

# LOUISIANA PUBLIC SERVICE COMMISSION

ORDER NUMBER U-35173

LOUISIANA PUBLIC SERVICE COMMISSION, EX PARTE

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*Docket No. U-35173, In re: Audit of Fuel Adjustment Clause Filings for Southwestern Electric Power Company for the period of January 2016 through December 2018.*

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(Decided at the February 24, 2021 Business and Executive Session.)

## **Overview**

This audit was initiated in May 2019, and after completion of Staff’s review and analysis of Southwestern Electric Power Company’s Fuel Adjustment Clause (“FAC”) filings, Staff filed its *Audit of Fuel Adjustment Clause Filings for Southwestern Electric Power Company for the Filing Period of January 2016 through December 2018* (“Audit Report”) on August 3, 2020. Subsequent to Staff filing its Audit Report, Southwestern Electric Power Company (“SWEPCO” or “Company”) filed correspondence into the record indicating its concurrence with the Audit Report, including its conclusions and recommendation, with a Joint Report and Draft Order being filed November 5<sup>th</sup>, 2020. After filing the Joint Report and Draft Order, it was brought to Staff’s attention that the findings of the audit report could potentially be relied on by SWEPCO, or other parties, for pending/upcoming dockets associated with the Dolet Hills Power Station. Dolet Hills is jointly owned by Cleco Power and SWEPCO, and the parties have filed a joint application to cease mining operations at the mines associated with Dolet Hills, and plan to file an application requesting to retire the Dolet Unit earlier than the agreed upon 2026.

Staff has worked with SWEPCO to agree to reservation language that would reserve the Commission’s right to review and determine the prudence of the operations and management of Dolet Hills Power Station, including the mining operations. The proposed language does not recommend any specific action or study be undertaken at this time, but merely reserves the Commission’s inherent rights to undertake any analysis of the management and operations of the Dolet Hills plant, the associated mines, and the decisions and actions of SWEPCO and Cleco Power. This Commission, having reviewed and considered the Joint Report submitted by Staff and SWEPCO finds said Joint Report to be acceptable and in accordance with the provisions of the Commission’s General Order dated November 6, 1997 in Docket No. U-21497, and agrees to the proposed agreed upon reservation language.

## **Jurisdiction**

The Commission exercises jurisdiction over public utilities in Louisiana pursuant to Article IV, Section 21(B) of the Louisiana Constitution, which states:

The commission shall regulate all common carriers and public utilities and have such other regulatory authority as provided by law. It shall adopt and enforce reasonable rules, regulations and procedures necessary for the discharge of its duties, and shall have other powers and perform other duties as provided by law.

Pursuant to that exercise of jurisdiction, the Commission issued the **General Order dated November 6, 1997** in Docket No. U-21497 regarding the treatment and allocation of fuel and purchased power costs. The General Order also specifies certain costs that may be included in an electric utility's FAC, as well as costs that must be excluded, and required periodic audits of a utility's FAC filings to ensure the utility is in fact complying with the requirements contained in the FAC General Order.

### ***Joint Report***

The Joint Report was filed November 6, 2020 providing notice to the Commission that there were no unresolved issues with Staff's Audit Report, and that the parties sought a Commission vote, and approval, on the Joint Report. Generally, the Joint Report indicated that overall SWEPCO's costs passed through its Fuel Adjustment Clause ("FAC") were reasonable, and were appropriate and eligible for recovery. Staff also found a small number of minor reporting errors and miscalculations including the use of an incorrect interest rate for several months and the failure to report significant increases in the monthly fuel adjustment factor. While these errors were noted by Staff to have caused an underpayment to customers, such underpayment was so minimal that it did not warrant a refund as it would cost the Company more to issue said refund than customers would receive as a credit to their bills. A copy of the Joint Report is attached hereto as Exhibit A.

### ***Commission Consideration***

This matter was considered at the Commission's February 24, 2021 Business and Executive Session. On motion of Vice Chairman Skrmetta seconded by Commissioner Francis, with Chairman Greene and Commissioner Campbell concurring and Commissioner Boissiere temporarily absent, the Commission voted to accept the Joint Report and Draft Order filed November 6, 2020, with a reservation indicating that nothing in this Order is intended to preclude, nor does it preclude, the right and authority of the Commission to review issues for October through December 2017 as well as 2018 related to the Dolet Hills Power Plant, including any issues related to the transition to seasonal operations, or otherwise concerning past, present and future investments, expenditures, cost recovery, and prudence associated with the Dolet Hills Power Plant.

### **THEREFORE, IT IS ORDERED:**

1. That the Joint Report submitted by Staff and SWEPCO is accepted by this Commission.
2. The costs passed through SWEPCO's FAC were prudent.
3. The costs were appropriate and eligible for recovery through the FAC consistent with the Commission General Order dated November 6, 1997 and sound ratemaking principles.
4. The costs passed through SWEPCO's FAC produced just and reasonable rates.
5. The costs passed through the FAC were necessary for the provision of electric service to Louisiana ratepayers.

6. SWEPCO shall make certain in future filings that it is following its managerial prudence review process for ensuring that the FAC filings are accurate prior to submission to the Commission.
7. SWEPCO shall develop and maintain written policies and procedures for compiling the monthly FAC reports to ensure the accuracy of the data reported, pursuant to the requirements of Commission Order U-34110.
8. In future filings, SWEPCO shall ensure that it is utilizing the prime interest rate as of the last business day of the operations month in order to comply with the 1997 FAC General Order.
9. In future filings, SWEPCO shall provide with its monthly FAC Reports, a brief summary of any significant events that would have an extraordinary impact on the cost of fuel during that month.
10. Nothing in this Order is intended to preclude, nor does it preclude, the right and authority of the Commission to review issues for October through December 2017 as well as 2018 related to the Dolet Hills Power Plant, including any issues related to the transition to seasonal operations, or otherwise concerning past, present and future investments, expenditures, cost recovery, and prudence associated with the Dolet Hills Power Plant. Such issues may be considered in any other docket initiated at the Commission for the consideration of these issues.

This Order is effective immediately.

**BY ORDER OF THE COMMISSION**  
**BATON ROUGE, LOUISIANA**  
March 9, 2021



A handwritten signature in blue ink, appearing to read "Brandon M. Frey".

**BRANDON M. FREY**  
**SECRETARY**

/S/ CRAIG GREENE  
**DISTRICT II**  
**CHAIRMAN CRAIG GREENE**

/S/ ERIC F. SKRMETTA  
**DISTRICT I**  
**VICE CHAIRMAN ERIC F. SKRMETTA**

/S/ FOSTER L. CAMPBELL  
**DISTRICT V**  
**COMMISSIONER FOSTER L. CAMPBELL**

/S/ LAMBERT C. BOISSIERE, III  
**DISTRICT III**  
**COMMISSIONER LAMBERT C. BOISSIERE, III**

/S/ MIKE FRANCIS  
**DISTRICT IV**  
**COMMISSIONER MIKE FRANCIS**



# Louisiana Public Service Commission

POST OFFICE BOX 91154  
BATON ROUGE, LOUISIANA 70821-9154  
[www.lpsc.louisiana.gov](http://www.lpsc.louisiana.gov)

## COMMISSIONERS

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Craig Greene, Vice Chairman  
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Eric F. Skrmata  
District I

Telephone: (225) 342-9888

November 6, 2020

BRANDON M. FREY  
Executive Secretary

KATHRYN H. BOMWMAN  
Executive Counsel

JOHNNY E. SNELGROVE, JR.  
Deputy Undersecretary

### VIA HAND DELIVERY

Ms. Terri Bordelon  
Louisiana Public Service Commission  
Records and Recordings  
602 N. Fifth St.  
Galvez Bldg, 12th Fl.  
Baton Rouge, LA 70802

**Re: Docket No. U-35173, Louisiana Public Service Commission, ex parte. In re: Audit of Fuel Adjustment Clause Filings for Southwestern Electric Power Company for the period of January 2016 through December 2018.**

Dear Ms. Bordelon:

Enclosed for filing is a *Joint Report and Draft Order*, which resolves all issues in the above referenced docket. This matter is anticipated to be placed on the Commission's November 13, 2020 B&E agenda for consideration.

Please do not hesitate to contact me if you have any questions concerning this filing.

Very Truly Yours,

Kathryn H. Bowman

2020 NOV -6 AM 8:13  
LA PUBLIC SERVICE  
COMMISSION

/h

Enclosures

cc: Service List (via electronic mail)

Order No. U-35173-ATTACHMENT A

**BEFORE THE  
LOUISIANA PUBLIC SERVICE COMMISSION**

**LOUISIANA PUBLIC SERVICE COMMISSION, EX PARTE.**

**DOCKET NO. U-35173**

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*In re: Audit of Fuel Adjustment Clause Filings for Southwestern Electric Power Company for the period of January 2016 through December 2018.*

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**JOINT REPORT AND DRAFT ORDER ON STAFF'S AUDIT REPORT OF FUEL  
ADJUSTMENT CLAUSE FILINGS FOR SOUTHWESTERN ELECTRIC POWER  
COMPANY FOR THE PERIOD OF JANUARY 2016 THROUGH DECEMBER 2018**

The Louisiana Public Service Commission Staff ("Staff") and Southwestern Electric Power Company ("SWEPCO" or the "Company") respectfully submit this Joint Report on Staff's Audit Report for SWEPCO's Fuel Adjustment Clause ("FAC") for the operating months from January 2016 through December 2018 ("Audit Report") and to advise the Louisiana Public Service Commission ("LPSC" or "Commission") of the resolution of the same. Staff's Audit Report, filed on August 3, 2020, reached four conclusions and made four recommendations. On October 15, 2020, SWEPCO filed its concurrence with Staff's Audit Report, including all recommendations. Therefore, being that there are no unresolved issues in this proceeding, SWEPCO and Staff request that the Commission adopt the proposed Draft Order<sup>1</sup> accepting this Joint Report at its November 13, 2020 Business and Executive Session.

**HISTORICAL BACKGROUND OF FUEL ADJUSTMENT CLAUSE FILINGS**

The Commission issued the General Order dated November 6, 1997 in Docket No. U-21497 (the "FAC General Order") regarding the treatment and allocation of fuel and purchased power costs. The FAC General Order specifies certain costs that may be included in an electric utility's FAC, as well as costs that must be excluded. The FAC General Order also requires periodic audits of a utility's FAC filings to ensure the utility is in fact complying with the requirements contained in said Order. At its June 19, 2019 Business and Executive Session, the Commission voted to retain Resolved Energy Consulting, LLC. to assist Staff with the periodic audit of SWEPCO for the operating months of January 2016 through December 2018 ("Audit

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<sup>1</sup> The proposed Draft Order No. U-35173 is attached hereto as Exhibit B.

Period”). After completion of the Audit, Staff filed its Audit Report on August 3, 2020.<sup>2</sup> Notice of the Audit Report was published in the Commission’s Official Bulletin dated August 21, 2020 for a 25-day period of intervention with no protests or interventions being received.

### **STAFF’S AUDIT REPORT**

Staff issued five rounds of discovery to the Company as well as conducted additional extensive reviews based on independent, third party information and operational data. The scope of Staff’s audit included a review of SWEPCO’s portfolio of available and used energy resources and the Company’s compliance with the Commission’s FAC General Order. Based on this review and the audit conducted, Staff made four recommendations:

1. SWEPCO shall make certain in future filings that it is following its managerial prudence review process for ensuring that the FAC filings are accurate prior to submission to the Commission.
2. SWEPCO shall maintain written policies and procedures for compiling the monthly FAC reports to ensure the accuracy of the data reported. As Commission Order No. U-34110 requires SWEPCO to prepare and submit a practices and procedures manual for preparing and filing FAC monthly reports, this issue should be rectified in future FAC filings going forward.
3. In future filings, SWEPCO shall ensure that it is utilizing the prime interest rate as of the last business day of the operations month in order to comply with the 1997 FAC General Order.
4. SWEPCO, in future filings, shall provide with its monthly FAC Reports, a brief summary of any significant events, such as fuel curtailments, plant interruptions, new contracts, or other events that would have an extraordinary impact on the cost of fuel during that month.

Taking into account the above recommendations, Staff also found that:

1. The costs passed through SWEPCO’s FAC were prudent;
2. The costs were appropriate and eligible for recovery through the FAC consistent with the Commission General Order dated November 6, 1997 and sound ratemaking principles;
3. The costs passed through SWEPCO’s FAC produced just and reasonable rates; and
4. The costs passed through the FAC were necessary for the provision of electric service to Louisiana ratepayers.

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<sup>2</sup> The public version of Staff’s Audit Report is attached hereto as Exhibit A.

WHEREFORE, as there are no unresolved issues, Staff and SWEPCO respectfully request that the Commission issue an Order: (i) accepting this Joint Report; (ii) finding the costs passed through SWEPCO's FAC were prudent; (iii) finding the costs were appropriate and eligible for recovery through the FAC consistent with the Commission General Order dated November 6, 1997; (iv) finding the costs passed through SWEPCO's FAC produced just and reasonable rates; (v) finding the costs passed through the FAC were necessary for the provision of electric service to Louisiana ratepayers; (vi) requiring SWEPCO to ensure that it is following its managerial prudence review process for ensuring the FAC filings are accurate prior to submission to the Commission; (vii) requiring SWEPCO to ensure that it is using the prime interest rate as of the last business day of the operations month in order to comply with the 1997 General Order; (viii) requiring SWEPCO, in future filings, to provide with its monthly FAC Reports a brief summary of any significant events that would have an extraordinary impact on the cost of fuel during that month. A proposed Draft Order is attached hereto as Exhibit B.

Respectfully Submitted,

---

**Kathryn Bowman** (No. 31628 )  
**Theron Levi** (No. 37772)  
Louisiana Public Service Commission  
602 N. Fifth Street, Galvez Bldg.  
12<sup>th</sup> Floor  
Baton Rouge, Louisiana 70802  
Ph: (225) 342-9888  
[theron.levi2@la.gov](mailto:theron.levi2@la.gov)  
*Counsel for LPSC Staff*



---

**Bobby Gilliam** (No. 6227 )  
**Jonathan McCartney** (No. 31508 )  
Wilkinson, Carmody & Gilliam  
400 Travis Street, Suite 1700  
Shreveport, Louisiana 71101  
Ph: (318) 221-4196  
[jmccartney@wcglawfirm.com](mailto:jmccartney@wcglawfirm.com)  
[bgilliam@wcglawfirm.com](mailto:bgilliam@wcglawfirm.com)  
*Counsel for SWEPCO*

### **CERTIFICATE OF SERVICE**

I hereby certify that a copy of the above and foregoing has been served on all parties of record to this proceeding via facsimile, electronic mail, or United States mail, postage properly prepaid, this 6th day of November, 2020.



---

**KATHRYN H. BOWMAN**

# Louisiana Public Service Commission



POST OFFICE BOX 91154  
BATON ROUGE, LOUISIANA 70821-9154  
[www.lpsc.louisiana.gov](http://www.lpsc.louisiana.gov)

Telephone: (225) 342-9888

## COMMISSIONERS

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District III  
Eric F. Skrmetta  
District I

BRANDON M. FREY  
Executive Secretary

KATHRYN H. BOWMAN  
Executive Counsel

August 3, 2020

JOHNNY E. SNELGROVE, JR.  
Deputy Undersecretary

### *Via Hand Delivery*

Ms. Terri Bordelon  
Louisiana Public Service Commission  
Records and Recordings  
602 N. Fifth Street  
Galvez Bldg., 12<sup>th</sup> Floor  
Baton Rouge, LA 70802

# RECEIVED

AUG - 3 2020

LA Public Service Commission

**Re: Docket No. X-35173, Louisiana Public Service Commission, ex parte., In re: Audit of Fuel Adjustment Clause Filings for Southwestern Electric Power Company for the period of January 2016 through December 2018.**

Ms. Bordelon:

Enclosed for filing is *Staff's Audit Report* in the above referenced docket. Please note that there exists both a Public and Confidential version of this filing. Please adhere to Commission Rule 12.1 for the Confidential version.

Please do not hesitate to contact me if you have any questions concerning this filing.

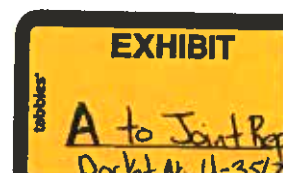
Very kindly,

**Theron Levi**  
Staff Attorney

/tl

Enclosures

cc: Service List (via email)



**RECEIVED**

**AUG -3 2020**

**REPORT TO THE  
LOUISIANA PUBLIC SERVICE COMMISSION**

LA Public Service Commission

**AUDIT OF  
FUEL ADJUSTMENT CLAUSE FILINGS  
FOR  
SOUTHWESTERN ELECTRIC POWER COMPANY**

**For the Filing Period of January 2016 through December 2018**

**DOCKET NO. X-35173**

**PUBLIC VERSION**

**CONDUCTED ON BEHALF OF THE  
LOUISIANA PUBLIC SERVICE COMMISSION  
BY  
RESOLVED ENERGY CONSULTING, LLC**

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## I. INTRODUCTION

Pursuant to the Louisiana Public Service Commission's ("LPSC" or "Commission") General Order regarding the treatment and allocation of fuel and purchased power costs (Docket No. U-21497) ("1997 FAC General Order"), ReSolved Energy Consulting, LLC ("REC") was retained to assist the Commission Staff (collectively hereinafter "Staff") in conducting an audit of Southwestern Electric Power Company's ("SWEPCO" or "Company") fuel and purchased power costs for the calendar years 2016 through 2018. This report contains the findings and recommendations of this audit.

The purpose of the audit was to determine the following:

1. Whether the costs passed through SWEPCO's fuel adjustment clause ("FAC") were prudent;
2. Whether the costs were appropriate and eligible for recovery through the FAC consistent with the Commission General Order dated November 6, 1997 and with sound ratemaking principles;
3. Whether the costs passed through SWEPCO's FAC produced just and reasonable rates; and
4. Whether the costs passed through the FAC were necessary for the provision of electric service to Louisiana ratepayers.

Over the course of the audit, Staff issued five rounds of data requests to SWEPCO requesting copies of the Company's detailed FAC filings and information regarding its fuel and purchased power costs by source, forced outage reports, and fuel contracts. Staff also reviewed recent LPSC Orders that impacted the level of costs that SWEPCO was allowed to flow through its FAC. Order No. U-32220-A approved the amount of the Service Quality Improvement Plan ("SQUIP") allowed to be recovered incrementally through the FAC. Order No. U-32220 approves

the costs to close the Pirkey Mine be included in the FAC. Order No. U-34354 provided SWEPCO the means to procure long-term natural gas contracts to secure price stability. Based on the audit, Staff reached the following finding and conclusions:

1. Reporting errors were discovered within the worksheets used to create the FAC filings resulting in an incorrect over-recovered balance of \$1,330,856 being reported for August 2016. The correct amount is \$1,327,867; a difference of \$2,989.
2. Interest rates used for a few months during the period January 2016 through June 2017 were incorrect. Correcting the interest rates results in \$378 of non-compounded interest that was underpaid to customers.
3. The Company failed to report with their filings when the monthly fuel adjustment factor increased more than 10% from the prior monthly factor as required by the FAC General Order.
4. SWEPCO provided adequate documentation of its decision to enter to various fuel supply and transportation agreements during the review period, and Staff found these agreements to be reasonable.

As a result of the audit findings, Staff recommends the following:

1. The corrected additional over-recovery balance of \$2,989 is minimal and does not warrant a refund because it would likely cost SWEPCO more to issue the refund than the customers would receive back on their bills; therefore, no adjustment is needed. Going forward, however, the Company should ensure that they are following their managerial review process for ensuring the FAC filings are accurate prior to submission to the Commission.
2. Other errors were found in the monthly filings that did not have an impact on the recovered balances but were the result of timing issues. SWEPCO should have clear written policies and procedures for compiling the monthly FAC reports to ensure the accuracy of the data reported. This issue should be rectified in future FAC filings as Commission Order U-34110 requires SWEPCO to prepare and submit a practices and procedures manual for preparing and filing FAC monthly reports.
3. Correcting the interest rate for the period January 2016 through June 2017 results in \$378 of non-compounded interest that was underpaid to customers. This amount is minimal therefore no adjustment is needed. In future filings, however, the Company should ensure it is utilizing the prime rate as of the last business day of the operations month in order to comply with the 1997 FAC General Order.
4. Going forward, SWEPCO should provide with its monthly FAC Reports a brief summary of any significant events, such as fuel curtailments, plant interruptions, new contracts, or other events that would have an extraordinary impact on the cost of fuel during that month. Such a summary would help Staff identify issues to be evaluated in subsequent fuel audits.

## II. OVERVIEW OF SWEPCO'S SYSTEM

SWEPCO serves approximately 535,000 customers in northwestern and central Louisiana, western Arkansas, East Texas and the Panhandle area of North Texas. SWEPCO is part of the American Electric Power System, one of the largest electric utilities in the United States, delivering electricity to over five million customers in eleven states. SWEPCO is headquartered in Shreveport, Louisiana.<sup>1</sup>

SWEPCO utilizes both generating resources and limited amounts of purchased power to meet its customers' power requirements. During the audit period, there were eleven power plants on SWEPCO's system, although the majority of SWEPCO's power is generated from its five solid-fuel (coal and lignite) plants. For their power purchases, SWEPCO is a member of the Southwestern Power Pool ("SPP") and procured the bulk of their purchased power from the SPP integrated power market during the audit period. In addition, the Company also had purchased power agreements with Cleco Power LLC ("Cleco") and three wind power vendors. Table 1 identifies SWEPCO's peak demand, total power supply (i.e. owned generation plus purchased power), and sales during the audit period.

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<sup>1</sup> <https://www.swepco.com/info/facts/>

<b>Table 1</b> <b>Southwestern Electric Power Company</b> <b>Selected Audit Period Statistics<sup>(a)</sup></b>			
	<b>2016</b>	<b>2017</b>	<b>2018</b>
<b>Peak Demand (MW)</b>	4,921	4,768	4,834
<b>Total Power Supply (MWh)</b>	26,848,005	27,021,512	26,364,762
<b>Sales By Type (MWh)</b>			
Retail	17,367,002	17,147,210	17,944,844
Requirement Sales for Resale <sup>(b)</sup>	6,081,685	5,830,999	5,277,247
Non-Requirement Sales for Resale <sup>(c)</sup>	2,720,839	3,278,825	2,571,886
<b>Total Sales</b>	<b>26,169,526</b>	<b>26,257,034</b>	<b>25,793,977</b>
<b>Notes:</b> (a) Per FERC Form 1. (b) Requirement sales for resale is service which SWEPCO plans to provide on an ongoing basis. SWEPCO includes projected load for this service in its system resource planning. During the audit period SWEPCO had the following wholesale requirements customers: City of Bentonville, Arkansas; City of Hope, Arkansas; City of Minden, Louisiana; City of Prescott, Arkansas; East Texas Electric Cooperative; Northeast Texas Electric Cooperative; Rayburn Country Electric Cooperative; Tex-La of Texas Electric Cooperative. (c) Non-requirement sales for resale include other wholesale sales not classified as requirement sales.			

### III. COMPLIANCE WITH LPSC 1997 FAC GENERAL ORDER

The Commission's 1997 FAC General Order provides the utility an opportunity to recover actual fuel and generation dependent costs on a monthly basis. The Order specifies costs that may be included in an electric utility's FAC as well as costs that must be excluded. Costs that may be included are:

- Direct cost of fuel purchased from a non-affiliated party.
- Direct cost of fuel purchased from an affiliated party at the lower of cost or market.
- Cost of fuel treatment.
- Cost of transportation by a non-affiliated party.
- Cost of transportation by an affiliated party at the lower of cost or market.
- Cost of emission reagents.
- Nuclear fuel amortization expense.
- Cost of nuclear fuel amortization expense dependent on burn.
- Interest expense on leased nuclear fuel.
- Cost of emergency and economy purchased power.

- Energy-only cost of other purchased power.
- Revenue from emergency and economy sales.
- Energy revenues from firm sales, excluding demand, capacity, and facilities charges.

The specific costs that must be excluded from recovery through the FAC are:

- Non-fuel operations and maintenance (“O&M”) expenses.
- Procurement costs.
- Fuel handling and testing costs.
- Cost (net of revenues) of byproduct disposal.
- Property taxes including ad valorem taxes.
- Depreciation and amortization costs.
- Lease expenses.
- Interest expenses and/or carrying charges on capital investments and inventories.
- Purchased power demand, capacity, or facilities charges.
- Costs of and revenues from transmission for affiliated parties.
- Firm sales revenues for demands, capacity, or facilities.

Staff tested fifteen months of the thirty-six-month audit period, or 42 percent, by reviewing the spreadsheets relied upon by SWEPCO to develop its FAC filings in addition to requesting data on any prior audit findings. Staff reconciled the monthly summary data within the FAC filings to the detailed reports for fuel costs, purchased power costs, and economy sales to ensure accuracy of the monthly filings. A few errors were found within the spreadsheets during the audit period; however, some errors did not have an impact on the monthly factor filings and ones that did were insignificant amounts.

### ***Staff Recommendation 1: Reporting Errors***

Staff’s review identified a few reporting errors in the input data within the worksheets used to create the monthly FAC filings. Two errors were found in the 2016 worksheet that had an immaterial impact on the monthly factor report. The errors resulted in an incorrect over-recovery balance of \$1,330,856 being reported for 2016. The correct amount is \$1,327,867; a difference of

\$2,989. This amount is immaterial and therefore Staff is not recommending a refund to customers, however, Staff does recommend the Company ensure that its managerial review process<sup>2</sup> for the FAC filings is being followed prior to submission of the reports to the Commission.

One error was found in the 2018 FAC worksheet that did not have an impact on the monthly FAC filings. The Company states the error was due to a reclassification entry that was performed after the query used to create the FAC filing was run for that month. Again, Staff recommends the Company complete a review of the FAC filings before the filings are submitted to the Commission.

In addition, Staff also noted that SWEPCO does not have any written formal policies and procedures in place for preparation of the FAC filings. This issue should be rectified in future FAC filings as Commission Order U-34110 requires SWEPCO to prepare and submit a practices and procedures manual for preparing and filing FAC monthly reports. This Order was entered into after the current FAC audit was filed but will be effective for subsequent filings. This will help ensure the reported data is accurate and consistent and provide a useful “roadmap” for Staff in its review of the FAC filings.

### ***Staff Recommendation 2: Interest Rate Errors***

The 1997 FAC General Order requires the prime interest rate on the last business day of the month be utilized for monthly interest computations. Staff reviewed the interest calculations on cumulative over- or under-recoveries of costs for each month and determined that the Company used the incorrect interest rate for four months during the audit period. For the year 2018, the prime interest rates used in the calculations were accurate. The impact of the interest calculation errors equates to \$378 of non-compounded interest being underpaid to customers. This underpaid

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<sup>2</sup> See response to Staff DR No. 3-3.

amount is immaterial and should not be required to be refunded to customers. The Company should make sure it is utilizing the prime rate as of the last business day of the operations month in order to comply with the 1997 FAC General Order. A set of written policies and procedures, as discussed above in Staff Recommendation 1, will also help ensure that the correct interest rate is being used for the monthly interest calculation.

### ***Staff Recommendation 3: Monthly Factor Increase Reporting***

If a monthly fuel adjustment factor increases by more than 10% from the prior monthly factor the FAC General Order requires the utility to submit an affidavit providing notice of the increase with the monthly FAC filing and supply supporting documentation. SWEPCO did not provide notice for the four months that had more than a 10% increase during the audit period. The Company should provide notice, and supporting documentation, in future instances in order to comply with the FAC General Order, and the notice process should be made part of the recommended policies and procedures manual.

## **IV. SWEPCO COST OF FUEL**

For its owned generation, SWEPCO utilizes natural gas, coal and lignite as primary fuel sources. Table 2 summarizes the Company's owned generating plants and the nameplate ("MW") rating during the audit period. Total name plate capacity for SWEPCO's generating units was 5,613 MW during the audit period.

<b>Table 2</b> <b>Southwestern Electric Power Company</b> <b>Owned Capacity Resources as of December 31, 2018</b>				
<b>Unit</b>	<b>Name Plate Capacity (MW)</b>	<b>Net Capacity (MW)</b>	<b>Primary Fuel</b>	<b>Generation Type</b>
Arsenal Hill <sup>(a)</sup>	738	684	Gas	Steam
Lieberman	277	192	Gas	Steam
Knox Lee	500	342	Gas	Steam
Wilkes	882	822	Gas	Steam
Lone Star	50	50	Gas	Steam
Welsh	1,114	1,047	Coal	Steam
Flint Creek <sup>(b)</sup>	279	264	Coal	Steam
Turk <sup>(c)</sup>	524	478	Coal	Steam
Pirkey <sup>(d)</sup>	619	587	Lignite	Steam
Dolet Hills <sup>(e)</sup>	290	257	Lignite	Steam
Mattison	340	364	Gas	Gas Turbine
<b>Total Capacity</b>	<b>5,613</b>	<b>5,087</b>		
<b>Notes:</b> (a) Includes Arsenal Hill Unit 6 the J. Lamar Stall unit. (b) Reflects SWEPCO's 50% ownership share in the capacity of Flint Creek. (c) Reflects SWEPCO's 73.33% ownership share in Turk. (d) Reflects SWEPCO's 85.936% ownership share in Pirkey. (e) Reflects SWEPCO's 40.234% ownership share in Dolet Hills. <b>Source:</b> FERC Form 1				

SWEPCO generated approximately 80 percent of its power supply from its own units between January 2016 and December 2018. Table 3 summarizes the amount of generation by station during the same period based on the monthly Fuel Cost Reports ("FCR").

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<b>Table 3</b> <b>Southwestern Electric Power Company</b> <b>Generating Unit Production</b> <b>(MWh)</b>				
Unit	2016	2017	2018 <sup>(a)</sup>	Total
<b>Natural Gas</b>				
Arsenal Hill	30,810	24,625	23,793	79,228
Lieberman	56,817	35,012	59,424	151,253
Knox Lee	136,800	51,891	132,383	321,074
Wilkes	576,485	434,630	485,109	1,496,224
Lone Star	8,530	1,131	8,204	17,865
Mattison	117,271	49,644	39,128	206,043
Stall	3,559,317	2,885,511	2,505,463	8,950,291
<b>Coal</b>				
Welsh	4,489,529	5,582,253	4,293,574	14,365,356
Flint Creek	1,035,145	1,391,373	956,254	3,382,772
Turk	2,808,815	3,320,945	2,460,509	8,590,269
<b>Lignite</b>				
Pirkey	4,373,477	3,691,377	3,442,141	11,506,995
Dolet Hills	1,389,838	795,019	496,345	2,681,202
<b>Total</b>	<b>18,582,834</b>	<b>18,263,411</b>	<b>14,902,327</b>	<b>51,748,572</b>
Notes:				
(a) Data for 2018 is through October 2018.				

SWEPCO generated 51,748,572 MWhs during the three- year audit period from its fossil fuel fired steam plants. A portion of the Company's power requirements were also purchased during that time. Table 4 below provides a summary of the percentage of generation and costs by fuel type and Table 5 summarizes the total fuel and purchased power costs incurred during the audit period.

<b>Table 4</b> <b>Southwestern Electric Power Company</b> <b>Summary of Owned Generation and Costs During Audit Period 2016 through 2018</b> <b>(\$ per MWh)</b>										
Year	Natural Gas		Oil		Coal		Lignite		Total	
	Cost	Percent	Cost	Percent	Cost	Percent	Cost	Percent	Cost	Percent
2016	\$26.17	24.2%	\$131.33	0.1%	\$21.14	44.7%	\$38.16	30.9%	\$27.73	100.0%
2017	\$31.74	19.2%	\$101.42	0.1%	\$21.68	56.2%	\$34.98	24.5%	\$26.94	100.0%
2018 <sup>(a)</sup>	\$31.85	22.0%	\$129.58	0.1%	\$21.07	51.6%	\$41.41	26.3%	\$28.88	100.0%
Average	\$29.55	21.8%	\$119.64	0.1%	\$21.33	50.8%	\$38.05	27.3%	\$27.78	100.0%
Notes: (a) Data for 2018 is through October 2018.										

<b>Table 5</b> <b>Southwestern Electric Power Company</b> <b>Summary of Fuel Costs During Audit Period 2016 through 2018</b> <b>(\$)</b>						
Year	Natural Gas	Oil	Coal	Lignite	Purchased Power	Total
2016	\$ 117,911,083	\$ 2,346,968	\$ 175,626,245	\$ 219,428,547	\$ 204,314,799	\$ 719,627,641
2017	\$ 111,067,964	\$ 1,827,995	\$ 222,714,369	\$ 156,474,901	\$ 245,154,337	\$ 737,239,565
2018 <sup>(a)</sup>	\$ 104,338,516	\$ 1,558,932	\$ 162,090,469	\$ 162,357,891	\$ 282,649,318	\$ 712,995,126
Total	\$ 333,317,563	\$ 5,733,895	\$ 560,431,082	\$ 538,261,339	\$ 732,118,454	\$ 2,169,862,332
Notes: (a) Data for 2018 is through October 2018.						

Total fuel costs were \$2.2 billion, with about half of those costs being coal production (25.8%) and lignite production (24.8%). Purchased power made up approximately one-third (33.7%) of costs with natural gas being less than a quarter of costs (15.4%). Oil production made up a small fraction of costs (0.3%)

Table 6 provides a summary of SWEPCO's fuel purchases, by type, from 2016 through 2018. The following sections will discuss the costs for three main fuel types that SWEPCO utilizes: natural gas, coal, and lignite.

<b>Table 6</b> <b>Southwestern Electric Power Company</b> <b>Summary of Audit Period Fuel Purchases</b> <b>(MMBtu)</b>									
Year	Natural Gas		Oil		Coal		Lignite		Total
	Quantity	Price	Quantity	Price	Quantity	Price	Quantity	Price	Quantity Price
2016	36,682,804	\$3.21	196,872	\$11.92	82,790,460	\$2.12	61,542,787	\$3.57	181,212,922 \$2.84
2017	28,505,049	\$3.90	198,759	\$9.20	105,474,924	\$2.11	47,683,207	\$3.28	181,861,939 \$2.71
2018 <sup>(a)</sup>	27,376,053	\$3.81	132,399	\$11.77	79,933,789	\$2.03	38,359,714	\$4.23	145,801,955 \$2.95
Average	30,854,635	\$3.64	176,010	\$10.96	89,399,724	\$2.09	49,195,236	\$3.69	169,625,606 \$2.83
Notes: (a) Data for 2018 is through October 2018.									

### **Cost of Natural Gas**

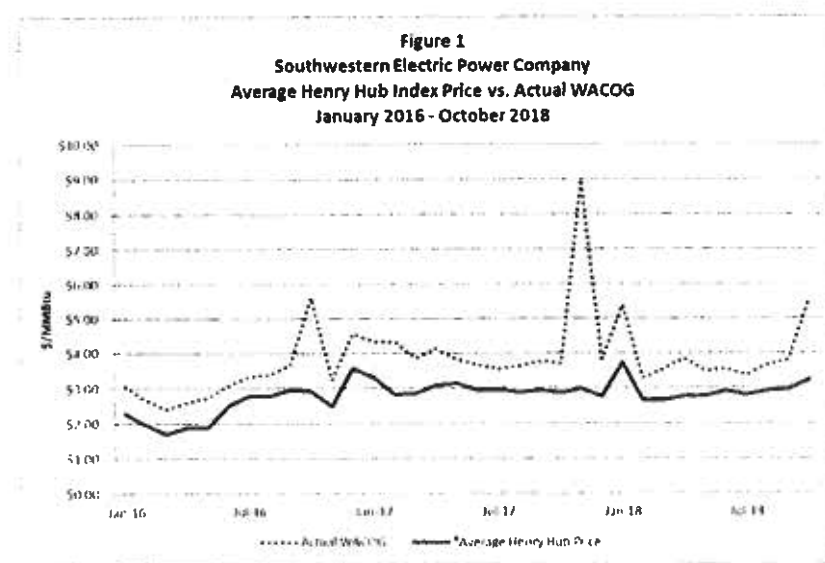
During the audit period, SWEPCO's generation from its coal and lignite stations provided the base load capability. The natural gas generation units were used, only if required to provide any remaining base load requirements, meet peak demands, replace coal and lignite capacity during scheduled or forced outages, follow daily and hourly load swings, and for voltage support.

SWEPCO does not utilize any long-term firm natural gas supply contracts because of the unpredictable use of natural gas throughout annual operations. Instead the Company relies on purchasing natural gas when needed on a monthly basis using spot market indices for pricing. A summary of the annual gas purchases, by plant, is shown in Table 7.

<b>Table 7</b> <b>Southwestern Electric Power Company</b> <b>Summary of Audit Period Natural Gas Purchases</b> <b>(MMBtu)</b>								
Year	Arsenal Hill		Lieberman		Knox Lee		Wilkes	
	Quantity	Price	Quantity	Price	Quantity	Price	Quantity	Price
2016	410,341	\$3.00	615,361	\$3.51	1,714,347	\$3.01	6,808,467	\$2.96
2017	316,779	\$3.06	466,840	\$3.09	641,152	\$3.17	5,257,545	\$3.32
2018 <sup>(a)</sup>	304,022	\$3.25	633,663	\$3.71	1,590,215	\$3.39	5,741,260	\$3.43
Year	Lone Star		Mattison		Stall		Turk	
	Quantity	Price	Quantity	Price	Quantity	Price	Quantity	Price
2016	127,696	\$8.01	1,423,105	\$10.61	25,379,282	\$2.88	68,169	\$2.99
2017	16,811	\$3.40	609,536	\$31.41	20,970,281	\$3.30	33,778	\$4.01
2018 <sup>(a)</sup>	82,153	\$3.49	472,124	\$30.96	18,154,523	\$3.27	66,873	\$5.91
Year	Pirkey		Dolet Hills				Total	
	Quantity	Price	Quantity	Price			Quantity	Price
2016	63,343	\$2.52	72,692	\$2.96			36,682,804	\$3.21
2017	97,530	\$3.30	94,798	\$3.59			28,505,049	\$3.90
2018 <sup>(a)</sup>	58,296	\$3.23	272,924	\$3.83			27,376,053	\$3.81

Notes: (a) Data for 2018 is through October 2018.

Staff compared SWEPCO's purchased cost of gas per MMBtu to the monthly average of Henry Hub gas prices for the same months to determine the reasonableness of their cost of fuel for the gas-fired generating units during the audit years of 2016 through 2018. Henry Hub is an appropriate index price because it is the most active of the gas market price indices, corresponds to the New York Mercantile Exchange ("NYMEX") pricing point for natural gas futures trading, and is the index most often used in natural gas contract pricing. Figure 1 shows SWEPCO's weighted average cost of gas compared to the Henry Hub spot midpoint average for each month in the audit period.



The results of the data in Figure 1 show that the Company's cost of gas closely tracked the Henry Hub average during the audit period, after counting for the additional cost of delivery to SWEPCO's plants. The significant spike in the weighted average cost of gas ("WACOG") purchased in November 2017 is primarily the result of the Stall plant being down for maintenance during the month, yet the plant still incurred natural gas transportation fixed charges. The plant returned to service in December 2017 and prices returned to normal. Otherwise, the costs were found to be within a reasonable range given that the costs tracked market prices.

### **Cost of Coal**

Table 8 summarizes the coal purchases during the audit period. SWEPCO relies mainly on spot market purchases to procure most of its coal. Coal is transported via rail transportation primarily from the Powder River Basin ("PRB") area of Wyoming, a distance of more than 1,000 miles.

Year	Welsh Quantity	Welsh Price	Flint Creek Quantity	Flint Creek Price	Turk Quantity	Turk Price	Total Quantity	Total Price
2016	46,050,887	\$2.16	11,023,102	\$1.78	25,716,471	\$2.20	82,790,460	\$2.12
2017	60,320,480	\$2.22	14,987,327	\$1.73	30,167,117	\$2.08	105,474,924	\$2.11
2018 <sup>(a)</sup>	47,379,066	\$2.07	10,184,514	\$1.77	22,370,209	\$2.05	79,933,789	\$2.03

Notes: (a) Data for 2018 is through October 2018.

Staff compared the cost of coal delivered to SWEPCO's Welsh, Flint Creek and Turk plants to the average cost of coal-fired plants in the West South Central ("WSC") region (Louisiana, Arkansas, Oklahoma and Texas), using publicly available FERC data.<sup>3</sup> Figure 3 presents this comparison.

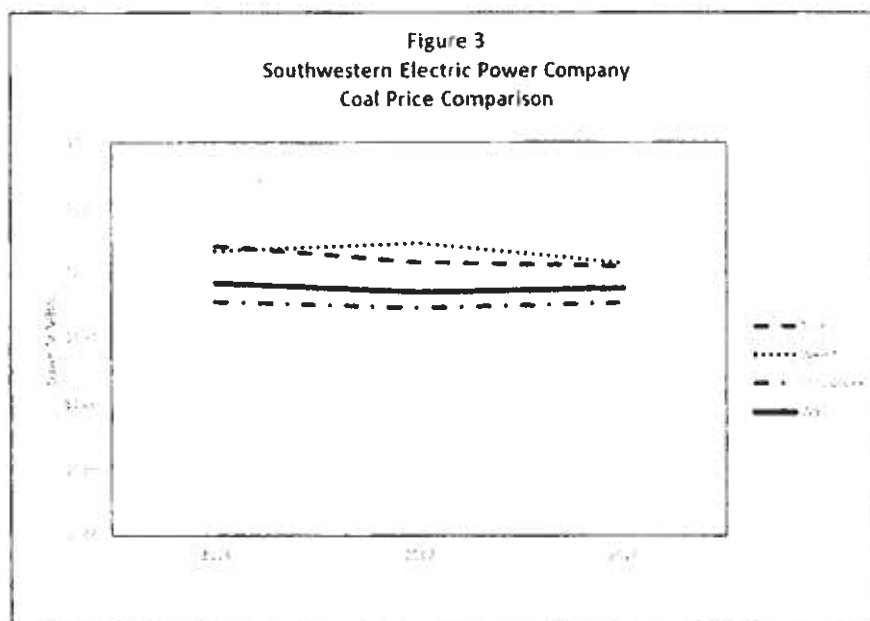


Figure 3 shows that the average cost of coal for SWEPCO's plants were in the range of the average cost of coal for the WSC region during the audit period and were reasonable. As the coal is primarily purchased on the spot market, the differences from the average market prices can be attributed to differences in transportation costs due to distance of the plants from the supply source.

<sup>3</sup> <https://www.eia.gov/coal/data/browser/>

## Cost of Lignite

Both the lignite-fueled generating units are jointly-owned by SWEPCO and other utilities. The Pirkey plant is operated by SWEPCO and is jointly owned by SWEPCO, Northeast Texas Electric Cooperative, Inc. ("NTEC") and Oklahoma Municipal Public Authority ("OMPA"). The Dolet Hills Power Station ("Dolet Hills") is owned by SWEPCO, NTEC, OMPA and CLECO, with CLECO operating the generating station.

Lignite-fired power plants typically operate under a "mine mouth" arrangement, whereby the plant is located at or near the lignite mine. For the Pirkey plant, lignite is transported from the mine to the plant by truck while for the Dolet Hills plant, lignite is transported to the plant via a seven-mile conveyor belt system. The cost of lignite purchases during the audit period are shown in Table 9 below:

<b>Table 9</b> <b>Southwestern Electric Power Company</b> <b>Summary of Audit Period Lignite Purchases</b> <b>(MMBtu)</b>						
<b>Year</b>	<b>Pirkey</b>		<b>Dolet Hills</b>		<b>Total</b>	
	<b>Quantity</b>	<b>Price</b>	<b>Quantity</b>	<b>Price</b>	<b>Quantity</b>	<b>Price</b>
2016	45,761,373	\$3.32	15,781,414	\$4.27	61,542,787	\$3.57
2017	38,536,096	\$3.17	9,147,111	\$3.74	47,683,207	\$3.28
2018 <sup>(a)</sup>	32,168,819	\$3.53	6,190,895	\$7.90	38,359,714	\$4.23
Notes: (a) Data for 2018 is through October 2018.						

Staff reviewed the pricing of the lignite purchases for Pirkey and Dolet Hills under the agreements discussed above and found that the pricing for lignite purchases were reasonable and consistent with the pricing arrangements.

## V. GENERATING UNIT OPERATIONS

As provided earlier in Table 3, SWEPCO generated nearly 80 percent of its power supply from its own units during the audit period. Table 10 shows the Company's annual capacity factors for each generating unit for 2016 through 2018.

<b>Table 10</b> <b>Southwestern Electric Power Company</b> <b>Generating Unit Capacity Factors</b>			
<b>Unit</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
<b><u>Natural Gas</u></b>			
Arsenal Hill <sup>(a)</sup>	55.5%	45.0%	41.8%
Lieberman	2.3%	1.4%	2.7%
Knox Lee	3.1%	1.2%	3.3%
Wilkes	7.5%	5.6%	7.4%
Lone Star	1.9%	0.3%	1.4%
Mattison	3.9%	1.7%	1.6%
<b><u>Coal</u></b>			
Welsh	46.0%	57.2%	55.9%
Flint Creek	42.4%	56.9%	52.5%
Turk	61.2%	72.4%	67.1%
<b><u>Lignite</u></b>			
Pirkey	80.6%	68.0%	72.6%
Dolet Hills	54.7%	31.3%	19.5%
Source: FERC Form 1			

The capacity factor of a generating unit is the ratio of a unit's actual output over a period of time to its potential output if the unit were operating at full capacity. A unit's capacity factor is calculated by dividing the total energy generated by a unit by the product of the unit's maximum capacity, times the number of hours in the period being measured. As should be expected, the baseload coal and lignite-fired plants reflect the highest capacity factors while the gas-fired plants, which operate in intermediate and peaking roles, have correspondingly lower capacity factors.

The annual availability factors for each of SWEPCO's generating units during the audit period are presented in Table 11.

<b>Table 11</b> <b>Southwestern Electric Power Company</b> <b>Generating Unit Availability Factors</b>			
<b>Unit</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
<b><u>Natural Gas</u></b>			
Arsenal Hill <sup>(a)</sup>	88.4%	79.6%	71.3%
Lieberman	10.2%	5.4%	8.9%
Knox Lee	13.2%	4.5%	16.0%
Wilkes	85.1%	73.3%	65.9%
Lone Star	5.6%	0.6%	4.1%
Mattison	5.9%	3.6%	2.2%
<b><u>Coal</u></b>			
Welsh	66.7%	89.1%	90.4%
Flint Creek	57.3%	77.2%	74.8%
Turk	89.9%	95.1%	88.9%
<b><u>Lignite</u></b>			
Pirkey	92.1%	79.7%	84.3%
Dolet Hills	80.8%	51.9%	52.2%
Notes: (a) Includes Arsenal Hill Unit 6 the J. Lamar Stall unit beginning in 2011. Source: FERC Form 1			

Equivalent Availability Factor ("EAF") is a measure of a generating unit's ability to produce power at its maximum capacity over a period of time. A unit's availability factor is calculated by dividing the number of hours a unit is available by the number of hours in the period being measured. Availability factor is influenced by all forced, maintenance, and planned outages.

Staff reviewed detailed outage reports provided during data requests for all of SWEPCO's generating plants for the three-year audit period of 2016 through 2018 to determine whether there were any outages caused by the Company's imprudence or negligence that resulted in higher costs to ratepayers. Many of these events were planned outages where an issue was identified and a work

plan to resolve the issue was developed and implemented. Some forced outages occurred to correct operating issues and restore performance.

Based on the available outage information reviewed and the Company's response to data requests, Staff concludes that SWEPCO acted reasonably in the operation of its plants during the audit period and the outages described above were necessary. Therefore, Staff does not recommend a disallowance of fuel costs due to imprudence or negligence on the part of the Company.

## **VI. PURCHASED POWER COSTS**

During the audit period, SWEPCO relied on power purchased under both firm contracts and non-firm contracts, or economy purchases from the wholesale market, for approximately 34% of its requirements, as shown in Table 5 of this report.

During the audit period, the Company had firm supply agreements in place with ten providers and made economy purchases from numerous suppliers. The firm contract suppliers include Cajun, EXGN, and ERCOT.

SWEPCO operates within the SPP, a regional transmission organization ("RTO") that operates the bulk electric grid and wholesale power market in the central United States on behalf of a diverse group of utilities and transmission companies. SPP facilitates efficient energy transactions intended to provide reliable and low-cost power for its members. SPP dispatches generation on a least cost basis among its member utility generators, so SWEPCO will generate power when it is cost effective to do so but will purchase power on the SPP grid in lieu of self-generation when it is more economic. Staff compared SWEPCO's average purchased power costs

## VII. REVIEW OF NEW AND RENEWED CONTRACTS

[illegible]

Docket No. X-35173 | **PUBLIC VERSION**  
Fuel Adjustment Clause Adjustment Southwestern Electric Power Company 2016-2018  
Page 20 of 23

### Coal Transportation Contracts

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED] Staff finds that entering into the new coal transportation agreements were reasonable.

### Natural Gas Supply Contracts

SWEPCO made various spot natural gas purchases during the review period under standard North American Energy Standards Board (NAESB) purchase agreements. These agreements reflected industry standards and the prices reflected market conditions. SWEPCO did not enter into any long-term natural gas supply agreements during the review period. Because the natural gas purchases were made at spot market prices under standard contracts, Staff finds the purchases to be reasonable.

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<sup>4</sup> The Surface Transportation Board is an independent federal agency charged with the economic regulation of various modes of surface transportation, primarily freight rail. (prod.stb.gov)

### Fuel Oil Supply Contracts

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

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[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

Based on the review of information provided by the Company in response to Staff's data requests, Staff finds SWEPCO's fuel oil purchases during the audit period to be reasonable.

## VIII. RESULTS AND RECOMMENDATIONS

Based on information gathered during the audit, Staff reached the following findings and conclusions:

1. Reporting errors were discovered within the worksheets used to create the FAC filings resulting in an incorrect over-recovered balance of \$1,330,856 being reported for August 2016. The correct amount is \$1,327,867; a difference of \$2,989.
2. Interest rates used for several months during the period January 2016 through June 2017 were incorrect. Correcting the interest rates results in \$378 of non-compounded interest that was underpaid to customers.
3. The Company failed to report with their filings when the monthly fuel adjustment factor increased more than 10% from the prior monthly factor as required by the FAC General Order.
4. SWEPCO provided adequate documentation of its decision to enter to various fuel supply and transportation agreements during the review period, and Staff found these agreements to be reasonable.

As a result of the audit findings, Staff makes the following recommendations:

1. The corrected additional over-recovery balance of \$2,989 is minimal and does not warrant a refund because would likely cost SWEPCO more to issue the refund than the customers would receive back on their bills. However, in future filings, the Company should ensure that it is following its managerial prudence review process for ensuring the FAC filings are accurate prior to submission to the Commission.
2. Other errors were found in the monthly filings that did not have an impact on the recovered balances but were the result of timing issues. Going forward, SWEPCO should have written policies and procedures for compiling the monthly FAC reports to ensure the accuracy of the data reported. This issue should be rectified in future FAC filings as Commission Order U-34110 requires SWEPCO to prepare and submit a practices and procedures manual for preparing and filing FAC monthly reports.
3. Correcting the interest rate for the period January 2016 through June 2017 results in \$378 of non-compounded interest that was underpaid to customers. This amount is minimal therefore no adjustment is needed. In future filings, the Company should ensure that it is utilizing the prime rate as of the last business day of the operations month in order to comply with the 1997 FAC General Order.
4. In future filings, SWEPCO should provide with its monthly FAC Reports a brief summary of any significant events, such as fuel curtailments, plant interruptions, new contracts, or other events that would have an extraordinary impact on the cost of fuel during that month. Such a summary would help Staff identify issues to be evaluated in subsequent fuel audits.

**BEFORE THE  
LOUISIANA PUBLIC SERVICE COMMISSION**

**DOCKET NO. X-35173**

**LOUISIANA PUBLIC SERVICE COMMISSION, EX PARTE**

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*In re: Audit of Fuel Adjustment Clause Filings for Southwestern Electric Power Company for the period of January 2016 through December 2018.*

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**AFFIDAVIT**

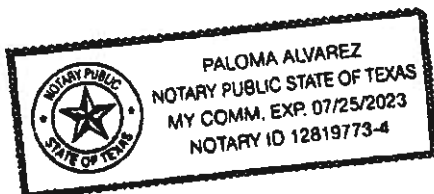
**STATE OF TEXAS  
COUNTY OF TRAVIS**

I, Karl J. Nalepa, Consultant to the Louisiana Public Service Commission, being duly sworn, do hereby state that I have prepared and reviewed the above and foregoing Staff Audit Report and that the matters contained therein are true and accurate to the best of my knowledge, information and belief. I have no known conflict of interest in representing the Louisiana Public Service Commission in this proceeding.



Karl J. Nalepa  
Staff Consultant  
Louisiana Public Service Commission

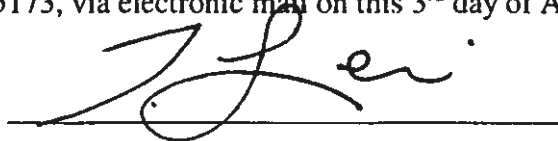
Sworn and subscribed to before me this 3 day of August 2020.



Notary ID No. 12819773-4  
My Commission Expires 07/25/2023

### **CERTIFICATE OF SERVICE**

I hereby certify that a copy of the above and foregoing has been served all parties of record in Docket No. X-35173, via electronic mail on this 3<sup>rd</sup> day of August, 2020.

A handwritten signature in black ink, appearing to read 'T. Levi', is written over a horizontal line.

**THERON T. LEVI**

**Service List for X-35173  
as of 8/3/2020**

**Commissioners**

Mike Francis, Commissioner  
Craig Greene, Commissioner  
Foster L. Campbell, Commissioner  
Lambert C. Boissiere, III., Commissioner  
Eric Skrmetta, Commissioner

**LPSC Staff Counsel**

Kathryn Bowman, LPSC Staff Attorney  
Theron Levi, LPSC Staff Attorney

**LPSC Staff**

Donnie Marks, LPSC Utilities Division

**Company:                      Southwestern Electric Power Company**

Emile Cordaro, Manager of Government Affairs  
AEP  
428 Travis Street  
Shreveport, LA 71101  
Email(s): ebcordaro@aep.com  
Fax:(318)673-3261; Telephone 1:(318)673-3453;

**SWEPCO**

Bobby S. Gilliam  
Wilkinson Carmody & Gilliam  
400 Travis Street, Suite 1700  
Shreveport, LA 71101  
Email(s): bgilliam@wcglawfirm.com  
Fax:(318)221-3705; Telephone 1:(318)221-4196;

Jonathan P. McCartney  
Wilkinson Carmody & Gilliam  
400 Travis Street, Suite 1700,  
Shreveport, LA 71101  
Email(s): jmccartney@wcglawfirm.com  
Fax:(318)221-3705; Telephone 1:(318)221-4196;

**SWEPCO**

P. Michael Davis  
Wilkinson, Carmody & Gilliam  
400 Travis Street, Ste. 1700  
Shreveport, LA 71101  
Email(s): [mdavis@wcglawfirm.com](mailto:mdavis@wcglawfirm.com)  
Fax:(318)221-3705; Telephone 1:(318)221-4196;

LOUISIANA PUBLIC SERVICE COMMISSION

DRAFT ORDER NO. U-35173

LOUISIANA PUBLIC SERVICE COMMISSION, EX PARTE

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*Docket No. U-35173, In re: Audit of Fuel Adjustment Clause Filings for Southwestern Electric Power Company for the period of January 2016 through December 2018.*

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(Decided at the Commission's November 13, 2020 Business and Executive Session)

*Overview*

This audit was initiated in May 2019, and after completion of Staff's review and analysis of Southwestern Electric Power Company's Fuel Adjustment Clause ("FAC") filings, Staff filed its *Audit of Fuel Adjustment Clause Filings for Southwestern Electric Power Company for the Filing Period of January 2016 through December 2018* ("Audit Report") on August 3, 2020. Subsequent to Staff filing its Audit Report, Southwestern Electric Power Company ("SWEPCO" or "Company") filed correspondence into the record indicating its concurrence with the Audit Report, including its conclusions and recommendation, with a Joint Report and Draft Order being filed November 5<sup>th</sup>, 2020. This Commission, having reviewed and considered the Joint Report submitted by Staff and SWEPCO finds said Joint Report to be acceptable and in accordance with the provisions of the Commission's General Order dated November 6, 1997 in Docket No. U-21497.

*Jurisdiction*

The Commission exercises jurisdiction over public utilities in Louisiana pursuant to Article IV, Section 21(B) of the Louisiana Constitution, which states:

The commission shall regulate all common carriers and public utilities and have such other regulatory authority as provided by law. It shall adopt and enforce reasonable rules, regulations and procedures necessary for the discharge of its duties, and shall have other powers and perform other duties as provided by law.

Pursuant to that exercise of jurisdiction, the Commission issued the **General Order dated November 6, 1997** in Docket No. U-21497 regarding the treatment and allocation of fuel and purchased power costs. The General Order also specifies certain costs that may be included in an electric utility's FAC, as well as costs that must be excluded, and required periodic audits of a

utility's FAC filings to ensure the utility is in fact complying with the requirements contained in the FAC General Order.

### *Joint Report*

The Joint Report was filed November 6, 2020 providing notice to the Commission that there were no unresolved issues with Staff's Audit Report, and that the parties sought a Commission vote, and approval, on the Joint Report. Generally, the Joint Report indicated that overall SWEPCO's costs passed through its Fuel Adjustment Clause ("FAC") were prudent, and were appropriate and eligible for recovery. Staff also found a small number of minor reporting errors and miscalculations including the use of an incorrect interest rate for several months and the failure to report significant increases in the monthly fuel adjustment factor. While these errors were noted by Staff to have caused an underpayment to customers, such underpayment was so minimal that it did not warrant a refund as it would cost the Company more to issue said refund than customers would receive as a credit to their bills. A copy of the Joint Report is attached hereto as Exhibit A.

### *Commission Consideration*

This matter was considered at the Commission's November 13, 2020 Business and Executive Session. On motion of Commissioner \_\_\_\_\_, seconded by Commissioner \_\_\_\_\_, and unanimously adopted, the Commission voted to accept the Joint Report and Draft Order filed November 6, 2020 reflecting Staff's recommendations and SWEPCO's agreement thereto.

### **THEREFORE, IT IS ORDERED:**

1. That the Joint Report submitted by Staff and SWEPCO is accepted by this Commission.
2. The costs passed through SWEPCO's FAC were prudent.
3. The costs were appropriate and eligible for recovery through the FAC consistent with the Commission General Order dated November 6, 1997 and sound ratemaking principles.
4. The costs passed through SWEPCO's FAC produced just and reasonable rates.
5. The costs passed through the FAC were necessary for the provision of electric service to Louisiana ratepayers.

6. SWEPCO shall make certain in future filings that it is following its managerial prudence review process for ensuring that the FAC filings are accurate prior to submission to the Commission.
7. SWEPCO shall develop and maintain written policies and procedures for compiling the monthly FAC reports to ensure the accuracy of the data reported, pursuant to the requirements of Commission Order U-34110.
8. In future filings, SWEPCO shall ensure that it is utilizing the prime interest rate as of the last business day of the operations month in order to comply with the 1997 FAC General Order.
9. In future filings, SWEPCO shall provide with its monthly FAC Reports, a brief summary of any significant events that would have an extraordinary impact on the cost of fuel during that month.

This Order is effective immediately.

**BY ORDER OF THE COMMISSION  
BATON ROUGE, LOUISIANA**

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**DISTRICT IV  
CHAIRMAN MIKE FRANCIS**

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**DISTRICT II  
VICE CHAIRMAN CRAIG GREENE**

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**DISTRICT V  
COMMISSIONER FOSTER L. CAMPBELL**

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**DISTRICT III  
COMMISSIONER LAMBERT C. BOISSIERE**

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**BRANDON M. FREY  
SECRETARY**

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**DISTRICT I  
COMMISSIONER ERIC F. SKRMETTA**