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APPLICATION OF SOUTHWESTERN §
ELECTRIC POWER COMPANY FOR §
CERTIFICATE OF CONVENIENCE § PUBLIC UTILITY COMMISSION
AND NECESSITY AUTHORIZATION §
AND RELATED RELIEF FOR THE § OF TEXAS
ACQUISITION OF WIND §
GENERATION FACILITIES §

GOLDEN SPREAD ELECTRIC COOPERATIVE, INC.'S
STATEMENT OF POSITION

TO THE HONORABLE PUBLIC UTILITY COMMISSION OF TEXAS:

COMES NOW, Golden Spread Electric Cooperative, Inc. (“Golden Spread”), and files this Statement of Position in the above-captioned proceeding. In support thereof, Golden Spread shows the following:

On July 15, 2019, Southwestern Electric Power Company (“SWEPCO”) filed its Application asking the Public Utility Commission of Texas (“Commission”) to amend its certificate of convenience and necessity (“CCN”) to account for approximately 810 megawatts (“MW”) of new generation resulting from acquiring an interest in three wind generation facilities.¹ SWEPCO and its affiliate Public Service Company of Oklahoma (“PSO”) have entered into three Purchase and Sale Agreements to purchase approximately 1,485 MW of wind energy from Traverse Wind Energy, LLC, Maverick Wind Project, LLC, and Sundance Wind Project, LLC (collectively, the “Selected Wind Facilities”) which are located in the state of Oklahoma and within the Southwest Power Pool (“SPP”).

Golden Spread is concerned about the Application’s potentially adverse effects on Texans who are not retail customers of SWEPCO, but, who, like Golden Spread, would be required to pay

¹ Docket No. 49737, *Application of Southwestern Electric Power Company for Certificate of Convenience and Necessity Authorization and Related Relief for the Acquisition of Wind Generation Facilities* (July 15, 2019) (“Application”).

for transmission upgrades associated with the Selected Wind Facilities. When evaluating whether SWEPCO's Application in this proceeding satisfies SWEPCO's burden to show the relief sought serves the public interest,² Golden Spread asks the Commission to review not only the Application's anticipated effects on SWEPCO's retail customers, but whether the Application serves the public interest of impacted Texans generally, including, but not limited to, Golden Spread and its Members.³ If the Commission ultimately chooses to approve the Application, Golden Spread asks that the Commission condition any approval by requiring that SWEPCO mitigate the potential harm to Texas transmission ratepayers in the SPP that arises from exposure to any Selected Wind Facilities-related transmission costs that might otherwise be assigned to SWEPCO by the SPP Open Access Transmission Tariff ("OATT").

SWEPCO has stated that the cost to interconnect the Selected Wind Facilities was considered in the cost of the projects. However, the cost associated with the firm transmission service and the cost of transmission built via the regional planning process have not been considered. These additional costs are not quantified by SWEPCO in its Application. The cost of transmission built via the regional planning process would be borne in part by Golden Spread and other SPP transmission ratepayers in Texas, and not just SWEPCO.

Firm transmission service is required for congestion hedging rights. Further, without firm transmission service, SWEPCO is unlikely to obtain the represented capacity credit of 15%.⁴ To obtain firm transmission service, SWEPCO would need to request the service from the SPP and the SPP would conduct a study to determine the necessary upgrade to flow power from the Selected Wind Facilities to the SWEPCO load. These upgrade costs could be entirely funded by others in the SPP footprint who do not benefit from the service, or they could be direct assigned in part, or in full to SWEPCO, depending on the cost of the upgrades and how much wind with firm

² See PURA § 14.101 (requiring that a project be in the public interest before it can be eligible for rate recovery) §37.058(2)(c) (contemplating a non-ERCOT utility to seek a public interest finding in a generation CCN docket like this).

³ The Commission's review of the public interest is not limited to the customers of the applicant utility. For example, in transmission CCN dockets, it is common practice for the Commission to consider the public interest implications of a proposed project on landowners who may or may not be customers of the utility seeking to add the transmission facility.

⁴ See Direct Testimony of John F. Torpey at 19. Note that "SWEPCO's current wind resources have a MW weighted aggregate capacity rating of 17.0% of nameplate." Id. But that 17.0% capacity rating relies, in part, on firm transmission service for the Majestic, High Majestic II, Flat Ridge 2, and Canadian Hills wind facilities. See Golden Spread Electric Cooperative Inc.'s First Request for Information to Southwestern Electric Power Company, SWEPCO's Response to Request for Information GSEC 1-16(e).

transmission service SWEPCO has and is requesting, as dictated by the SPP OATT. The cost of these upgrades could be substantial to SPP transmission ratepayers in Texas, yet they were not considered by SWEPCO.

To perform regional transmission planning, the SPP collects data (some of which is confidentially supplied to the SPP) and compiles a transmission plan to integrate loads and generation across the footprint. The costs for these transmission facilities can be allocated either zonally or regionally and then are recovered through rates charged under the SPP OATT. If SWEPCO waits until the Selected Wind Facilities are considered in the regional transmission planning process, there is a likelihood that the transmission built from the regional transmission planning process will reduce the upgrades that would otherwise be assigned through the firm transmission service process, increasing the probability that cost to deliver the wind from the Selected Wind Facilities to the SWEPCO load is paid for by other SPP Members. Conversely, if SWEPCO acquires firm transmission service as soon as possible, transmission costs associated from the Selected Wind Facilities are more likely to be directly assigned to SWEPCO, instead of others, including Golden Spread. The longer SWEPCO waits to obtain firm transmission service, the more likely costs related to the Selected wind Facilities will be subsidized by other SPP transmission ratepayers in Texas. While it is true that the economic planning process projects energy benefits to load in excess of the 40 year-fixed cost that the SPP load will pay for the transmission, with any further delay in making a request for firm transmission service, there is less and less certainty that the load that pays for the transmission is the load that benefits from the energy savings, and the risk of the benefits actually materializing becomes exponentially higher.

The Application expects to shift transmission costs on others through the SPP regional planning process instead of utilizing tools, like a gen-tie, which would directly assign the costs to SWEPCO. The building of a gen-tie, while it may reduce congestion, does not offer the same protections as obtaining firm transmission service, as it does not allow for Tier 1 capacity credit nor does it allow for congestion hedging. If SWEPCO were to immediately build a gen-tie, it would reduce the likelihood that the transmission built through the regional planning process would be paid for by other SPP Members (assuming SWEPCO pays 100% of the cost and is not allowed to pass the cost through the SPP OATT), in a similar manner to SWEPCO obtaining firm transmission service. Depending on its timing and whether it becomes part of the OATT, however, a gen-tie may not substantially increase transmission costs for SPP transmission ratepayers in

Texas. SWEPCO has stated that it has no intention of building a gen-tie at this time, acknowledging that the no gen-tie scenario assumes “that SPP will undertake certain transmission projects to address congestion.” In other words, SWEPCO relies on the assumption that congestion will be eliminated via the SPP regional planning process so that the cost of alleviating congestion is borne by other SPP Members as opposed to SWEPCO paying for a gen-tie.

Golden Spread notes with concern that the increased transmission costs that will flow through the SPP OATT beyond the generation interconnection agreement are ignored by SWEPCO when evaluating the economics of the Selected Wind Facilities. Ultimately, the cost of transmission to facilitate the delivery of the Selected Wind Facilities would be subsidized by other SPP transmission ratepayers in Texas via the SPP OATT. This is true even in the instance of a gen-tie, particularly if the commitment to build the gen-tie is delayed. The cost of transmission to support the project will also be subsidized if SWEPCO succeeds in recovering the cost of the gen-tie through the SPP OATT process.

Golden Spread respectfully submits that SWEPCO should hold Golden Spread and other Texas SPP transmission customers harmless from paying any of the costs of transmission buildout required by the Selected Wind Facilities as assigned through the SPP transmission cost allocation and recovery processes under the SPP OATT. Holding Texas SPP transmission customers harmless includes, but is not limited to, SWEPCO initiating the process of requesting firm transmission under the SPP OATT as it has done,⁵ and SWEPCO promptly accepting SPP firm transmission service for the Selected wind Facilities, which it has not yet committed to do. Golden Spread and other transmission customers should not be held responsible for the costs of the transmission when they do not receive benefits from the generation. Allowing the shifting of the revenue requirement through the SPP OATT to SPP transmission customers who do not receive the retail benefits would not be just and reasonable or serve the public interest. This project is solely for the economic benefit of SWEPCO and PSO’s retail consumers and not associated with a larger transmission need in the SPP. Without a firm commitment from SWEPCO or an order of the Commission making this commitment a condition of its approval in this Docket, all SPP transmission ratepayers in Texas, including Golden Spread, will be adversely affected.

⁵ See Golden Spread Electric Cooperative Inc.’s First Request for Information to Southwestern Electric Power Company, SWEPCO’s Supplemental Response to Request for Information GSEC 1-18.

Golden Spread respectfully requests the Commission to condition its approval of SWEPCO's requests in this cause on requiring SWEPCO to hold Golden Spread and other SPP transmission customers harmless from subsidizing the costs of additional transmission that will need to be built as a result of the Selected Wind Facilities.

Respectfully submitted,



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ATTORNEYS FOR GOLDEN SPREAD
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Certificate of Service

It is hereby certified that a copy of the foregoing has been hand delivered or sent via facsimile transmission, electronic mail, or first class United States mail, postage prepaid, to all parties of record in this proceeding on this the 14th day of January, 2020.

A handwritten signature in black ink, appearing to be "M. S.", is written above a horizontal line.