



Control Number: 46449



Item Number: 388

Addendum StartPage: 0

SOAH DOCKET NO. 473-17-1764  
PUC DOCKET NO. 46449

RECEIVED  
2017 APR 19 PM 2:45  
PUBLIC UTILITY COMMISSION

APPLICATION OF SOUTHWESTERN § BEFORE THE STATE OFFICE  
ELECTRIC POWER COMPANY FOR § OF  
AUTHORITY TO CHANGE RATES § ADMINISTRATIVE HEARINGS

**SOUTHWESTERN ELECTRIC POWER COMPANY'S RESPONSE TO  
COMMISSION STAFF'S FIFTEENTH  
REQUEST FOR INFORMATION.**

April 19, 2017

**TABLE OF CONTENTS**

<b><u>SECTION</u></b>	<b><u>FILE NAME</u></b>	<b><u>PAGE</u></b>
Response No. STAFF 15-1	46449 STAFF15 Pkg.pdf .....	2
Response No. STAFF 15-2	46449 STAFF15 Pkg.pdf .....	3
Response No. STAFF 15-3	46449 STAFF15 Pkg.pdf .....	4
Response No. STAFF 15-4	46449 STAFF15 Pkg.pdf .....	5
Response No. STAFF 15-5	46449 STAFF15 Pkg.pdf .....	7
Response No. STAFF 15-6	46449 STAFF15 Pkg.pdf .....	8
Response No. STAFF 15-7	46449 STAFF15 Pkg.pdf .....	9
Response No. STAFF 15-8	46449 STAFF15 Pkg.pdf .....	10
Response No. STAFF 15-9	46449 STAFF15 Pkg.pdf .....	11
Response No. STAFF 15-10	46449 STAFF15 Pkg.pdf .....	12
Response No. STAFF 15-11	46449 STAFF15 Pkg.pdf .....	13
Response No. STAFF 15-15	46449 STAFF15 Pkg.pdf .....	14
Response No. STAFF 15-13	46449 STAFF15 Pkg.pdf .....	15
Response No. STAFF 15-14	46449 STAFF15 Pkg.pdf .....	16
Response No. STAFF 15-15	46449 STAFF15 Pkg.pdf .....	17
Response No. STAFF 15-16	46449 STAFF15 Pkg.pdf .....	18
Response No. STAFF 15-17	46449 STAFF15 Pkg.pdf .....	20
Response No. STAFF 15-18	46449 STAFF15 Pkg.pdf .....	21
Response No. STAFF 15-19	46449 STAFF15 Pkg.pdf .....	22
Response No. STAFF 15-20	46449 STAFF15 Pkg.pdf .....	23

388

**SOAH DOCKET NO. 473-17-1764  
PUC DOCKET NO. 46449**

**SOUTHWESTERN ELECTRIC POWER COMPANY'S RESPONSE TO  
COMMISSION STAFF'S FIFTEENTH  
REQUEST FOR INFORMATION**

**Question No. Staff 15-1:**

Please provide a breakdown of Accumulated Depreciation and Depreciation and Amortization Expense related to each FERC account and subaccount in SWEPCO's electric plant in service in its jurisdictional cost-of-service study in Schedule P-1. Please provide the breakdown by dollar value for each jurisdiction and state the respective allocation factor.

**Response No. Staff 15-1:**

Please see the following attachments, which have been provided electronically on the PUC Interchange:

Staff 15-1, Attachment 1, for Accumulated Depreciation by FERC account reflected in SWEPCO's cost-of-service study.

Staff 15-1, Attachment 2, for the Accumulated Depreciation amount allocated to each jurisdiction and the associated allocation factor.

Staff 15-1, Attachment 3, for Depreciation and Amortization Expense by FERC reflected in SWEPCO's cost-of-service study.

Staff 15-1, Attachment 4, for the Depreciation and Amortization Expense allocated to each jurisdiction and the associated allocation factor.

Prepared By: Earlyne Reynolds  
Sponsored By: John Aaron

Title: Regulatory Consultant Staff  
Title: Reg Pricing & Analysis Mgr

**SOAH DOCKET NO. 473-17-1764  
PUC DOCKET NO. 46449**

**SOUTHWESTERN ELECTRIC POWER COMPANY'S RESPONSE TO  
COMMISSION STAFF'S FIFTEENTH  
REQUEST FOR INFORMATION**

**Question No. Staff 15-2:**

Please refer to Schedule P-1 in SWEPCO's application

- a) Explain the reasoning for directly assigning Intangible Plant into 3 separate line items:
  - PROD - INTANGIBLE PLANT
  - DIST - INTANGIBLE PLANT • TRAN - INTANGIBLE PLANT
- b) Please describe the methodology used to assign Intangible Plant Costs into each of these categories and provide workpapers in native Excel file to support this methodology.

**Response No. Staff 15-2:**

- a & b) Direct assigning intangible plant to three line items (Production, Transmission and Distribution) reflects the function in which the costs are recorded in SWEPCO's accounting records. Please see Staff 15-2, Attachment 1 (provided electronically on the PUC Interchange), for the intangible plant functional amounts. In preparing this response, it was determined that the filed cost-of-service study contained an error in the treatment of distribution related intangible plant. The Louisiana and Arkansas distribution related intangible plant amounts were direct assigned to Louisiana and the remaining amount which represented the Texas distribution related intangible plant amount was incorrectly allocated to all four jurisdictions. The Texas distribution related intangible plant amount should have been direct assigned to the Texas jurisdiction. This change increases SWEPCO's Texas retail revenue deficiency approximately \$1.1 million.

Prepared By: Earlyne Reynolds  
Sponsored By: John Aaron

Title: Regulatory Consultant Staff  
Title: Reg Pricing & Analysis Mgr

**SOAH DOCKET NO. 473-17-1764  
PUC DOCKET NO. 46449**

**SOUTHWESTERN ELECTRIC POWER COMPANY'S RESPONSE TO  
COMMISSION STAFF'S FIFTEENTH  
REQUEST FOR INFORMATION**

**Question No. Staff 15-3:**

Please explain the reason for the difference between the total transmission related revenues listed in Schedule P-1 (\$161,982,232) and the total revenues listed on tab SPP Revenue and Expense in Excel file Staff 1-10\_Attachment\_1 (\$159,929,054). Please identify and provide the calculations in native format of any other transmission related revenues not included in Staff 1-10\_Attachment\_1.

**Response No. Staff 15-3:**

Staff 1-10\_Attachment\_1 has been supplemented with a revised transmission related revenue of \$161,641,303. The difference between the \$161,982,232 transmission related revenues in Schedule P-1 and the supplemental amount is due to transmission related revenues that are not received from SPP and revenues from SPP that are not transmission related. Schedule P-1 transmission related revenues of \$161,982,232 represents \$84,418,254 test year amount increased by the reclassification of \$77,563,978 contra revenues to expense accounts. Please see SWEPCO's response to OPUC 15-1 Attachment 1 for SWEPCO's test year miscellaneous revenue summary. Below are the revenue differences between Schedule P-1 and Supplemental Staff 1-10\_Attachment 1.

Supplemental Staff 1-10 Attachment 1		\$(161,641,303)
Schedule P-1 (Misc Rev Summary)		(161,982,232)
Difference		\$(340,929)
Oth Elect Rev - Nonaffiliated	4560012(not in SPP bill)	\$(278,755)
Oth Elect Rev-Trans-Nonaffil	4560013(not in SPP bill)	(935,219)
Other Electric Revenues - ABD	4560015(not in SPP bill)	(275,630)
SPP - Dir Assign	4561012(not Trans related)	383,948
SPP - Ancillary Services	4561014(not Trans related)	376,408
Oth Elec Rv-Trn-Aff-SPP	4561020(not Trans related)	388,319
		\$(340,928)

Prepared By: Earlyne Reynolds  
Sponsored By: John Aaron

Title: Regulatory Consultant Staff  
Title: Reg Pricing & Analysis Mgr

**SOAH DOCKET NO. 473-17-1764  
PUC DOCKET NO. 46449**

**SOUTHWESTERN ELECTRIC POWER COMPANY'S RESPONSE TO  
COMMISSION STAFF'S FIFTEENTH  
REQUEST FOR INFORMATION**

**Question No. Staff 15-4:**

Please refer to Schedule P-1 in SWEPCO's application.

- a) Please provide a detailed breakdown of wheeling expenses included in 3rd Party Wheeling subaccount in SWEPCO's jurisdictional cost-of-service study.
- b) Please describe the methodology SWEPCO used to allocate wheeling expenses from the Jurisdictional cost-of-service study to SWEPCO's proposed TCRF baselines.
- c) Please provide workpapers in native Excel file to support your responses.

**Response No. Staff 15-4:**

- a) In preparing this response, it was discovered that in SWEPCO's jurisdictional cost-of-service study FERC Account 561 was understated \$1,711,255 and FERC Account 565 was overstated \$1,711,255. This overstatement in FERC Account 565 resulted in an \$1,711,255 overstatement of 3rd party wheeling subaccount within the jurisdictional cost-of-service study. The revised 3rd party wheeling amount shown below is the difference between the total amount in FERC Account 565 and the total SPP charges included in the jurisdictional cost-of-service study. This error also overstated SWEPCO's TX retail revenue deficiency by approximately \$588,000 due to the difference in jurisdictional allocations between FERC Account 561 and FERC Account 565. Below is a summary of the expenses as corrected in the 3rd party wheeling subaccount.

	<b>Cost of Service</b>	<b>WP - A</b>	<b>Difference</b>
Account 561	14,558,896	16,270,151	(1,711,255)
Account 565	146,640,658	144,929,402	1,711,256
Revised Cost of Service Account 565		144,929,402	
SPP Transmission Rev Req - Acct 565 (OPUC 9-2 Attachment 1)		144,079,765	
Amount classified as "3rd Party Wheeling"		849,637	
3rd Party Wheeling Detail			
CLECO		325,187	
ONCOR		19,283	

	<b>Cost of Service</b>	<b>WP - A</b>	<b>Difference</b>
MISO		139,080	
Pt to Pt		9	
SPP Annual Fee		6,030	
Craig Junction Fac Charge		44,208	
RTO Affiliated Provision		(333,720)	
SPP Sch 2		522,778	
Sch 1		163,856	
Sch 1A		(37,073)	
Total		849,638	

- b) Wheeling expenses are allocated to the Texas retail jurisdiction on the production demand allocator within SWEPCO's proposed TCRF baseline.
- c) The workpapers supporting this response are Workpaper A, Schedule P-1, and OPUC 9-2 Attachment 1.

Prepared By: Earlyne Reynolds  
Sponsored By: John Aaron

Title: Regulatory Consultant Staff  
Title: Reg Pricing & Analysis Mgr

**SOAH DOCKET NO. 473-17-1764  
PUC DOCKET NO. 46449**

**SOUTHWESTERN ELECTRIC POWER COMPANY'S RESPONSE TO  
COMMISSION STAFF'S FIFTEENTH  
REQUEST FOR INFORMATION**

**Question No. Staff 15-5:**

Please refer to Schedule P-1 in SWEPCO's application and file TIEC 1-1 Attachment 1 (SWEPCO\_TX\_COS\_TY\_6\_2016\_STATE\_RETAIL).

- a) Explain all differences in class allocation factors for FERC Accounts 361 through 368 between the two class cost-of-service models for the following classes:
  - General Service Primary
  - Light and Power Primary
  - LLP Primary
  - Oilfield
  - Metal Melting Secondary
- b) Please provide workpapers in native Excel file to support your response.

**Response No. Staff 15-5:**

- a)
  - General Service Primary: The class allocation in Schedule P-1 incorrectly shows 0 kW when the actual value is 99 kW. This change to class allocation factors increases the residential cost of service approximately \$2,000 and reduces the cost of service for commercial by \$1,758, industrial by \$133, municipal by \$103 and lighting by \$6. General Service Primary allocation in TIEC 1-1 Attachment 1 incorrectly included class allocations from PUC Docket No. 40443.
  - Light and Power Primary: The class allocation in TIEC 1-1 Attachment 1 incorrectly included class allocations from PUC Docket No. 40443.
  - LLP Primary: The class allocation in TIEC 1-1 Attachment 1 incorrectly included class allocations from PUC Docket No. 40443.
  - Oilfield: The class allocation in TIEC 1-1 Attachment 1 did not include an allocation to the secondary service level oilfield customers since all oilfield customers were on a primary rate. PUC Docket No. 40443 resulted in the development of a secondary service level oilfield rate which is identified in this filing.
  - Metal Melting Secondary: The class allocation in TIEC 1-1 Attachment 1 did not include an allocation to the secondary service level metal melting customers since there was no secondary rate in PUC Docket No. 40443.
- b) The workpapers supporting the class allocations are available in TIEC 1-1 and 1-2.

Prepared By: Earlyne Reynolds  
Sponsored By: John Aaron

Title: Regulatory Consultant Staff  
Title: Reg Pricing & Analysis Mgr



**SOAH DOCKET NO. 473-17-1764  
PUC DOCKET NO. 46449**

**SOUTHWESTERN ELECTRIC POWER COMPANY'S RESPONSE TO  
COMMISSION STAFF'S FIFTEENTH  
REQUEST FOR INFORMATION**

**Question No. Staff 15-6:**

Please refer to Venita McCellon-Allen's direct testimony at 39:11-12: To retrofit each Welsh unit with environmental controls to bring it into compliance with US EPA regulations would cost "more than \$500 million per each of the Welsh units." What was the specific estimate for the retrofitting of Welsh 2? Please provide supporting calculations, including assumptions and inputs in Excel format.

**Response No. Staff 15-6:**

Please see the Company's response to CARD 11-27 for the specific estimate for the retrofitting of Welsh 2.

Prepared By: Brandon Bradford  
Janine White

Title: Regulatory Consultant  
Regulatory Consultant Prin

Sponsored By: Franklin Pifer  
Venita McCellon-Allen

Title: VP Projects Controls&Construct  
President & COO - SWEPCO

**SOAH DOCKET NO. 473-17-1764  
PUC DOCKET NO. 46449**

**SOUTHWESTERN ELECTRIC POWER COMPANY'S RESPONSE TO  
COMMISSION STAFF'S FIFTEENTH  
REQUEST FOR INFORMATION**

**Question No. Staff 15-7:**

Please provide the individual actual costs to retrofit Welsh I and Welsh 3. Please explain how these actual costs compared to the Company's estimates for the same costs.

**Response No. Staff 15-7:**

For individual actual costs as of June 2016, please see the Company's response to CARD 11-11. At the end of the test year, the total actual cost of the Welsh retrofits project was \$388.4 million, including overheads and AFUDC. This amount equates to \$338.2 million in direct costs for the project, which is \$43 million less than the Phase III project estimate of \$381.7 million.

Prepared By: Janine White  
Sponsored By: Franklin Pifer

Title: Regulatory Consultant Prin  
Title: VP Projects Controls&Construct

**SOAH DOCKET NO. 473-17-1764  
PUC DOCKET NO. 46449**

**SOUTHWESTERN ELECTRIC POWER COMPANY'S RESPONSE TO  
COMMISSION STAFF'S FIFTEENTH  
REQUEST FOR INFORMATION**

**Question No. Staff 15-8:**

Please refer to Venita McCellon-Allen's direct testimony at 44:24-25: "[T]he decision not to retrofit Welsh Unit 2, and retire the unit, was made and publicly announced on June 9, 2011." and Venita McCellon-Allen's direct testimony at 49:7-9: "The settlement only confirmed a decision the Company had already made, after much deliberation and analysis."

- a. When was the exact timetable established for the retirement of Welsh 2 (i.e. when was the end of service date finalized)?
- b. Prior to the December 2011 Sierra Club Settlement (SWEPCO's Response to CARD's Second Request for Information, Question No. 2-2, Attachment 1) (Sierra Club Settlement), had SWEPCO already determined to fully retire Welsh 2 by the December 31, 2016 deadline stipulated in the settlement? Please provide supporting documentations and calculations.

**Response No. Staff 15-8:**

- a. Prior to the Sierra Club Settlement agreement (Consent Decree), the Company designated Welsh Unit 2 retirement by a specified time-period, which was no later than December 31, 2014, which is in harmony with the date shown on the June 9, 2011 press release.

In the December 2011 consent decree, the Company negotiated and agreed to the same time-period for Welsh Unit 2's retirement, by no later December 31, 2014, but this agreement also provided a two-year discretionary window, which could be utilized in the event of transmission mitigation work identified and required by the Southwest Power Pool (SPP).

- b. Yes, see response in a.

Prepared By: Brandon Bradford  
Sponsored By: Venita McCellon-Allen

Title: Regulatory Consultant  
Title: President & COO - SWEPCO

**SOAH DOCKET NO. 473-17-1764  
PUC DOCKET NO. 46449**

**SOUTHWESTERN ELECTRIC POWER COMPANY'S RESPONSE TO  
COMMISSION STAFF'S FIFTEENTH  
REQUEST FOR INFORMATION**

**Question No. Staff 15-9:**

Please refer to Venita McCellon-Allen's direct testimony at 42:1-11.

- a. Please confirm or deny that no analysis regarding whether or not to retire Welsh 2 took place prior to 2011. If deny, please provide supporting documentation.
- b. If deny, what was the earliest date when SWEPCO began considering and analyzing the retirement of Welsh 2 as a viable business decision?

**Response No. Staff 15-9:**

- a. Denied. As discussed beginning on page 33 of Ms. McCellon-Allen's direct testimony, in 2005 SWEPCO was made aware of SO<sub>2</sub> modeling that indicated the Welsh generating plant was a contributor to SO<sub>2</sub> levels in the nearby Caney Creek Wilderness Area that exceeded those allowed. As more environmental regulations were promulgated and expected over time, the effect of those regulations and the capital required to address them, broadened the consideration beyond Welsh plant SO<sub>2</sub> emissions alone. The dates of some of those promulgated regulations and other milestones are identified on page 38 of Ms. McCellon-Allen's testimony. These circumstances lead SWEPCO to evaluate the long-term costs of retiring Welsh Unit 2 in lieu of retrofitting the unit. The first such evaluation took place in early 2010. Please see the response to CARD 2-1 for the results of an early 2010 analysis evaluating Welsh 2 retrofit versus retirement.
- b. See response to a, above.

Prepared By: Mark Becker  
Brandon Bradford

Title: Resource Planning Mgr  
Regulatory Consultant

Sponsored By: Mark Becker  
Venita McCellon-Allen

Title: Resource Planning Mgr  
President & COO - SWEPCO

**SOAH DOCKET NO. 473-17-1764  
PUC DOCKET NO. 46449**

**SOUTHWESTERN ELECTRIC POWER COMPANY'S RESPONSE TO  
COMMISSION STAFF'S FIFTEENTH  
REQUEST FOR INFORMATION**

**Question No. Staff 15-10:**

Please refer to Venita McCellon-Allen's direct testimony at 42:4-7: "SWEPCO expected it could reasonably meet reserve requirements by using a short term PPA for 100-250 MW of capacity, until such time as a new plant was needed later in the decade or early 2020s." Based on current forecasts, when does SWEPCO anticipate needing this new plant? Please provide relevant details including estimated cost, type of plant, and plant capacity.

**Response No. Staff 15-10:**

SWEPCO's current forecast indicates a capacity need of approximately 30 MW to 500 MW over the 2025 through 2030 time period to meet the SPP reserve margin requirement. The estimated cost, type of plant and plant capacity of the next new plant added to meet SWEPCO's capacity need will be determined through SWEPCO's integrated resource planning (IRP) process. See the response to CARD 4-17 for SWEPCO's most recent IRP, which was filed with the Arkansas Public Service Commission December 1, 2015. The next SWEPCO IRP will be filed with the Arkansas Public Service Commission in the 4<sup>th</sup> quarter of 2018.

Prepared By: Mark Becker  
Sponsored By: Mark Becker

Title: Resource Planning Mgr  
Title: Resource Planning Mgr

**SOAH DOCKET NO. 473-17-1764  
PUC DOCKET NO. 46449**

**SOUTHWESTERN ELECTRIC POWER COMPANY'S RESPONSE TO  
COMMISSION STAFF'S FIFTEENTH  
REQUEST FOR INFORMATION**

**Question No. Staff 15-11:**

Please refer to the Direct Testimony of A. Naim Hakimi. Pages 31-32 state that Exhibit ANH-2 "shows the expected economic benefit to SWEPCO customers of the long-term wind PPA's at the time they were executed." When, specifically, was this economic analysis conducted?

**Response No. Staff 15-11:**

The economic analysis referred to in the Direct Testimony of A. Naim Hakimi on pages 31-32 was conducted in September of 2012.

Prepared By: Scott Mertz

Title: Regulatory Consultant Staff

Sponsored By: A. Naim Hakimi

Title: Dir Long Term Markets

**SOAH DOCKET NO. 473-17-1764  
PUC DOCKET NO. 46449**

**SOUTHWESTERN ELECTRIC POWER COMPANY'S RESPONSE TO  
COMMISSION STAFF'S FIFTEENTH  
REQUEST FOR INFORMATION**

**Question No. Staff 15-12:**

Please refer to Direct Testimony of A. Naim Hakimi, Exhibit ANH-2. Please explain who High Majestic, Canadian Hills, and Flat Ridge Wind refers to.

**Response No. Staff 15-12:**

High Majestic, Canadian Hills, and Flat Ridge Wind refers to the counterparties to the five wind REPAs included as Staff 15-14 HIGHLY SENSITIVE Attachments 1-5. High Majestic Wind II is a wind farm located in Carson County, Texas. The farm is owned by NextEra Energy. Canadian Hills Wind is a wind farm located in Canadian County, Oklahoma. The farm is owned by SunEdison and Apex Clean Energy. Flat Ridge II Wind is a wind farm located in Harper County, Kansas. The farm is owned by BP Wind Energy and Sempra Energy.

Prepared By: Scott Mertz  
Sponsored By: A. Naim Hakimi

Title: Regulatory Consultant Staff  
Title: Dir Long Term Markets

**SOAH DOCKET NO. 473-17-1764  
PUC DOCKET NO. 46449**

**SOUTHWESTERN ELECTRIC POWER COMPANY'S RESPONSE TO  
COMMISSION STAFF'S FIFTEENTH  
REQUEST FOR INFORMATION**

**Question No. Staff 15-13:**

Please refer to Direct Testimony of A. Naim Hakimi, Exhibit ANH-2. Please state with whom SWEPCO has a REPA referred to in this exhibit. For each entity listed, please state how many REPAs SWEPCO has with that entity.

**Response No. Staff 15-13:**

SWEPCO has a total of two REPAs with Majestic Wind farms, two with Flat Ridge 2, and three with Canadian Hills.

Prepared By: Scott Mertz  
Sponsored By: A. Naim Hakimi

Title: Regulatory Consultant Staff  
Title: Dir Long Term Markets



**SOAH DOCKET NO. 473-17-1764  
PUC DOCKET NO. 46449**

**SOUTHWESTERN ELECTRIC POWER COMPANY'S RESPONSE TO  
COMMISSION STAFF'S FIFTEENTH  
REQUEST FOR INFORMATION**

**Question No. Staff 15-14:**

Please refer to Direct Testimony of A. Naim Hakimi, Exhibit ANH-2. Please provide a copy of each of the five REPAs referred to in this exhibit.

**Response No. Staff 15-14:**

Please refer to Staff 15-14 HIGHLY SENSITIVE Attachments 1-5 for the requested REPAs.

The attachments responsive to this request are HIGHLY SENSITIVE PROTECTED MATERIAL under the terms of the Protective Order. The Highly Sensitive information is available for review at the Austin offices of American Electric Power Company (AEP), 400 West 15<sup>th</sup> Street, Suite 1520, Austin, Texas, 78701, (512) 481-4562, during normal business hours.

Prepared By: Scott Mertz  
Sponsored By: A. Naim Hakimi

Title: Regulatory Consultant Staff  
Title: Dir Long Term Markets

**SOAH DOCKET NO. 473-17-1764  
PUC DOCKET NO. 46449**

**SOUTHWESTERN ELECTRIC POWER COMPANY'S RESPONSE TO  
COMMISSION STAFF'S FIFTEENTH  
REQUEST FOR INFORMATION**

**Question No. Staff 15-15:**

What is the total amount the Company is seeking to recover for the long-term PPAs mentioned in Direct Testimony of A. Naim Hakimi at 26:7?

**Response No. Staff 15-15:**

Long-term PPA total company capacity costs are \$10,007,200.

Prepared By: Frances Bourland  
Scott Mertz

Title: Regulatory Acctg Case Mgr  
Regulatory Consultant Staff

Sponsored By: A. Naim Hakimi  
Randall Hamlett

Title: Dir Long Term Markets  
Dir Regulatory Acctg Svcs





- b. The Company has not conducted such an analysis.
- c. The requested information is shown in the table below.

Year	Retail Load (MWh)	VEMCO (MWh)	Net (MWh)
2013	18,134,815	803,864	17,330,951
2014	18,288,697	802,947	17,485,750
2015	17,862,612	801,757	17,060,854
2016	17,367,002	771,063	16,595,939

- d. The Company has not conducted such an analysis.

Prepared By: Scott Mertz  
Sponsored By: A. Naim Hakimi

Title: Regulatory Consultant Staff  
Title: Dir Long Term Markets

**SOAH DOCKET NO. 473-17-1764  
PUC DOCKET NO. 46449**

**SOUTHWESTERN ELECTRIC POWER COMPANY'S RESPONSE TO  
COMMISSION STAFF'S FIFTEENTH  
REQUEST FOR INFORMATION**

**Question No. Staff 15-17:**

Has SWEPCO updated Exhibit ANH-2 or conducted an economic analysis similar to ANH-2 that includes more recent data, specifically 2013, 2014, 2015 and/or 2016 actual cost and load data? If so, please provide the analysis.

**Response No. Staff 15-17:**

The Company has not conducted such an analysis.

Prepared By: Scott Mertz  
Sponsored By: A. Naim Hakimi

Title: Regulatory Consultant Staff  
Title: Dir Long Term Markets

**SOAH DOCKET NO. 473-17-1764  
PUC DOCKET NO. 46449**

**SOUTHWESTERN ELECTRIC POWER COMPANY'S RESPONSE TO  
COMMISSION STAFF'S FIFTEENTH  
REQUEST FOR INFORMATION**

**Question No. Staff 15-18:**

Please refer to file Staff\_1-10\_Attachment\_1 in SWEPCO's response to Staff 1-10. Please confirm that the amounts listed under the column "TY Amt Per Books" represents the actual test year amounts collected by SWEPCO.

**Response No. Staff 15-18:**

The amounts on Staff\_1-10\_Attachment 1 under the column "TY Amt Per Books" represent the actual test year book amounts utilizing accrual accounting as required under the FERC Uniform System of Accounts.

Prepared By: Frances Bourland  
Sponsored By: Randall Hamlett

Title: Regulatory Acctg Case Mgr  
Title: Dir Regulatory Acctg Svcs

**SOAH DOCKET NO. 473-17-1764  
PUC DOCKET NO. 46449**

**SOUTHWESTERN ELECTRIC POWER COMPANY'S RESPONSE TO  
COMMISSION STAFF'S FIFTEENTH  
REQUEST FOR INFORMATION**

**Question No. Staff 15-19:**

Please refer to the Direct Testimony of Randall W. Hamlett, pages 21-22. Please also refer to the Order on Rehearing in Docket No. 43695, Findings of Fact 154- 158.

- a) Please state whether SWEPCO's methodology for calculating the ongoing expense amount for Schedules 9 and 11 is consistent with the Commission decision in Docket No. 43695 regarding forward looking adjustments based on rates published by SPP after the relevant test year in its Revenue Requirement and Rates file.
- b) Please provide a detailed narrative explaining why SWEPCO's proposed forward looking adjustments to Schedules 9 and 11 are appropriate in this proceeding.

**Response No. Staff 15-19:**

- a. SWEPCO has not conducted an extensive review of the facts and circumstances of Docket No. 43695 and does not in this response attempt to apply the findings in Docket No. 43695 to the facts and circumstances of this case. Nonetheless, SWEPCO's methodology for calculating the ongoing expense and revenue amount for Schedules 9 and 11 appears to have elements that are consistent and elements that are not consistent with Docket No. 43695 Findings of Fact 154 - 158. SWEPCO has calculated the ongoing expense and revenue amounts for Schedules 9 and 11 utilizing the latest published data by SPP (RRR file). SWEPCO has not made any adjustments to its requested schedule 9 and 11 expenses for a hypothetical return, but instead utilizes the latest actual data from SPP (RRR file).
- b. Because rates will be implemented in the future, it is appropriate to be forward looking. In this case, SWEPCO has utilized the latest actual known SPP data. Utilizing this data, SWEPCO is able to measure an amount of ongoing expenses and revenues it will incur or receive. Utilizing this data is more representative of its ongoing revenues and expenses than utilizing a test year amount which is comprised of older, out-dated SPP data. This could be viewed similar to payroll which for the test year is based upon differing levels of employees and different pay levels for employees. Payroll is traditionally adjusted to a current level of employees and their ongoing salary. Another example could be income taxes or gross margin taxes. While a test year may include one or multiple tax rates, adjustments are made to reflect the latest statutory tax rates, even if the tax rate change occurs post test year but prior to the implementation of new rates. In all of these examples, expenses are adjusted utilizing the latest data available that is the most representative level of expenses that will be incurred when rates are implemented, thus allowing the utility a reasonable opportunity to recover its expenses and earn a reasonable return on its investment.

Prepared By: Frances Bourland  
Sponsored By: Randall Hamlett

Title: Regulatory Acctg Case Mgr  
Title: Dir Regulatory Acctg Svcs

**SOAH DOCKET NO. 473-17-1764<sup>\*</sup>**  
**PUC DOCKET NO. 46449**

**SOUTHWESTERN ELECTRIC POWER COMPANY'S RESPONSE TO**  
**COMMISSION STAFF'S FIFTEENTH**  
**REQUEST FOR INFORMATION**

**Question No. Staff 15-20:**

Please refer to file Staff\_1-10\_Attachment\_1 in SWEPCO's response to Staff 1- 10. Please also refer to the Direct Testimony of Randall W. Hamlett, page 21.

- a) Please explain the discrepancy between the \$11,145,634 total adjustment to Schedule 9 listed in Attachment I to SWEPCO's response to Staff 1-10, and the \$5,611,695 adjustment to Schedule 9 referenced in the Direct Testimony of Randall W. Hamlett.
- b) Please provide a detailed narrative explaining all adjustments to Schedule 11 not referenced in Randall W. Hamlett's Direct Testimony
- c) Please provide workpapers to support your response.

**Response No. Staff 15-20:**

- a. The \$5,611,695 adjustment to Schedule 9 referenced in the Direct Testimony of Randall W. Hamlett address only the adjustment to Account 565 (See WP/A-3.7). The other part of the adjustment \$5,533,940 was made to Account 4561016 (See WP/A-3.29). The total of the two adjustments equal the \$11,145,634 (rounding difference of \$1) contained in Staff\_1-10\_Attachment\_1. In addition, miscellaneous revenues were increased \$9,183,123 in Accounts 4561013 and 4561021 (See WP/A-3.29 and Staff\_1-10\_Attachment\_1).
- b. Mr. Hamlett discusses the adjustment to Account 565 and the amounts are provided on WP/A-3.7 and included in the response to Staff\_1-10\_Attachment\_1 which match at \$597,943. Similar to Schedule 9, adjustments were also made to miscellaneous revenues for Schedule 11 which total \$461,277 in Accounts 4561008 and 4561010 (See WP/A-3.29).
- c. Workpaper references were supplied in parts a and b.

Prepared By: Frances Bourland  
Sponsored By: Randall Hamlett

Title: Regulatory Acctg Case Mgr  
Title: Dir Regulatory Acctg Svcs