



Control Number: 40443



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SOAH DOCKET NO. 473-12-7519  
PUC DOCKET NO. 40443

APPLICATION OF SOUTHWESTERN  
ELECTRIC POWER COMPANY FOR  
AUTHORITY TO CHANGE RATES AND  
RECONCILE FUEL COSTS

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BEFORE THE  
PUBLIC UTILITY COMMISSION  
OF TEXAS

OFFICE OF PUBLIC UTILITY COUNSEL'S  
STATEMENT OF POSITION

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COMES NOW, the Office of Public Utility Counsel ("OPUC") and files this Statement of Position in the above-referenced proceeding pursuant to PUC Proc. R. 21.124. To the extent not addressed in or not inconsistent with OPUC's pre-filed testimony, OPUC takes the positions identified below. Additionally, OPUC reserves the right to address any issues that arise at the hearing on in briefs.

***Interruptible Power Service Rates***

OPUC supports the position of Cities Served by SWEPCO (Cities) with regard to allocating a proportional share of any increase to interruptible customers as explained in the Cross-Rebuttal Testimony of Mr. Clarence Johnson. For the same reasons articulated by Mr. Johnson, the shielding of interruptible customers from any increase arbitrarily increases the discount to them which is paid for by other customer classes. Increasing this cross-subsidy is unreasonable when there is no evidence to support that the current discount (much less an increased discount) is the lowest cost alternative. Furthermore, industrial customers do not pay for "energy efficiency" programs, including load management programs, that involve other customer classes and it is inappropriate and inequitable for other classes to pay for the "energy efficiency" programs for the industrial class.

***Primary Substation Service***

OPUC supports the position of Cities with regard to creation of a new Substation Service Tariff. We agree with the analysis of Cities' witness Mr. Clarence Johnson included in his Cross-Rebuttal testimony that creation of a new substation class would be a significant departure from longstanding ratemaking principles with respect to the shared costs of the infrastructure.

Furthermore, there is no analytic evidence demonstrating guidelines identifying which customers may be selected, how and to what extent customers might be impacted, or the impact on the cost of service to other customer classes. It is premature to create such a class in this case. Furthermore, we oppose the Staff's request to implement such a change in the 'number running process' because it denies the parties a meaningful opportunity to review and contest the impact of the selection of customers and the impact on the cost of service study.

### ***Transmission Cost Allocation***

OPUC supports the position of SWEPCO regarding the use of the 12 CP for allocation of transmission-related costs as discussed in the Rebuttal Testimony of SWEPCO witness John O. Aaron. Use of the 12 CP appropriately matches cost with cost causation and synchronizes the allocation of SWEPCO's transmission-related costs with the method by which it is charged for those services by the Southwest Power Pool (SPP). SWEPCO is distinguished from Entergy Texas because SWEPCO is a transmission owner and a load serving entity in SPP whereas Entergy Texas is simply a transmission customer. This impacts how each utility plans and operate their systems. No party contested the use of the 12 CP method for allocating transmission-related costs to the jurisdictions and it would create a mismatch to use the A&E 4CP for transmission related costs in the cost of service study.

### ***The Turk Plant***

As discussed in the OPUC witness Mr. Karl Nalepa's pre-filed Direct Testimony, OPUC opposes inclusion of all, or alternatively some, of the Turk Plant and related costs into rates. Alternatively, we also agree with the analysis and testimony of TIEC witnesses Mr. Pollock and Mr. Griffey regarding the reasons supporting Turk and Turk-related cost disallowances. In addition to our own testimony, we also support the recommendations of TIEC, CARD and Cities to exclude litigation settlement costs related to Turk as well as the transmission related impacts, related O&M costs, and recommendations regarding the cost cap.

### ***Weather Adjustment***

For the reasons discussed in Cities' witness Mr. Johnson's testimony, we support the weather adjustment advocated by Cities.

### ***Fuel***

To the extent not inconsistent with OPUC testimony, OPUC supports the positions of the Staff, Cities, CARD, and TIEC identified in its pre-filed testimony with regard to adjustments made to SWEPCO's request. OPUC's decision to selectively pursue a few adjustments does not mean that we agree with the remaining issues identified by SWEPCO. In fact, the intervenors, as a group, have identified significant and substantial adjustments to SWEPCO's request that are reasonable and we support the recommended disallowances, including recommendations that SWEPCO's request does not meet the special circumstances test in the PUC rules and the position of CARD and Staff with respect to consumables and allowances as fuel. Additionally, the demonstrated natural gas transportation costs at the Mattison plant are high and the Company has not identified a mitigation plan or pursued other measures to manage the contract in the best interests of ratepayers.

### ***Operating Expenses***

To the extent not inconsistent with OPUC testimony, OPUC supports the positions of the Staff, Cities, CARD, and TIEC identified in its pre-filed testimony with regard to adjustments made to SWEPCO's proposed revenue requirement. OPUC's decision to selectively pursue a few adjustments does not mean that we agree with the remaining issues identified by SWEPCO to justify its rate increase. In fact, the intervenors, as a group, have identified significant and substantial adjustments to SWEPCO's request that are reasonable and we support the recommended disallowances.

### ***Rate Base***

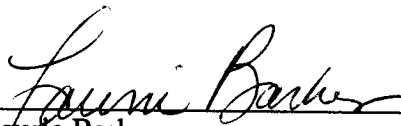
To the extent not inconsistent with OPUC testimony, OPUC supports the positions of the Staff, Cities, CARD, and TIEC identified in its pre-filed testimony with regard to adjustments made to SWEPCO's request, such as the Turk land costs, Oxbow investment costs, pre-paid pension asset, and the amortization of 2010 severance costs. OPUC's decision to selectively pursue a few adjustments does not mean that we agree with the remaining issues identified by SWEPCO to justify its rate increase. In fact, the intervenors, as a group, have identified significant and substantial adjustments to SWEPCO's request that are reasonable and we support the recommended disallowances. In addition to the items identified in OPUC's pre-filed testimony, we support the recommendations regarding those made by the other intervenors.

***Taxes***

We support the positions of CARD and Cities regarding the reasonable and necessary income tax expense.

Dated: January 29, 2013


Respectfully submitted,  
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ATTORNEYS FOR THE  
OFFICE OF PUBLIC UTILITY COUNSEL

**CERTIFICATE OF SERVICE**  
PUC DOCKET NO. 40443

I hereby certify that today, January 29, 2013, a true copy of the Office of Public Utility Counsel's Statement of Position was served on all parties of record via hand delivery, facsimile, or United States First-Class Mail.

  
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Laurie Barker