the result of the Company's CPA RFP and filed for approvals previously on October 11, 2024, in Louisiana (Docket # U-37407 and Arkansas (Docket # 24-044-U).

TABLE 1: RFP Overview

RFP	Details
PSA	Wind, Solar, Battery Energy Storage Systems (BESS) and Natural Gas RFP via one or more PSAs for SPP resources capable of achieving an expected commercial operation date by 12/2027 or 12/2028. In addition, the Company solicited Proposals for completion of BESS project at SWEPCO's Harry D. Mattison power plant site. <i>See next Q&A regarding SWEPCO Self-Build Proposals.</i>
PPA	Wind, Solar, BESS, and Natural Gas RFP seeking energy, SPP capacity, environmental attributes (including RECs), and ancillary services via one or more PPAs for facilities capable of achieving an expected commercial operation date by 12/2027 or 12/2028.
CPA	Capacity RFP seeking short-term SPP accredited deliverable capacity via one or more CPAs from facilities that are eligible for Capacity Planning Years 2025 – 2029. The Capacity Planning year starts on June 1 of the Planning Year and end on May 31 of the following year. As an example, For Planning Year 2025 the period includes June 1, 2025 through May 31, 2026.

1 Q. WAS THE PSA RFP OPEN TO SWEPCO SELF-BUILD PROPOSALS?

2 A. Yes, the PSA RFP was also open to Self-Build Proposals, which AEPSC (on behalf of
3 the Company) submitted two Self-Build Proposals into the RFP. The Self-Build
4 Proposals were developed by the Project Team (defined below) who are independent
5 from the RFP Team (defined below). Self-Build Proposals were submitted to the RFP
6 Team one day prior to the PSA, PPA, and CPA Proposal Due Date, and used as a basis
7 for the Proposal, the information required in the PSA Proposal Content Section (RFP
8 Section 6) and all applicable appendices.

9 Project Team: Project Team members are individuals who are members of any group
10 within AEPSC and its affiliates who may prepare and submit a proposal on SWEPCO's
11 behalf into this RFP.

12 RFP Team: The RFP Team provides management for the RFP process, which includes
13 a review of the RFP's Detailed Analysis steps. The RFP Team is also responsible for
14 interfacing with Bidders, the regulatory commissions in Arkansas, Louisiana, and
15 Texas (Commissions) and their associated staffs (Commission Staffs) or agents, and
16 the IM (Merrimack Energy Group, Inc.). The RFP Team consists of the SWEPCO
17 Liaison, the RFP Manager, Economic Evaluation Team (AEPSC Integrated Resource
18 Planning Group), and other support RFP Team member(s).

19 Q. WAS AN INDEPENDENT MONITOR USED TO REVIEW AND TRACK THE
20 COMPANY'S CONDUCT DURING THE RFPs?

21 A. Yes, as Company witness Gage notes in her testimony, the Company officially retained
22 Merrimack Energy Group, Inc. on November 11, 2023 to act as the Independent
23 Monitor (IM) overseeing the RFP process in order to 1) comply with the requirements

1 set forth in General Order R-26172, Subdocket C, the MBM Order dated October 29,
2 2008; and 2) ascertain that no undue preference was given to the Company's Self-Build
3 Proposals.

4 Q. DID THE COMPANY ESTABLISH A CODE OF CONDUCT TO ENSURE
5 SEPARATION BETWEEN THE RFP TEAM AND THE PROJECT TEAM
6 PROVIDING THE SELF-BUILD PROPOSALS?

7 A. Yes, the Company developed and implemented a detailed RFP Procedures Manual
8 (Exhibit JFG-4) that included a code of conduct criteria which was acknowledged by
9 each of the members of the RFP Team and the Project Team providing the self-build
10 proposals.

11 Q. PLEASE SUMMARIZE YOUR TESTIMONY AND CONCLUSIONS.

12 A. To meet the Company's future capacity needs, as discussed by Company witnesses
13 Gage and James F. Martin, SWEPCO used a robust, multi-step process to issue and
14 evaluate three competitive RFPs. This process resulted in the selection of the:
15 1) The Projects included in this application for certification of resources, and
16 2) One Capacity Purchase Agreement that is included in a separate application filing
17 in Louisiana in Docket No. U-37407 and Arkansas in Docket No. 24-044-U.

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Table 2: 2024 RFP Resource Selection Summary

Project (Owner)	Technology	Size	State	Date*
The Projects (SWEPCO)	Welsh 1& 3 - Coal to Natural Gas Conversion	1,053 MW	TX	U1: 11/2027 U3: 05/2028
	Pirkey 3&4 - Natural Gas Combustion Turbine	450 MW	TX	U3: 12/2027 U4: 12/2027
Gateway CPA**	Natural Gas Combined Cycle (Capacity Only)	150 MW 300 MW	TX TX	2025–2026 2027-2029
<p>*: The Dates shown for Welsh and the Hallsville projects reflect the projected in-service dates for these projects. The Dates shown for the Capacity Purchase Agreements (CPA) reflect the SPP Capacity Planning years (June 1 to May 31st of the following year).</p> <p>** : The CPA product shown is the result of the Capacity RFP and is for the delivery of a capacity only (no energy) product from two Gateway units to SWEPCO for the SPP Capacity Planning periods shown in the Date column. The CPA is for a generation resource currently in operation. Originally there were to be two CPAs with the distinction being differing MW size and terms. These two CPAs were combined into one CPA. The Capacity Agreement was filed in a separate application in Louisiana (Docket No. U-37407) and Arkansas (Docket No. 24-044-U).</p>				

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3 Q. DESCRIBE THE COMPANY’S HALLSVILLE AND WELSH SELF-BUILD
4 OPPORTUNITIES.

5 A. Hallsville Natural Gas Project: The Hallsville Plant is the proposed installation of a
6 total of 450 MW (nominal) of simple cycle natural gas technology to be located in
7 Hallsville, Texas. The Hallsville Plant will consist of two new units (Hallsville Units
8 1 and 2), which will consist of two (2) General Electric combustion gas turbine

1 generators and associated balance of plant equipment. The Hallsville Plant will take
2 advantage of existing land, interconnection facilities, and associated injection rights
3 into SPP available at the site of the retired Pirkey Power Plant. A complete description
4 of the Hallsville Plant and associated schedule is included in Company witness Michael
5 J. Dilley's testimony.

6 Welsh Project: The Welsh Project is the conversion of the Company's existing Welsh
7 Unit 1 (525 MW) and Unit 3 (528 MW) coal fired boiler units to natural gas, while
8 continuing to use the remaining of the balance of plant equipment including steam
9 turbine generator, main power transformers, and interconnection facilities. The Welsh
10 facility is located in Titus County, Texas. A complete description of the Welsh
11 Conversion and associated schedule is included in Company witness Dilley's
12 testimony.

13 Q. PLEASE DESCRIBE THE COMPANY'S EXPERIENCE WITH OPPORTUNITIES
14 SUCH AS THE PROJECTS.

15 A. The Company's experience in Self-Build opportunities includes expertise in the
16 development, engineering, procurement of equipment, management of construction,
17 commissioning, and subsequent operation of energy resources as further discussed in
18 the Company witness Dilley's testimony. AEP also successfully converted the Big
19 Sandy and Clinch River coal fired generation resources to gas fired generation
20 resources, projects which had similar scopes of work as that planned for Welsh. Both
21 converted units have been operating since 2016.

1 III. RFP PREPARATION ACTIVITIES

2 Q. WHY DID SWEPCO ISSUE THE 2024 SWEPCO RFPs?

3 A. As discussed by SWEPCO witnesses Gage and Martin, SWEPCO has a capacity need
4 (identified through the IRP process) beginning in 2025. SWEPCO evaluated the
5 acquisition of new generation resources to meet that need and determined that adding
6 generation resources supplemented by short-term capacity purchase agreements to
7 bridge the gap until the in-service date of the new generation resources was the best
8 customer value as discussed in more detail by SWEPCO witness James Martin. The
9 RFPs, which I describe in my testimony, support the procurement of these resources.

10 Q. PURSUANT TO APPLICABLE REGULATORY REQUIREMENTS, WHAT STEPS
11 DID THE COMPANY TAKE PRIOR TO THE ISSUANCE OF THE FINAL RFPs
12 ON JANUARY 31, 2024?

13 A. The LPSC MBM Order requires the Company to follow these steps prior to the issuance
14 of any RFP:

- 15 1. File notice of intent to issue the RFP;
- 16 2. File informational filing with draft RFP;
- 17 3. Coordinate with LPSC Staff and the IM;
- 18 4. Submit an informational filing with a draft RFP;
- 19 5. Hold a Bidders Technical Conference; and
- 20 6. Issue the final RFP.

21 SWEPCO witness Gage further discusses compliance with the MBM Order
22 requirements, and I explain certain of these steps further below.

- 23 1. Notice of Intent: The Company filed a Notice to the LPSC, through Staff, of its
24 intent to conduct a RFP on September 29, 2023.

- 1 2. Independent Monitor Retained: Following notification and discussion with the
2 LPSC Staff, the Company officially retained Merrimack Energy Group, Inc. on
3 November 10, 2023, to act as the IM overseeing the RFP process in order to
4 ascertain that no undue preference was given to the Company's Self-Build projects
5 and ensure the competitive bidding process is undertaken in a fair and unbiased
6 manner. The scope of the IM's responsibilities is discussed further below.
- 7 3. Consultation with LPSC Staff: The Company consulted with LPSC Staff during
8 the RFP process pursuant to the MBM Order.
- 9 4. Draft RFPs and Informational Filing: The Company drafted and subsequently filed
10 the draft RFPs with the LPSC on November 29, 2023, in LPSC Docket No. X-
11 37003, simultaneously making the materials available to the public, including
12 potential Bidders, for review and comment on its website.¹ The Company's
13 Informational Filing, with draft RFPs and extensive appendices was submitted
14 pursuant to the MBM Order. In addition to the draft RFPs, the Informational Filing
15 also included: a summary of the type of resources needed, a draft term sheet, a
16 proposed schedule, a draft confidentiality agreement, descriptions of the methods
17 and criteria for evaluations, a description of preferences regarding transmission
18 arrangements, and other supporting documentation.
- 19 5. Bidders' Technical Conference: The Company coordinated with LPSC Staff to
20 schedule a bidders technical conference held on January 18, 2024, and filed notice
21 of the technical conference with the Commission. The Company then held a

¹ www.swepco.com/rfp

1 webinar and technical conference for potential bidders and interested parties on
2 January 18, 2024, hosted by Charles River Associates, which was attended by
3 LPSC Staff, Staff's Consultant, and the IM. During the webinar and
4 teleconference, the Company discussed the background associated with the
5 Company and the RFPs, the details required for bid submissions, the RFP
6 evaluation process, and the timeline associated with the RFP process. The Company
7 also explained how questions could be submitted to the Company, and that answers
8 regarding these questions would be posted to the Company's RFP website.

- 9 6. Final RFPs: The Final RFPs were issued on January 31, 2024. The Company issued
10 its Final RFPs by posting each RFP to its website, issuing a news release to various
11 publications, and notifying prospective Bidders via email.

12 IV. THE RFP PROCESS

13 Q. PLEASE PROVIDE AN OVERVIEW OF THE 2024 SWEPCO RFPs THAT WERE
14 ISSUED.

15 A. The Company issued three separate competitive RFPs (EXHIBITS JFG-1, JFG-2, and
16 JFG-3) on January 31, 2024 with proposals due on April 3, 2024. The RFPs resulted
17 in:

- 18 1) The Projects that are the subject of this proceeding; and
19 2) One short-term CPA for which SWEPCO separately filed for approval on
20 October 11, 2024, in Louisiana (Docket No. U-37407) and Arkansas (Docket
21 No. 24-044-U), as such approval is not required in Texas.

1 Q. PLEASE SUMMARIZE THE IM'S INVOLVEMENT AND CONTRIBUTION TO
2 THE RFP PROCESS.

3 A. The IM's responsibilities and activities are spelled out in the IM Service Agreement
4 (Confidential Exhibit JFG-6) and the LPSC 2008 MBM Order (Exhibit JFG-7). The
5 IM's overriding responsibility was to ensure the competitive bidding process was
6 undertaken in a fair and unbiased manner. Among the IM's specific responsibilities
7 and activities, as described in the RFP, were the following:

- 8 1. Review SWEPCO's IRP for details regarding the Company's resource needs
9 and to understand and evaluate the methods SWEPCO would use to evaluate
10 RFP bids.
- 11 2. Review the draft RFP in order to identify any undue biases in the evaluation
12 process, ensure consistency among the RFP documents, and ensure bidders are
13 provided sufficient information to allow them to determine how to effectively
14 compete in the process. The application of a fair and transparent competitive
15 procurement process is important for creating competition for the overall
16 benefit of customers. Fairness generally means that all bidders are treated
17 similarly, have access to the same information at the same time, and have equal
18 opportunity of being successful in the process.
- 19 3. Ensure the LPSC Staff remains informed of the RFP progress.
- 20 4. Recommend any changes to the draft RFP documents, which could be based on
21 the IM's suggestions as well as those of the LPSC Staff, the state commissions
22 regulating SWEPCO, and potential bidders.

- 1 5. Review and comment on SWEPCO's procedures (including the Code of
- 2 Conduct, see Confidential Exhibit JFG-4) to ensure all bidders are treated
- 3 equally and fairly with no undue bias in favor of the self-build options.
- 4 6. Monitor SWEPCO's adherence to the Code of Conduct in addition to ensuring
- 5 that all bidders are treated fairly in all processes in which a utility ownership
- 6 option is allowed.
- 7 7. Address bidders' questions, issues and concerns during the RFP process and
- 8 serve as a conduit between SWEPCO and the bidders.
- 9 8. Identify and resolve any issues as they arise during the process and identify
- 10 industry "best practices" or strategies used by others to address similar issues.
- 11 9. Facilitate or participate in technical conferences and bidders' conferences.
- 12 10. In the bid evaluation and selection process, read and review all bids relative to
- 13 the established criteria and "challenge" the results of the bid evaluation process
- 14 by the bid evaluation team.
- 15 11. Review all modeling results and analyses.

16 This is just a summary of the IM's involvement. Please refer to IM Service
17 Agreement, Confidential Exhibit JFG-6, for a full scope of work.

18 Q. DID THE IM FULFILL ITS RESPONSIBILITIES AND DID IT MAKE A
19 VALUABLE CONTRIBUTION TO THE RFP PROCESS?

20 A. Yes. The IM not only helped ensure the quality and integrity of the process, it also
21 offered helpful comments throughout, based on Merrimack's vast and varied
22 experience in these matters.

1 Q. PLEASE DESCRIBE THE RFP STEPS SUBSEQUENT TO THE ISSUANCE OF
2 THE FINAL RFP ON JANUARY 31, 2024.

3 A. In general, the structure of all of the RFPs are similar, as I describe in this section of
4 my testimony. The RFPs included in the Company's filing followed five general
5 steps:

6 Step 1: Issuance of the Final RFP

7 Step 2: Receipt and Review of Proposals

8 Step 3: Screening of Eligibility & Threshold Requirements (E&TR)

9 Step 4: Detailed Analysis & Due Diligence

10 Step 5: Short-List Selection, Negotiations, Agreement Execution

11 STEP 1: ISSUANCE OF THE RFP

12 Q. PLEASE DESCRIBE THE INITIAL RFP STEPS.

13 A. The AEPSC's Regulated Infrastructure Development team worked in cooperation with
14 the Company to develop the RFPs. As I described earlier, the Company issued its Final
15 RFPs by posting each RFP to its website, issuing a news release to various publications,
16 and notifying prospective Bidders via email. As part of the RFP, the Company also
17 provided an opportunity for Bidders to submit questions to the Company and the
18 Company posted responses to general questions to its website for all potential Bidders
19 to review.

1 STEP 2: RECEIPT AND REVIEW OF PROPOSALS

2 Q. WHAT WAS THE FORMAT IN WHICH BIDDERS WERE REQUIRED TO
3 SUBMIT THEIR PROPOSALS?

4 A. Bidders were required to upload their proposals to a unique folder on a Box Site²
5 created for the RFPs. The folders were locked down as of the close of business on the
6 Proposal Due Date, April 3, 2024.

7 Q. WHAT WAS THE FIRST STEP SWEPCO TOOK AFTER PROPOSALS WERE
8 RECEIVED?

9 A. Upon receipt of proposals, the Company reviewed the proposals for completeness and
10 then contacted Bidders if there were any deficiencies, giving the opportunity to provide
11 the necessary information for the Company to further evaluate the proposal.

12 Q. DID SELF-BUILD PROPOSALS HAVE A DIFFERENT SUBMITTAL DEADLINE
13 COMPARED TO THE OTHER TYPES OF BIDS?

14 A. Yes. As stated in Table 1 on page 1 of the PSA RFP (see Exhibit JFG-1), Self-Build
15 proposals were due one day before the rest of the bids and had to be submitted to the
16 Company and the IM simultaneously. This was done to ensure fairness was maintained
17 between AEPSC's Self-Build proposals and all other bids.

18 Q. WERE ANY PROPOSALS GRANTED A DEADLINE EXTENSION?

19 A. Yes. Proposals for BESS projects were granted an extension lasting twenty-one days.

² The Box Site is a secure file sharing service that AEPSC provided each Bidder access to with their own separate secure repository to upload their Proposals.

1 Q. WHY WERE BESS PROPOSALS GRANTED THIS EXTENSION?

2 A. The Company and the IM agreed that an extension was appropriate due to cyber
3 security specifications being tightened as of March 25, 2024. These specifications only
4 applied to BESS proposals; therefore, no other types of projects received a deadline
5 extension.

6 Q. WHAT WAS THE FIRST STEP SWEPCO TOOK AFTER PROPOSALS WERE
7 RECEIVED?

8 A. Upon receipt of proposals, the Company reviewed the proposals for completeness and
9 then contacted Bidders if there were any deficiencies, giving the opportunity to provide
10 the necessary information for the Company to further evaluate the proposal.

11 Q. DID THE IM MONITOR THE BID RECEIPT PROCESS?

12 A. Yes. The IM was given access to the Box site so that they could monitor the proposals
13 that were received as well as any documents that were uploaded after the Proposal Due
14 Date in the “post-bid” folder. In addition, the IM was also given access to the
15 Company’s Proposal Clarification Request Smartsheet so that it could review and
16 monitor the questions posed by the RFP Team to the Bidders and their responses.

17 Q. DID THE IM BRING TO SWEPCO’S ATTENTION ANY UNRESOLVED
18 CONCERNS OR ISSUES CONCERNING THE RFP PROCESS?

19 A. No. All questions raised by the IM were answered or resolved by SWEPCO prior to
20 the IM issuing its report.

1 Q. PLEASE DESCRIBE THE BIDS RECEIVED IN RESPONSE TO THE SWEPCO
2 2024 RFPs.

3 A. On the Proposal Due Date (April 3, 2024), the Company received 153 bids representing
4 44 unique projects and totaling over 11,350 MW:

- 5 • 3,654 MW of Solar Resources
- 6 • 4,472 MW of Wind Resources
- 7 • 1,314 MW of Standalone BESS
- 8 • 1,911 MW of Gas Resources

9 Certain Bidders submitted multiple bids (e.g., bids with multiple PPA term lengths or
10 varying configurations) for the same project accounting for a greater number of bids
11 than projects.

12 STEP 3: SCREENING ELIGIBILITY & THRESHOLD REQUIREMENTS (E&TR)

13 Q. PLEASE DESCRIBE THE RFP'S E&TR PROCESS.

14 A. After review of proposals for completeness, each proposal had to meet all of the E&TR
15 prior to being considered further. The E&TR included criteria such as meeting the RFP
16 target commercial operation date, minimum project size, location of proposed
17 resources, interconnection status, and minimum design life. The E&TR for each RFP
18 is contained in Section 9 of the associated RFP (see EXHIBITS JFG-1, JFG-2, and
19 JFG-3) and resulted in the following:

- 20 • 55 bids (of the 153 bids) representing 11 unique projects (of the 44 unique
21 projects), did not meet all of the E&TR.
- 22 • 98 bids (of the 153 bids) remained for consideration in the RFP. These 98 bids
23 represented 33 unique projects totaling 7,614 MW.

1 Q. DURING OR SUBSEQUENT TO THE E&TR PHASE, WERE THERE ANY
2 PROPOSALS WITHDRAWN OR DISQUALIFIED?

3 A. Yes, the following projects and associated proposals were withdrawn or disqualified:

- 4 • One unique solar project representing three proposals that was withdrawn from
5 the RFP by the Bidder.
- 6 • Two unique wind projects representing four proposals were removed from
7 consideration because they entered into negotiations with another company.
- 8 • Following the initial E&TR screening process, and after performing additional
9 due diligence, the Company determined that one unique wind project,
10 representing three proposals, was only in the “conceptual” stage of
11 development and that no detailed engineering had been performed. This
12 resulted in an inability to give firm pricing. Accordingly, this project and the
13 three aforementioned proposals were eliminated from further evaluation and
14 consideration.

15 Q. PLEASE SUMMARIZE THE REMAINING BIDS THAT TRANSITIONED TO THE
16 NEXT STEP (DETAILED ANALYSIS) IN THE RFP PROCESS.

17 A. Eighty-eight bids representing twenty-nine unique projects totaling 6,973 MW
18 transitioned to the Detailed Analysis phase of the RFP.

19 Q. DID THE IM CONCUR WITH SWEPCO’S ANALYSES AND DECISIONS
20 CONCERNING THE SCREENING FOR CONFORMANCE WITH THE E&TR
21 DESCRIBED ABOVE?

22 A. Yes.

1 STEP 4: DETAILED ANALYSIS & DUE DILLIGENCE

2 Q. PLEASE DESCRIBE THE DETAILED ANALYSIS PHASE OF THE PSA AND PPA
3 RFP PROCESSES.

4 A. After completion of the E&TR review, a Detailed Analysis was conducted on each of
5 the proposals as described in Section 7.2 of each RFP. The Detailed Analysis was
6 comprised of two parts: (1) the Economic Analysis constituting 60% of the overall
7 evaluated value of each proposal; and (2) the Non-Price Factor Analysis constituting
8 40% percent of the overall evaluated value of each proposal. These two scores were
9 then combined to determine an overall score for each bid. The Detailed Analysis
10 process allowed the Company to objectively evaluate and rank each eligible bid, which
11 informed the decision to move forward the Projects.

12 Q. DESCRIBE THE ECONOMIC ANALYSIS COMPLETED ON EACH OF THE
13 ELIBIBLE POPOSALS.

14 A. As described in Section 7.2.1 of the PSA and PPA RFPs, as further described by
15 Company witness Martin, the Economic Analysis included the calculation of three
16 financial metrics which provided multiple perspectives on cost and value, including 1)
17 Levelized Adjusted Cost of Energy (LANCOE), 2) Levelized Adjusted Net Cost of
18 Capacity (LANCOC), and 3) Value to Cost (V/C) Ratio.

19 Q. WHAT WERE THE INPUT COMPONENTS OF THE ECONOMIC ANALYSIS?

20 A. The input components of the Economic Analysis were provided to the IRP Team from
21 various AEP teams including (1) the bid price and expected annual energy production
22 (MWh) for each proposal, and (2) transmission congestion discussed by Company
23 witness Hassan Hayat. For the bids representing build/transfer acquisition projects via

1 PSAs (including Self-Build Proposals), additional assumptions were provided such fuel
2 costs, heat rates, as operations and maintenance and ongoing capital costs, applicable
3 federal tax credits, financing assumptions, and other operating company specific
4 modeling variables.

5 Q. WHAT TYPES OF FACTORS COMPRISED THE NON-PRICE COMPONENT OF
6 THE DETAILED RFP ANALYSIS?

7 A. The Non-Price Factors detailed in the RFPs included: (1) location and economic
8 benefits; (2) dispatchability and flexibility; (3) resource diversity, cost risk, and
9 technology; (4) project risk and project quality; and (5) social benefits and risk.

10 Q. WHO WAS RESPONSIBLE FOR SCORING THE NON-PRICE COMPONENT?

11 A. The RFP Team was responsible for coordinating with the various AEP teams in
12 developing the scoring for the Non-Price Component. The RFP Team worked with
13 various subject matter experts on Factors (1), (4), and (5) above including individuals
14 from Credit Risk, Generation Engineering, Environmental Services, Economic and
15 Business Development, Generation Interconnection Planning, Transmission Planning,
16 Corporate Sustainability, Regulated Infrastructure Development, Project Management,
17 and Legal. The IRP Team was responsible for scoring Factors (2) and (3) above as
18 further discussed by Company witness Martin.

19 Q. PLEASE DESCRIBE THE RESULTS OF THE COMPANY'S DETAILED
20 ANALYSIS.

21 A. The Detailed Analysis scoring results (Total Score = Economic Analysis (60%) + Non-
22 Price Analysis (40%)) is included in Exhibit JFG-5.

1 Q. WAS THE IM INVOLVED IN THE EVALUATION PROCESS?

2 A. Yes.

3 Q. DID THE IM REVIEW THE SCORING RESULTING FROM THE COMPANY'S
4 DETAILED ANALYSES?

5 A. Yes. Upon completion of the scoring, the results were reviewed by the IM, which also
6 conducted its own independent evaluation.

7 STEP 5: SHORT-LIST SELECTION

8 Q. DESCRIBE THE PROJECTS INCLUDED IN THE COMPANY'S SHORT-LIST
9 SELECTION.

10 A. The results of the Detailed Analysis and the total scores showed the Welsh Conversion
11 project scored first among the long-term resources, and the Hallsville Plant project
12 scored second among the long-term resources. (See CONFIDENTIAL Exhibit JFG-5).
13 Based on the results of the Detailed Analysis, the Company determined that it was
14 abundantly clear that these Projects should be included in its Short-List Selection as a
15 reasonable cost means of satisfying the requirements of the PSA RFP, and to support
16 the Company's capacity requirements as further described by Company witness
17 Martin.

18 Q. WHAT IS THE TOTAL ESTIMATED COST OF THE PROJECTS?

19 A. The total estimated cost for the Projects is approximately \$722.5 million or
20 approximately \$480.7/kW for 1,503 MW of nominal gas fired capacity resources.
21 Additional detail regarding the total estimated cost of the Projects is included in the
22 direct testimony of Company witness Dilley.

1

HSPI Table 3: Total Cost Estimates

	Nameplate (MW)	Cost (\$)	Cost (\$/kw)
Welsh 1&3	1,053 MW	Redacted	Redacted
Hallsville Natural Gas 1&2	450 MW	Redacted	Redacted
Total	1,503 MW	\$722.5 M	\$480.7 / kw

2 Q PROVIDE AN OVERVIEW OF THE COMPANY’S CAPACITY PURCHASE
3 AGREEMENT RFP AND ITS RESULTS.

4 A. As noted throughout my testimony, as a result of the Company’s CPA RFP, the
5 Company executed a CPA (the Gateway CPA) with an application filed on October 11,
6 2024 in Arkansas (Docket No. 24-044-U) and Louisiana (Docket No. U-37407).

7 Q. HOW DO THESE PROJECTS AFFECT THE COMPANY’S REMAINING
8 CAPACITY OBLIGATIONS?

9 A. As discussed by Company witness Gage, SWEPCO continues to assess its evolving
10 capacity needs in light of the changing situations both internally and with SPP.
11 However, these projects will help enable SWEPCO to meet its SPP capacity obligations
12 in the future, ensuring SWEPCO continues to provide reliable and cost-effective
13 service to its customers.

1 Q. DID THE COMPANY FOLLOW THE PROCESS ESTABLISHED IN THE RFPs
2 FROM THE TIME THEY WERE ISSUED THROUGH THE IDENTIFICATION OF
3 THE SELECTED RESOURCES?

4 A. Yes. For additional confirmation, please see the IM Report, by Company Witness
5 Wayne J. Oliver, for the assessment of the Company's compliance with following
6 RFP procedures and adherence to the Code of Conduct.

7 Q BASED ON YOUR EXPERIENCE AND EXPERTISE IN ACQUIRING
8 GENERATION RESOURCES VIA COMPETITIVE SOLICITATIONS, IS THE
9 SELECTION OF THE PROJECTS REASONABLE AND CONSISTENT WITH
10 INDUSTRY PRACTICE?

11 A. Yes.

12 V. CONCLUSION

13 Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?

14 A. Yes, it does.