BEFORE THE

LOUISIANA PUBLIC SERVICE COMMISSION

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

DIRECT TESTIMONY OF

MELISSA A. GAGE

FOR

SOUTHWESTERN ELECTRIC POWER COMPANY

DECEMBER 2024

TESTIMONY INDEX

EXHIBITS

GLOSSARY OF ACRONYMS

AEP	American Electric Power Company, Inc.
APSC	Arkansas Public Service Commission
BESS	Battery Energy Storage System
CCN	Certificate of Convenience and Necessity
CPA	Capacity Purchase Agreement
ERCOT	Electric Reliability Council of Texas
LPSC	Louisiana Public Service Commission
MW	Megawatt
PBA	Performance Based Accreditation
PPA	Power Purchase Agreements
PRM	Planning Reserve Margin
PSA	Purchase and Sale Agreements
RFP	Request for Proposal
SPP	Southwest Power Pool
SWEPCO	Southwestern Electric Power Company

I. INTRODUCTION

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

A. My name is Melissa A. Gage, and my business position is Vice President Regulatory and Finance for Southwestern Electric Power Company (SWEPCO or the Company). My business address is 400 West 15th Street, Suite 1500, Austin, Texas 78701.

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

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

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

A. I graduated from the University of Texas at Austin in 2006 with a Bachelor of Business Administration in Finance. I received a Juris Doctor from the Southern Methodist University School of Law in 2009.

After working at a law firm representing clients in regulatory matters before the Public Utility Commission of Texas (Commission), Railroad Commission of Texas, and the Texas Commission on Environmental Quality, I began my career at AEP as Senior Counsel in the American Electric Power Service Corporation's Legal Department in 2015. During this period of time, I primarily worked on matters

representing AEP's subsidiaries SWEPCO, AEP Texas Inc. (AEP Texas), and Electric Transmission Texas Inc. (ETT) in Texas. In 2020, I was promoted to Associate General Counsel, responsible for the regulatory legal team representing AEP's subsidiaries in its western footprint, including SWEPCO in Texas, Arkansas, and Louisiana; Public Service Company of Oklahoma in Oklahoma; and AEP Texas and ETT in Texas. In October 2024, I assumed my current responsibilities as SWEPCO's Vice President of Regulatory and Finance.

II. PURPOSE OF TESTIMONY

Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

A. My testimony discusses SWEPCO's need for generation capacity resources and the steps SWEPCO has taken to meet that need in support of the Company's Application to the Louisiana Public Service Commission (Commission or LPSC), in accordance with applicable Commission Orders. The Company has identified the need for additional resources to serve the generation capacity needs of its customers and to maintain compliance with the Southwest Power Pool (SPP) Planning Reserve Margin (PRM) requirements. SWEPCO's need for additional capacity resources to serve customers was also confirmed in SWEPCO's 2023 Integrated Resource Plan (IRP) filed in LPSC docket I-36242. Based on this resource need, SWEPCO issued Requests for Proposals (RFP) seeking generation resources and selected market competitive proposals offered and evaluated in the RFP process. This competitive bidding process was conducted in full compliance with the LPSC's Market Based Mechanism General Order R-26172, Subdocket C, dated October 29, 2008 (MBM Order) and in

coordination with LPSC Staff Counsel and Consultants, as well as the Independent Monitor (IM). This is discussed more fully below and in the testimony of witness Jay Godfrey.

In this proceeding, SWEPCO requests Certification that the public convenience and necessity would be served by constructing the Hallsville Natural Gas Plant in Harrison County, Texas (Hallsville Plant), and by converting the Welsh Power Plant Units 1 and 3 to Natural Gas (Welsh Conversion) (collectively, the Projects) in accordance with the Commission's General Order dated September 20, 1983 (1983 Order) and the MBM Order. Both projects are self-build selections that were market-tested through SWEPCO's competitive RFP process in full compliance with the Commission's MBM General Order. I introduce the Projects and provide an overview of the need and the process through which the Projects were selected. Additionally, my testimony introduces Charles River Associates (CRA) witness DeCourcey who calculates the range of projected customer benefits resulting from the conversion of Welsh Units 1 & 3 and the construction of the Hallsville Natural Gas Plant as compared to those units continuing to run using coal and lignite, respectively.

My testimony also introduces the other SWEPCO witnesses and the topics discussed in their testimony and identifies the Commission approvals sought by SWEPCO in this case.

III. CAPACITY NEED

Q. ARE CHANGES AT SPP CONTRIBUTING TO THE NEED FOR THE PROJECTS?

A. Yes. One of the primary drivers for the need for these Projects are recent developments at the Southwest Power Pool (SPP). The developments at SPP significantly impact SWEPCO's obligations as an SPP-member utility requiring additions of generation to meet SPP's capacity requirements.

Q. PLEASE DESCRIBE RECENT DEVELOPMENTS AT SPP THAT IMPACT SWEPCO'S CAPACITY OBLIGATIONS.

A. At their August 2024 meetings, SPP's Board of Directors (Board) approved additional increases to the Planning Reserve Margin (PRM) that member utilities are required to maintain in support of regional grid reliability. PRM requirements represent the amount of back-up power over and above the utility's peak load that utilities must have to guard against unplanned conditions or events on the regional power grid. SPP's actions are intended to help the region prepare for extreme weather events and other circumstances that lead to higher-than-usual demand for electricity. Such episodes have become increasingly common in recent years, such as with Winter Storm Uri in 2021 and Winter Storm Elliott in 2022.

SPP's RSC and Board approved minimum requirements of a 36% winter-season PRM (Winter PRM) and a 16% summer-season PRM (Summer PRM), effective beginning summer 2026 and winter 2026/27. This means load responsible entities in SPP, such as SWEPCO, must have access to enough generating capacity to serve their peak load with ***at least*** a 36% margin during the winter and ***at least*** a 16% margin during the summer. This action marks the first time a Winter PRM has been proposed

to be a different percentage from the Summer PRM. It was taken to ensure member utilities appropriately acquire enough generating capacity for both seasons. These requirements support SPP's efforts to reliably and continuously meet the region-wide demand for electricity from residents, commercial centers, and industries throughout the SPP footprint. Then, in a recent development at the October 22, 2024, Supply Adequacy Working Group (SAWG) stakeholder meeting, the SAWG approved increases of the base PRMs in 2029 from 16% to 17% in the summer and from 36% to 38% in the 2029/2030 winter. I have attached to this testimony as Exhibit MAG-1, SPP's infographic explaining SPP's efforts to address the risks facing the SPP power grid.

The fact is that SPP is increasingly forced to issue grid advisories in winter and summer months due to the heightened risk of inadequate power supplies during those times. SPP Chief Executive Officer, Barbara Sugg, stated, "While SPP always focuses on affordability, we need continued investment to add the generating and transmission facilities needed to mitigate risks and keep the lights on."[1]

Q. ARE FURTHER CHANGES TO SPP'S PRM REQUIREMENTS POSSIBLE?

A. Yes. In addition to increasing the summer and winter PRMs for Load Responsible Entities (LREs), SPP continues to move forward with establishing Performance Based Accreditation (PBA) with a tariff filing at the Federal Energy Regulatory Commission on February 23, 2024, seeking an effective date of October 1, 2025. The PBA for

[1] SPP board approves new planning reserve margins to protect against high winter, summer use, SPP news release (Aug. 6, 2024), https://www.spp.org/news-list/spp-board-approves-new-planning-reserve-margins-to-protect-against-high-winter-summer-use/ (accessed Sept. 9, 2024).

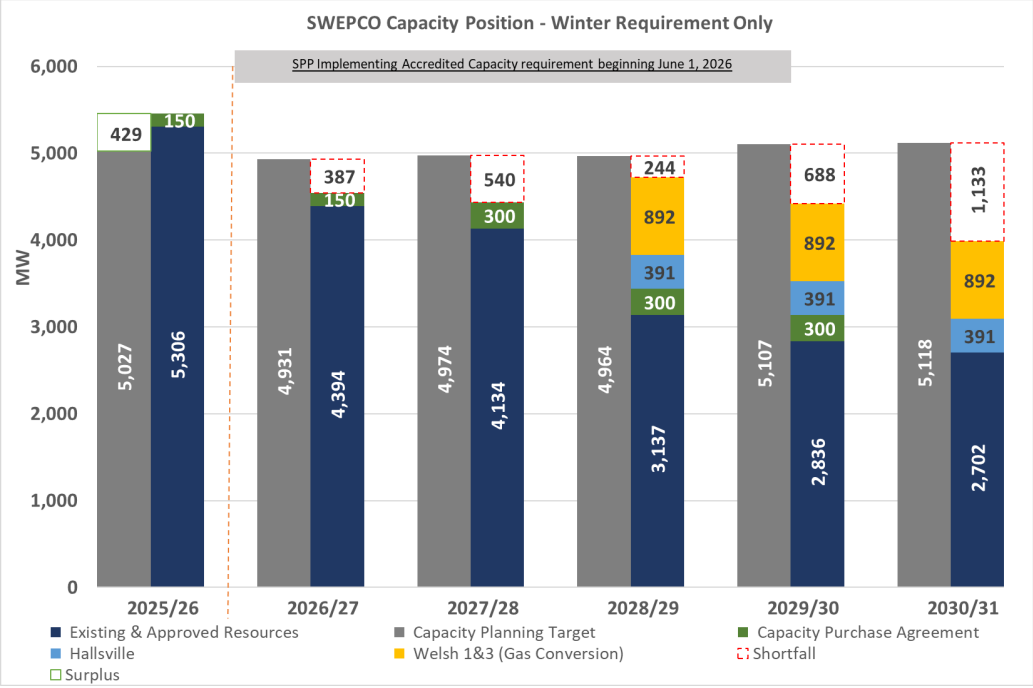
conventional resources considers historical operating performance of resources and past contributions to system reliability by analyzing the demand equivalent forced outage rate.[2] SPP also made a FERC filing on September 3, 2024, seeking approval of an additional accreditation adjustment that is intended to create incentives for LREs to ensure more reliable fuel supply at thermal units. SPP refers to this effort as a Fuel Assurance policy. The PBA will include both of these new requirements. The practical effect of PBA for conventional resources is generally understood to be a reduction of the MWs accredited for each facility. This could generate further need for capacity for many SPP utilities, including SWEPCO. These changes and anticipated changes to SPP PRM's requirements are reflected in SWEPCO's capacity need analysis as discussed further by SWEPCO witness James F. Martin.

Q. WHAT DO THESE RECENT ACTIONS TAKEN BY SPP MEAN FOR SWEPCO'S GENERATION CAPACITY NEED?

A. The implementation of the 36% Winter PRM and PBA accreditation reductions are projected to be significant drivers of the need for additional generation capacity at SWEPCO. Below, I provide a graphic depiction of SWEPCO's Winter capacity view. This capacity view is discussed further by SWEPCO witness Martin.

[2] *Submission of Tariff Revisions to Implement Effective Load Carrying Capability Methodology and Performance Based Accreditation*, Federal Energy Regulatory Commission Docket No. ER24-1317, SPP Application Transmittal Letter at 3 (Feb. 23, 2024).

Table 1: Winter Capacity Position



The leftmost bar in each year shown represents the SPP capacity obligation including the Company's targeted 6% risk reserve, which is a small additional amount (roughly 250 MW in the winter) of reserve capacity to cover contingencies (Load Bar). SPP's PRM requirements are the minimum margins that an SPP utility must keep. As discussed by SWEPCO witness Martin, planning only for the SPP mandated minimum requirements would introduce significant risk that the minimum requirements might not be met and would be a significant departure from SWEPCO's long-held policy of ensuring it has reserves above the minimum obligations of the SPP.

The contents of the right bar in each year are shown in the legend depicting available resources (Resource Bar). In years in which more resources are needed a white bar appears at the top of the Resource Bar. In years when the Company is projected to be above the targeted capacity level, the white bar appears above the Load

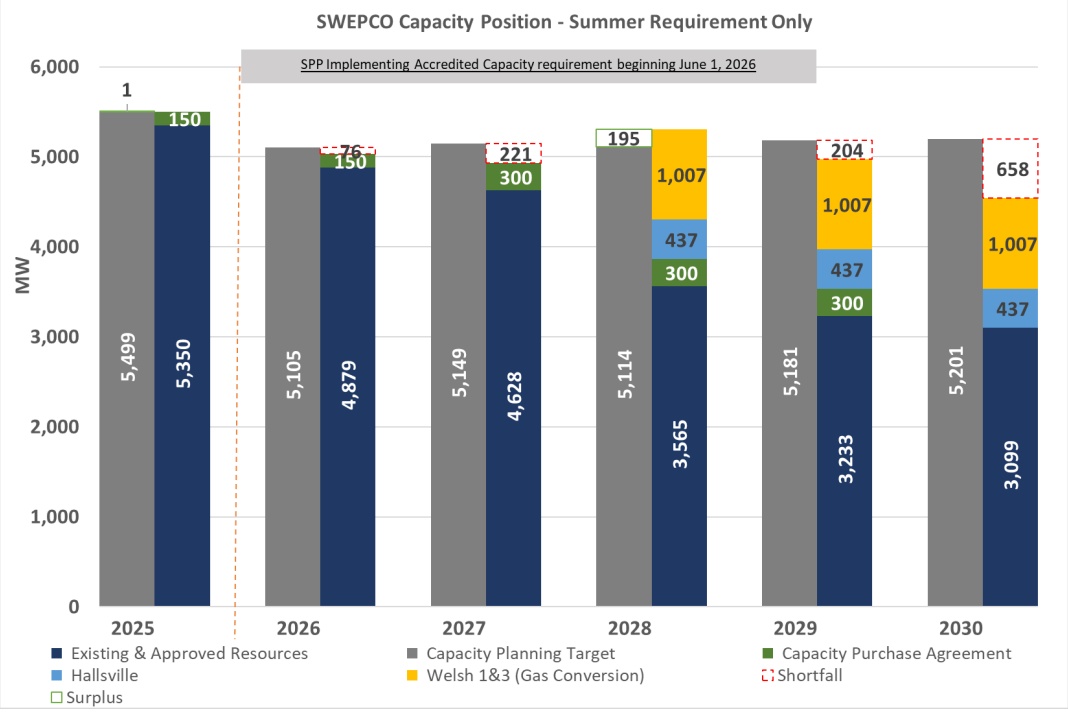
Bar. Each slice of the Resource Bar is the seasonal accredited capacity of each resource, including the Projects that are the subject of this proceeding, as well as a short-term capacity purchase agreement. SWEPCO is seeking Commission certification of the short-term CPA (Gateway CPA) in a separate proceeding in LPSC docket No. U-37407 to help meet SWEPCO's capacity need in the 2025-2029 planning years.

SWEPCO's winter need for the 2028/29 season, inclusive of the Projects (Welsh 1 & 3 and Hallsville), as well as the short-term CPA, is 244 MW. The need grows to 688 MW in 2029/30 and 1,133 in 2030/31.

Q. WHAT IS SWEPCO'S PROJECTED SUMMER CAPACITY NEED?

A. Below, I provide a graphic depiction of SWEPCO's Summer capacity view. This capacity view is discussed further by SWEPCO witness Martin.

Table 2: Summer Capacity Position



IV. REQUESTS FOR PROPOSALS

Q. WHAT ANALYSIS SUPPORTED THE ISSUANCE OF REQUESTS FOR PROPOSALS?

A. The issuance of requests for proposals was supported by SWEPCO's robust IRP process. The purpose of SWEPCO's IRP is to assess the Company's load and generation capacity situation, including future customer needs and how those needs are likely to change over the 20-year IRP forecast period, to conduct an assessment of the adequacy of current resources in meeting future customer needs, and to identify a list of resources that could be selected to meet future customer needs. The March 2023 Draft IRP submitted to the LPSC in docket I-36242 identified a capacity need beginning with the delivery year that starts on June 1, 2025. On November 20, 2024, the Commission voted to approve that SWEPCO's IRP complied with the Commission's IRP rules and requirements.

Q. PLEASE BRIEFLY DESCRIBE THE RFPs THAT WERE ISSUED TO ADDRESS SWEPCO'S CAPACITY NEED.

A. SWEPCO issued three RFPs seeking up to 2,100 MW of accredited capacity from Wind, Solar, Battery Energy Storage Systems (BESS), and Natural Gas resources. The three RFPs included those seeking Purchase and Sale Agreements (PSA), Power Purchase Agreements (PPA), and CPAs. The two self-build Projects in this filing were bid into the PSA RFP. The three RFPs are summarized in the table below:

TABLE 3

RFP	Details
PSA	Wind, Solar, 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 a BESS project at SWEPCO's Harry D. Mattison power plant site.
PPA	Wind, Solar, BESS, and Natural Gas RFP seeking energy, SPP capacity, environmental attributes (including Renewable Energy Certificates), 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 ends on May 31 of the following year. As an example, for planning year 2025 the period includes June 1, 2025 through May 31, 2026.

The CPA RFP was designed to meet the near-term capacity needs and serve as a bridge to the long-term resources sought through the PSA and PPA RFPs, in accordance with Commission Order U-36385-A, dated July 14, 2023. Due to the nature of the CPA RFP, proposals were evaluated and compared to other CPA proposals. Concerning the long-term PSA and PPA RFPs, SWEPCO evaluated each conforming bid within the two RFPs, as well as the two self-build proposals, to identify projects that best satisfy the Company's capacity needs described above. SWEPCO's application for approval of the Gateway CPA is being reviewed by Commission Staff in Commission docket U-37407.

Q. PLEASE BRIEFLY DESCRIBE THE CAPACITY PURCHASE AGREEMENT SWEPCO SELECTED FROM THE CPA RFP.

A. The Gateway CPA was originally presented to SWEPCO as two separate bids, both of which were selected in the CPA RFP. However, rather than execute two agreements with the same entity, the parties elected to combine both bids into a single agreement. The Gateway CPA will provide SWEPCO with 150 MW of SPP accredited capacity beginning in June 2025, from a natural gas fired combined cycle generating unit, increasing to 300 MW beginning planning year 2027 through planning year 2029. The Gateway CPA will serve as a bridge to more permanent resource additions and is discussed further in the testimony of SWEPCO witness Godfrey.

Q. WAS AN INDEPENDENT MONITOR ENGAGED TO REVIEW THE RFP PROCESS?

A. Yes. Merrimack Energy Group, Inc. served as the Independent Monitor to review the overall RFP process and compliance with the LPSC's Market-Based Mechanism Order. Consistent with the terms of that order, the Independent Monitor (IM), Wayne Oliver, who has served as an IM in prior proceedings with this Commission, reviewed and tracked SWEPCO's conduct of the RFP, including reviewing the draft RFP and SWEPCO's evaluation of bids, monitoring communications (and communications protocols) with market participants, monitoring adherence to codes of conduct, and monitoring the status of any contract negotiations. The scope of the IM's responsibilities also included the issuance of a final report on the RFP process and its results. The Company also established a Code of Conduct, which was implemented to ensure there was separation of the RFP Team and the Project Team preparing the self-

build proposals. The role of the IM is discussed further by SWEPCO witness Jay Godfrey. The final report of the IM was filed into the Commission's RFP review in LPSC docket X-37003 on December 12, 2024.

Q. WAS BIDDER PARTICIPATION IN THE RFPS ROBUST?

A. Yes. As discussed further by SWEPCO witness Godfrey, 88 bids representing 29 unique projects totaling 6,973 MW transitioned to the Detailed Analysis phase of the RFP.

V. THE PROJECTS

Q. PLEASE DESCRIBE THE FACILITIES SWEPCO SEEKS TO CONSTRUCT IN THE SERVICE OF ITS CUSTOMERS.

A. The Hallsville Natural Gas Project will be a nominal 450 MW simple cycle natural gas facility located at the site of SWEPCO's now-retired Pirkey Power Plant in Hallsville, Texas. The Hallsville Natural Gas Project will consist of two General Electric combustion gas turbine generators with an expected commercial operation date of December 2027.

Siting the Hallsville Project at the former site of Pirkey is beneficial in several ways. With Pirkey's retirement in March 2023, SWEPCO formally requested the reuse of Pirkey's transmission interconnection with the SPP. This reduces transmission system and facility upgrade costs and the time required by the SPP to study the proposal and the impact on the grid compared to the timing and uncertainty of any new SPP transmission interconnection request. The Hallsville Natural Gas Project self-build Project Team performed a preliminary evaluation of the gas transportation and supply

in the area, deeming it advantageous to the project. Further, the Hallsville Natural Gas Project will reuse the existing water intake structure, site infrastructure, and necessary permits to reduce the project costs to the greatest extent possible. Additionally, the Hallsville Natural Gas Project has the capability to be converted to a combined cycle unit with the addition of a heat recovery steam generator, steam turbine, and associated equipment. Space has been allocated in the design for this possible combined cycle upgrade, the addition of carbon capture equipment, black start capability, and dual fuel capability. This combined cycle optionality is discussed further by SWEPCO witness Michael Dilley.

Welsh Units 1 and 3 are currently operating as pulverized coal-fired units located northwest of Cason, Texas, with net generating capacity of 525 and 528 MW, respectively. Welsh Units 1 and 3 were placed in service in 1977 and 1982, respectively. The Welsh Natural Gas Conversion Project will convert SWEPCO's existing Welsh Units 1 and 3 coal-fired boilers to burn natural gas. The expected conversion date of Unit 3 is November 30, 2027. The expected conversion date of Unit 1 is May 31, 2028. The Welsh plant will continue to be owned entirely by SWEPCO. The location of the two natural gas Projects on existing or former SWEPCO generation sites will allow SWEPCO to make use of existing transmission facilities as further described by witness Hayat, further benefiting SWEPCO customers.

Q. WHAT IS THE ESTIMATED CAPITAL COST FOR THE PROJECTS?

A. As described in detail in the testimony of Company witness Dilley, the total project capital cost for the Projects is approximately $723 million. Because portions of the existing Welsh coal plant will remain in use after the conversion of the plant to natural

gas, a significant portion of the remaining value of the Welsh plant will continue to be depreciated over the life of the plant; however, a portion of the remaining value will be retired and the Company will seek recovery of those amounts that were prudently retired in a future proceeding.

Q. WERE THE PROJECTS ALSO MODELED AND SELECTED AS PART OF THE PREFERRED GENERATION PLAN IN SWEPCO'S FINAL IRP SUBMITTED TO THE LPSC?

A. Yes. The conversion of Welsh Units 1 and 3 to burn natural gas was modeled in the final IRP submitted to the LPSC in February 2024 and selected as part of the preferred generation plan identified in the IRP in LPSC docket I-36242. On November 20, 2024, the Commission voted to approve that SWEPCO's 2023 IRP complied with the Commission's IRP requirements. Also modeled and selected as part of the preferred generation plan was 480MW of natural gas combustion turbines with an in-service date by 2029. While the Hallsville Natural Gas Project will be designed to provide 450MW of nameplate capacity, it is also anticipated to achieve commercial operation in 2027 due to its reuse of the retired Pirkey plant transmission interconnection and other facilities. Therefore, the Hallsville Natural Gas Project is comparable to the natural gas combustion turbines modeled in the IRP. The Projects being selected as part of the IRP preferred generation plan and also in the RFP analysis provides SWEPCO with confidence that the Projects are a part of the plan to address customer's future capacity needs.

Q. PLEASE BRIEFLY DESCRIBE THE ANALYSIS CONDUCTED IN THE IRP.

A. The IRP studied five different market scenarios that reflect plausible, but different, combinations of outcomes across key related fundamental market drivers (e.g., load, fuel costs, seasonal requirements, level of environmental pressure, etc.). These scenarios tested how the prices of energy changed across the SPP market under different combinations of these fundamental conditions. One portfolio was developed under each of the five scenarios to find "optimal" selections of resources under different market conditions. These five SPP market scenarios were also used to test the robustness of the different candidate resource plans by subjecting them to a wide range of market outcomes. The IRP is discussed further by SWEPCO witness Martin.

Q. DID THE IRP AND RFP ANALYSES ANTICIPATE CHANGES IN THE SPP PRM REQUIREMENTS?

A. Yes. As I discuss above, and as discussed further by SWEPCO witness Martin, the capacity need presented above in my testimony anticipates further changes to SPP's PRM requirements. SWEPCO's IRP, while filed before the capacity need analysis presented above, also considered the impacts of evolving SPP resource adequacy requirements. These anticipated changes were a further driver of the issuance of the RFPs. SWEPCO's proactive consideration of the changing SPP PRM requirements is discussed further by SWEPCO witness Martin.

Q. WILL THE PROJECTS AND CPA MEET THE ENTIRE CAPACITY NEED IDENTIFIED ABOVE?

A. The Projects will provide needed, reliable, and reasonably priced generation to serve a significant portion of SWEPCO's fast-approaching generation capacity need for the

benefit of customers. SWEPCO will continue to explore cost-effective ways to address any future capacity need in excess of that provided by the Projects and the CPA selected from the 2024 RFP.

VI. INTRODUCTION OF WITNESSES

Q. PLEASE IDENTIFY THE WITNESSES WHO WILL BE SPONSORING TESTIMONY IN SUPPORT OF THE PROPOSED PROJECTS.

A. The following witnesses support SWEPCO's request in this proceeding:

Witness	Testimony Topics
Melissa Gage	Overview of capacity need and RFPs issued, overview of SWEPCO's request, and introduction of witnesses
James F. Martin	SWEPCO's capacity need and economic analysis of RFP bids
Jay Godfrey	RFP Process, PSAs, CPA, and role of Independent Monitor
Gary Spitznogle	Environmental regulations and permitting related to the proposed Projects
Michael Dilley	Description of the Projects, Project Capital Costs, and O&M Costs
Hassan Hayat	Deliverability assessment and cost savings associated with use of existing transmission interconnection rights
Matthew DeCourcey of Charles River Associates	Comparative analysis that natural gas options are less costly than continued operation of Pirkey using lignite and Welsh using coal
Noah K. Hollis	Credit Metrics and Financing
Jacob Miller	Customer Impacts, Recovery Mechanisms, and Accounting Treatment

VII. CAPACITY ALLOCATION OF THE PROJECTS

Q. IS SWEPCO PROPOSING A CAPACITY ALLOCATION ASSOCIATED WITH THE PROJECTS THAT ALIGNS WITH REGULATORY APPROVALS BY STATE?

A. Yes. Along with this request before the Commission, SWEPCO simultaneously filed requests for approval of the Projects with the APSC and the PUCT. Realizing it is possible that not all three of the retail regulatory commissions will grant the requested relief, SWEPCO requests a capacity allocation that allows the capacity of the Projects to be allocated to the jurisdictions that approve the Company's application. SWEPCO's capacity need is such that allocation of the capacity of the Projects to less than all three states is not ideal but warranted. Therefore, the Company requests the following additional approval from the Commission concerning capacity allocation if SWEPCO does not receive all requested retail regulatory approvals:

> If one of SWEPCO's other retail jurisdictions does not approve construction of one or both Projects, the Commission amends SWEPCO's Certification to construct and operate the Hallsville Natural Gas Plant and to convert Welsh to natural gas and to allocate the retail share of the capacity of the Projects to Louisiana and the other approving SWEPCO jurisdiction.

VIII. REGULATORY APPROVALS SOUGHT

Q. PLEASE DESCRIBE THE APPROVALS SWEPCO SEEKS IN THIS MATTER.

A. SWEPCO files this Application seeking Certification of the Hallsville and Welsh conversion Projects in compliance with the Commission's 1983 and MBM Orders. SWEPCO also seeks confirmation from the Commission that its RFP was conducted

in compliance with the requirement of Order U-36385-A, dated July 14, 2023. The Commission's approval of these Projects selected through SWEPCO's competitive RFP process in accordance with the MBM Order serves public convenience and necessity and is in the public interest because it helps SWEPCO meet customers' needs at a reasonable cost compared to alternatives.

Q. PLEASE DESCRIBE HOW THE PROJECTS SATISFY THE REQUIREMENTS OF THE 1983 CERTIFICATION ORDER.

A. SWEPCO's Application, supporting testimony and exhibits have described and set forth the specific data utilized by SWEPCO showing the need for additional capacity to be provided by the Projects, as further discussed by SWEPCO witness Martin, and the need is also confirmed in SWEPCO's 2023 Louisiana IRP in docket I-36242. SWEPCO's Application also includes the supporting testimony of SWEPCO witness Dilley, which includes a projection of total costs and the scheduled completion dates, in compliance with the 1983 Certification Order.

Q. HAS SWEPCO ALSO COMPLIED WITH THE REQUIREMENTS OF THE MBM ORDER?

A. Yes. The Projects were selected pursuant to a competitive bidding RFP process in 2024 in accordance with the MBM Order. SWEPCO issued its Notice of Intent to conduct RFPs on September 29, 2023. The Company then submitted its Informational Filing on November 29, 2023, which included draft copies of the RFPs, as well as other information required by the MBM Order, including: a summary of the type of resources needed, draft term sheet, proposed schedule, draft confidentiality agreement,

descriptions of the methods and criteria for evaluations, description of preferences regarding transmission arrangements, and other supporting documentation.

SWEPCO's Informational Filing also identified the proposed Independent Monitor (IM), Mr. Wayne Oliver of Merrimack Energy Group, who has previously served as an IM in Commission proceedings pursuant to the MBM Order. The IM has monitored the process to ensure compliance with the MBM Order and that no preference was given to self-build projects and confirm that the competitive bidding process was undertaken in a fair and unbiased manner, as more fully discussed in the IM Report. The draft RFPs were provided to LPSC Staff for review, and the Commission published public notice of SWEPCO's RFPs in docket X-37003 in the Commission bulletin on December 8, 2023.

On January 18, 2024, the Company hosted a technical conference and webinar online to review the proposed RFP process. LPSC Staff and potential bidders attended and SWEPCO responded to participants' questions. SWEPCO issued its RFPs after this input on January 31, 2024. SWEPCO continued to coordinate with Staff and the IM throughout the process while the Company completed its evaluation of bids and provided the Confidential RFP results to LPSC Staff and Consultants in full compliance with the Commission's MBM Order. The development and execution of the RFPs is further discussed by Company witness Godfrey.

Q. DID SWEPCO ALSO INCLUDE PPAs IN ITS RFP PROCESS IN COMPLIANCE WITH ORDER U-36385-A?

A. Yes. SWEPCO's RFP process included PPAs, which met the requirements in the settlement agreement unanimously approved by the Commission in Order U-36385-A dated July 14, 2023.

Q. ARE THE PROJECTS NECESSARY FOR THE PUBLIC CONVENIENCE AND NECESSITY OF SWEPCO'S LOUISIANA CUSTOMERS AND IN THE PUBLIC INTEREST?

A. Yes. SWEPCO's projected capacity need identified in its IRP and further discussed by SWEPCO witness Martin requires SWEPCO to add generation resources to continue providing reliable service and to meet SPP's reserve margin requirements, as discussed above. Further, the generation facilities to be constructed were selected through a market-based competitive solicitation designed to acquire the resources at the lowest reasonable cost, as discussed by SWEPCO witness Godfrey.

Q. WILL GRANTING THE APPLICATION RESULT IN LOWER COSTS TO CUSTOMERS COMPARED TO OTHER REASONABLE ALTERNATIVES?

A. Yes, SWEPCO proposes the construction of the Projects to satisfy a portion of its generation capacity need. As noted above, both Projects were market tested in a competitive RFP process designed to identify cost-effective resources to meet that capacity need. While the Projects will meet only a portion of SWEPCO's generation capacity need, the RFP bid analysis, as well as SWEPCO's IRP analysis demonstrate that the Projects are a part of a cost effective solution to meeting that need. Certification of the Projects at this time is needed to facilitate the financing and construction of the Projects soon enough to meet the near-term capacity need. The RFP process and the evaluation of the bids received are discussed further by SWEPCO witnesses Godfrey

and Martin. Additionally, the range of projected savings to SWEPCO customers from the Hallsville and Welsh Projects is discussed by witness DeCourcey of Charles River Associates (CRA).

Q. WHAT IS SWEPCO'S PROPOSAL FOR COST RECOVERY ASSOCIATED WITH THE PROPOSED CONSTRUCTION OF THE PROJECTS?

A. SWEPCO proposes to recover costs associated with the Projects through its RRR Rider. The RRR Rider was previously approved by the Commission in Order U-36385-A for generation cost recovery and as proposed, would allow for the recovery of generation investment effective on the date the power generation facility begins providing service to customers, subject to reconciliation in the utility's next comprehensive base rate case or FRP. SWEPCO witness Jacob Miller also discusses SWEPCO's cost recovery plan.

Q. WILL THE GRANTING OF THIS CERTIFICATION HAVE A NEGATIVE EFFECT ON SWEPCO AND ITS CUSTOMERS?

A. No. From an operational perspective, the Projects will allow SWEPCO to meet a portion of its generation capacity need and to continue to reliably serve its customers. In addition, as detailed by Company witness Noah Hollis, the construction of the Projects will be supportive of the Company's existing Moody's Baa2 credit rating, assuming timely recovery of the investment through rates. Thus, the effect of granting the Certification would be positive for the Company and for its customers.

Q. WILL GRANTING CERTIFICATION IMPROVE SERVICE?

A. Yes. Service will be maintained and improved because the natural gas Projects are needed to meet a portion of SWEPCO's capacity need and the SPP reserve margin

requirements. SPP reserve margin requirements are discussed further by SWEPCO witness Martin.

IX. REQUESTED COMMISSION FINDINGS

Q. PLEASE DISCUSS THE SPECIFIC RELIEF SWEPCO IS SEEKING IN ORDER TO MEET SWEPCO'S CAPACITY NEED WITH THE PROJECTS.

A. SWEPCO requests the Commission:

- Find that SWEPCO's construction of the Projects is necessary and in the public interest in accordance with the 1983 Certification Order;
- Find that SWEPCO fully complied with the MBM Order in conducting its RFP;
- Find that SWEPCO's RFP complied with the requirements of Order U-36385-A; and
- Approve SWEPCO's requested ratemaking treatments.

X. CONCLUSION

Q. PLEASE SUMMARIZE WHY THE COMMISSION SHOULD APPROVE SWEPCO'S CONSTRUCTION OF THE PROJECTS.

A. SWEPCO has a generation capacity need driven largely by the increased and likely increasing SPP PRM requirements. SWEPCO issued RFPs in accordance with the MBM Order and selected competitive bids received in the RFPs to meet a portion of its capacity need. The Company's RFP analysis demonstrates that the Projects are a cost-effective means of meeting a portion of that generation capacity need. Accordingly, SWEPCO respectfully requests approval of these natural gas Projects in accordance with the 1983 and MBM Orders, and for the recovery requested herein, as they are needed and in the public interest, and secure reliable, dispatchable generation

that maintains a diverse fuel mix and will provide substantial benefits to SWEPCO customers in Louisiana.

Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?

A. Yes, it does.

SPP

OUR GENERATIONAL CHALLENGE

Working together to mitigate unprecedented power grid risks

BALANCE

- SPP must continuously balance electricity supply and demand across 14 states.
- Together we must balance grid **reliability, environmental policies, and affordable** electric service.
- This balancing act is increasingly challenged by growing risks of inadequate electricity supply to meet growing demand.

SUPPLY

Excess generating capacity in SPP is shrinking to dangerously low levels.

As coal and gas generators are being retired, SPP increasingly depends on renewable energy, which is cleaner and lower cost but challenging due to its variability.

Emerging technologies can be helpful but need more investment and development to address today's challenges.

All generation types struggle to perform during extreme weather when demand is highest and human health and safety are at greatest risk.

We need significant amounts of new transmission and generation, which is costly and takes years to complete.

DEMAND

Our world is increasingly becoming electrified, and demand is rapidly rising across the U.S.

Demand in SPP could be 25% higher by 2030.

New sources of demand — data centers, crypto mining, oil and gas production, electric cars — consume tremendous energy.

Extreme weather events are more frequent and cause greater consumption during times of urgent need.

Winter and summer peak demands are growing at alarmingly high rates.

Our risks will increase exponentially if we don't take steps to address our generational challenge.

MEETING THE CHALLENGE

A concerted, collective effort will ensure a reliable energy future

To meet the supply and demand challenge, more transmission and generation must be built.

We can better manage demand with programs that allow consumers to make choices about electricity use.

We need a diverse generation portfolio to ensure a balance between reliability, affordability, and environmental policy.

Building out the grid will require continued investment from utilities and their customers.

OUR GOAL IS TO REDUCE THE AMOUNT OF TIME SPP IS UNDER GRID ALERTS

Normal Operations | Weather Advisory | Resource Advisory | Conservative Operations Advisory | Energy Emergency Alert Level 1 | Energy Emergency Alert Level 2 | Energy Emergency Alert Level 3 | Restoration Event

Between 2019 and 2023, the SPP region experienced 3,234 hours of grid advisories and alerts due to tight operating conditions.

Advisories raise awareness and do not require general audiences to take action. SPP member utilities should follow applicable procedures.

Energy Emergency Alerts indicate all available generators has been committed to meet region-wide demand. As conditions worsen, voluntary conservation or service interruptions may be necessary to prevent uncontrolled outages.

BE A PART OF THE SOLUTION

SPP has a responsibility to work with its members and regulators to assure adequate generation and transmission is being planned for the future. But we can't do it alone Here's how you can help:

- **STATE UTILITY COMMISSIONERS** are extremely important in developing responsible cost allocation and resource adequacy policies and in supporting prudent investments in infrastructure expansion.
- **FEDERAL REGULATORS & POLICYMAKERS** can approve regulations that facilitate reliability improvements and enact laws that promote reliability while balancing affordability and environmental goals. They can also support collaboration across multi-state regions.
- **UTILITIES & DEVELOPERS** can upgrade aging infrastructure and bring new generation and transmission to the grid.
- **REGIONAL TRANSMISSION ORGANIZATIONS** can work together to provide visionary leadership within our regions while working across our boundaries to exchange energy and collaborate on interregional projects.
- **CONSUMERS** can stay informed about and support utilities' efforts to build infrastructure needed to provide reliable and affordable electric service. They can participate in demand response and energy efficiency programs and voluntarily reduce consumption during emergencies.

STAY INFORMED

To stay informed about SPP's grid conditions, subscribe to email alerts, follow us on social media, or download the SPP Go mobile app. These alerts notify the public when we need them to reduce consumption to keep the lights on for everyone.

SPP.org/OurChallenge