



Control Number: 49737



Item Number: 154

Addendum StartPage: 0

SOAH DOCKET NO. 473-19-6862
PUC DOCKET NO. 49737

APPLICATION OF SOUTHWESTERN § BEFORE THE STATE OFFICE
ELECTRIC POWER COMPANY FOR §
CERTIFICATE OF CONVENIENCE §
AND NECESSITY AUTHORIZATION § OF
AND RELATED RELIEF FOR THE §
ACQUISITION OF WIND §
GENERATION FACILITIES § ADMINISTRATIVE HEARINGS

SOUTHWESTERN ELECTRIC POWER COMPANY'S RESPONSE TO TEXAS
INDUSTRIAL ENERGY CONSUMERS' SEVENTH REQUEST FOR INFORMATION

OCTOBER 23, 2019

TABLE OF CONTENTS

<u>SECTION</u>	<u>FILE NAME</u>	<u>PAGE</u>
Response No. TIEC 7-1	49737 TIEC07 PKG.pdf	2
Response No. TIEC 7-2	49737 TIEC07 PKG.pdf	3
Response No. TIEC 7-3	49737 TIEC07 PKG.pdf	4
Response No. TIEC 7-4	49737 TIEC07 PKG.pdf	5
Response No. TIEC 7-5	49737 TIEC07 PKG.pdf	6
Response No. TIEC 7-6	49737 TIEC07 PKG.pdf	7
Response No. TIEC 7-7	49737 TIEC07 PKG.pdf	8
Response No. TIEC 7-8	49737 TIEC07 PKG.pdf	9
Response No. TIEC 7-9	49737 TIEC07 PKG.pdf	10
Attachment 1 to Response No. TIEC 7-9	49737 TIEC07 PKG.pdf	11
Response No. TIEC 7-10	49737 TIEC07 PKG.pdf	14
Response No. TIEC 7-11	49737 TIEC07 PKG.pdf	15
Response No. TIEC 7-12	49737 TIEC07 PKG.pdf	16
Response No. TIEC 7-13	49737 TIEC07 PKG.pdf	17
Response No. TIEC 7-14	49737 TIEC07 PKG.pdf	18
Response No. TIEC 7-15	49737 TIEC07 PKG.pdf	19
Response No. TIEC 7-16	49737 TIEC07 PKG.pdf	20
Response No. TIEC 7-17	49737 TIEC07 PKG.pdf	21
Response No. TIEC 7-18	49737 TIEC07 PKG.pdf	22

**SOAH DOCKET NO. 473-19-6862
PUC DOCKET NO. 49737**

**SOUTHWESTERN ELECTRIC POWER COMPANY'S RESPONSE TO TEXAS
INDUSTRIAL ENERGY CONSUMERS' SEVENTH REQUEST FOR INFORMATION**

Question No. TIEC 7-1:

Please provide for the last trading day of the month for each month since January 2018 the 7X24 and on-peak forward strips for as far into the future as they are traded for the SPP trading hub closest to SWEPCO's generation. Provide both closing prices and trading volumes for each month of the forward strip that is available.

Response No. TIEC 7-1:

Neither SWEPCO nor AEPSC has access to the historical data necessary to provide the requested futures market research.

Prepared By: Connie S. Trecuzzi

Title: Economic Forecast Analyst Staff

Sponsored By: Karl R. Bletzacker

Title: Dir Fundamental Analysis

**SOAH DOCKET NO. 473-19-6862
PUC DOCKET NO. 49737**

**SOUTHWESTERN ELECTRIC POWER COMPANY'S RESPONSE TO TEXAS
INDUSTRIAL ENERGY CONSUMERS' SEVENTH REQUEST FOR INFORMATION**

Question No. TIEC 7-2:

Please provide the length of every renewable power contract signed by AEP with commercial and industrial (C&I) customers during the last three years for each of wind and solar generation. Please also provide the length of every renewable power contract signed with C&I customers within the last three years of which AEP is aware.

Response No. TIEC 7-2:

There have been no regulated renewable energy power contracts signed by AEP with C&I customers for wind and solar generation over the last three years, nor is AEP aware of other regulated renewable power contracts.

Information regarding renewable contracts with AEP Renewables can be found on its website at <https://www.aeprenewables.com/projects/>.

Prepared By: Joseph A. Karrasch

Title: Dir Renewable Energy Devlpmnt

Prepared By: Edward J. Locigno

Title: Regulatory Analysis & Case Mgr

Prepared By: Zachary M. Yetzer

Title: Energy Bus Dev Analyst Sr

Sponsored By: Jay F. Godfrey

Title: VP Energy Mktng & Renewables

**SOAH DOCKET NO. 473-19-6862
PUC DOCKET NO. 49737**

**SOUTHWESTERN ELECTRIC POWER COMPANY'S RESPONSE TO TEXAS
INDUSTRIAL ENERGY CONSUMERS' SEVENTH REQUEST FOR INFORMATION**

Question No. TIEC 7-3:

Does AEP agree that there is a trend toward shorter contract lengths for renewable power contracts with C&I customers? If not, provide a detailed description of why AEP does not believe that renewable power contract lengths are becoming shorter for C&I customers and any supporting documents.

Response No. TIEC 7-3:

The attachment responsive to this request is CONFIDENTIAL under the terms of the Protective Order. The Confidential information is available for review at the Austin offices of American Electric Power Company (AEP), 400 West 15th Street, Suite 1520, Austin, Texas, 78701, (512) 481-4562, during normal business hours.

Yes, when considering Virtual Power Purchase Agreements (VPPA), the most common form of C&I renewable energy contract. Under this type of structure, the output (power) would be sold (liquidated) into the market and then the renewable energy credits (RECs) are retained by the C&I customer in order to meet their individual corporate sustainability goals.

The volume of corporate renewable deals has grown significantly over the past several years including to approximately 6.5 GW in 2018, as shown in TIEC 7-3 Confidential Attachment 1. These deals include a variety of structures, including VPPAs, green power purchases, green tariffs, or other special bilateral transactions – all of which have varying term length options.

Prepared By: Joseph A. Karrasch
Prepared By: Edward J. Locigno
Prepared By: Zachary M. Yetzer

Title: Dir Renewable Energy Devlpmnt
Title: Regulatory Analysis & Case Mgr
Title: Energy Bus Dev Analyst Sr

Sponsored By: Jay F. Godfrey

Title: VP Energy Mktng & Renewables

**SOAH DOCKET NO. 473-19-6862
PUC DOCKET NO. 49737**

**SOUTHWESTERN ELECTRIC POWER COMPANY'S RESPONSE TO TEXAS
INDUSTRIAL ENERGY CONSUMERS' SEVENTH REQUEST FOR INFORMATION**

Question No. TIEC 7-4:

Does AEP agree or disagree that there is a trend toward renewable generators taking more merchant risk for the energy output of their plants, particularly for the later years of the facility's life? If the answer is disagree, please provide a detailed description of why AEP does not believe that renewable generators are taking more merchant risk for the energy output of their plants and any supporting documents.

Response No. TIEC 7-4:

AEP recognizes that non-regulated or IPP renewable developers (those without obligation to serve their regulated customers) have increasingly gravitated towards offering VPPAs to C&I customers in a contract-for-differences or hedge structure for a fixed term. Following the fixed term of the VPPA, the developer bears the risk but can also reap any potential benefits of higher prices in the merchant market over the remaining project life.

In an ownership structure such as the Selected Wind Facilities, the Company and its customers are able to benefit from 1) the Production Tax Credit in the first ten years and 2) the value of the facilities' generation in the market for at least 30 years.

Prepared By: Joseph A. Karrasch
Prepared By: Edward J. Locigno
Prepared By: Zachary M. Yetzer

Title: Dir Renewable Energy Devlpmnt
Title: Regulatory Analysis & Case Mgr
Title: Energy Bus Dev Analyst Sr

Sponsored By: Jay F. Godfrey

Title: VP Energy Mktng & Renewables

**SOAH DOCKET NO. 473-19-6862
PUC DOCKET NO. 49737**

**SOUTHWESTERN ELECTRIC POWER COMPANY'S RESPONSE TO TEXAS
INDUSTRIAL ENERGY CONSUMERS' SEVENTH REQUEST FOR INFORMATION**

Question No. TIEC 7-5:

Please provide AEP's forecast of the installed cost of developing solar generation in Oklahoma and the SPP portion of Texas for each of the next ten years.

Response No. TIEC 7-5:

See TIEC_1-16_Supplemental_Confidential_Attachment_17_-_Solar_Figs_12_27_29_30_CONFIDENTIAL.xlsx for the AEP's forecast of an SPP solar resource.

Prepared By: Paul N. Demmy

Title: Resource Planning Analyst Sr

Prepared By: Jon R. Maclean

Title: Resource Planning Mgr

Prepared By: James F. Martin

Title: Regulatory Case Mgr

Sponsored By: John F. Torpey

Title: Mng Dir Res Plnning&Op Analysis

**SOAH DOCKET NO. 473-19-6862
PUC DOCKET NO. 49737**

**SOUTHWESTERN ELECTRIC POWER COMPANY'S RESPONSE TO TEXAS
INDUSTRIAL ENERGY CONSUMERS' SEVENTH REQUEST FOR INFORMATION**

Question No. TIEC 7-6:

Please provide AEP's forecast of the installed cost of developing wind generation in Oklahoma and the SPP portion of Texas for each of the next ten years.

Response No. TIEC 7-6:

See TIEC_1-16_Supplemental_Confidential_Attachment_18_-_Wind Figures
_31_32_CONFIDENTIAL.xlsx for the requested information.

Prepared By: Paul N. Demmy

Title: Resource Planning Analyst Sr

Prepared By: Jon R. Maclean

Title: Resource Planning Mgr

Prepared By: James F. Martin

Title: Regulatory Case Mgr

Sponsored By: John F. Torpey

Title: Mng Dir Res Plnning&Op Analysis

**SOAH DOCKET NO. 473-19-6862
PUC DOCKET NO. 49737**

**SOUTHWESTERN ELECTRIC POWER COMPANY'S RESPONSE TO TEXAS
INDUSTRIAL ENERGY CONSUMERS' SEVENTH REQUEST FOR INFORMATION**

Question No. TIEC 7-7:

Please provide the increase in Texas rate base by year for the next ten years associated with the wind facilities for which SWEPCO is seeking approval in this proceeding (the "North Central Energy Facilities").

Response No. TIEC 7-7:

A forecast of Texas jurisdictional rate base is provided on row 402 of the P50 RR Base worksheet in the file Torpey Errata Benefits Model Final file which was provided in Supplemental Attachment 1 to the Company's supplemental response to TIEC 1-19.

Prepared By: James F. Martin

Title: Regulatory Case Mgr

Prepared By: Jacob A. Miller

Title: Regulatory Consultant Sr

Sponsored By: John O. Aaron

Title: Dir Reg Pricing & Analysis

**SOAH DOCKET NO. 473-19-6862
PUC DOCKET NO. 49737**

**SOUTHWESTERN ELECTRIC POWER COMPANY'S RESPONSE TO TEXAS
INDUSTRIAL ENERGY CONSUMERS' SEVENTH REQUEST FOR INFORMATION**

Question No. TIEC 7-8:

Please provide the increase in SWEPCO's return by year for the next ten years associated with the North Central Energy Facilities, including SWEPCO's share of the forecasted income from off-system sales.

Response No. TIEC 7-8:

See the Earnings to Common Shareholders line item at the bottom of page 1 of TIEC 7-9 Attachment 1 for an estimate of the shareholder return on equity through 2028. This amount assumes the Company retains 10% of the margin on the incremental off-system sales realized because of the inclusion of these facilities in its fleet. This incremental retained margin is expected to be a total of \$6 million through 2028.

Prepared By: Christopher N. Martel

Title: Regulatory Consultant Sr

Prepared By: James F. Martin

Title: Regulatory Case Mgr

Prepared By: Jonathan M. Griffin

Title: Regulatory Consultant Staff

Prepared By: Lynn M. Ferry-Nelson

Title: Dir Regulatory Svcs

Sponsored By: Thomas P. Brice

Title: VP Regulatory & Finance

**SOAH DOCKET NO. 473-19-6862
PUC DOCKET NO. 49737**

**SOUTHWESTERN ELECTRIC POWER COMPANY'S RESPONSE TO TEXAS
INDUSTRIAL ENERGY CONSUMERS' SEVENTH REQUEST FOR INFORMATION**

Question No. TIEC 7-9:

Please provide the pro forma financial statements (balance sheet, income, and cash flow) associated with the North Central Energy Facilities for the next ten years.

Response No. TIEC 7-9:

Please see TIEC 7-9 Attachment 1 for the available information. AEP does not prepare full forecasted financial statements such as these for more than 10 years out from the year in which the forecast is prepared. In this case we are now in 2019 so financial statements beyond 2028 are not available. These financial statements isolate the impacts on SWEPCO of the Selected Wind Facilities, assuming the P95 level of wind production. P50 financial statements were not prepared. Note that the PTC's are reflected as negative income tax expense, offset by lower retail revenues due to the passthrough of those PTC's to customers as they are earned. Also note that O&M assumptions were refined after these financial statements were prepared as due diligence progressed and final agreements were negotiated with the sellers. O&M is higher in the attachment than in the benefits model, however O&M is passed through to customers. If O&M were to be reduced it would be exactly offset by a retail revenue reduction, resulting in no difference in net income, income tax expense, financial position, or shareholder return.

Prepared By: Christopher N. Martel

Title: Regulatory Consultant Sr

Prepared By: James F. Martin

Title: Regulatory Case Mgr

Prepared By: Jonathan M. Griffin

Title: Regulatory Consultant Staff

Prepared By: Lynn M. Ferry-Nelson

Title: Dir Regulatory Svcs

Sponsored By: Thomas P. Brice

Title: VP Regulatory & Finance

SWEPCO Share of North Central Energy Facilities
Pro Forma Project Only Income Statement

	Year 2021	Year 2022	Year 2023	Year 2024	Year 2025	Year 2026	Year 2027	Year 2028
SWEPCO - CSP								
REVENUES								
Revenue - Retail Sales	9,449	73,184	58,870	57,828	53,583	48,950	45,607	44,752
Revenue - Transmission-NonAffiliated								
Revenue - Transmission								
Revenue - Resale-NonAffiliated								
Revenue - Resale-Realized								
Revenue - Resale-Risk Mgmt Activities								
Revenue - Sales for Resale								
Revenue - Other Operating								
449 1018 Prov Rate Refund - Tax Reform								
Goal Seek Rate Relief								
TOTAL OPERATING REVENUES	9,449	73,184	58,870	57,828	53,583	48,950	45,607	44,752
FUEL & PURCHASED POWER EXPENSES								
Total Fuel for Electric Generation								
Total Purchased Power								
Total Cost of Sales								
GROSS MARGIN	9,449	73,184	58,870	57,828	53,583	48,950	45,607	44,752
OPERATING EXPENSES								
Total Operational and Maintenance Expenses	6,297	44,497	44,235	44,019	43,814	43,619	43,435	43,262
Depreciation & Amortization	71	34,364	34,364	34,364	34,364	34,364	34,364	34,364
Taxes Other Than Income Taxes								
TOTAL OPERATING EXPENSES	6,368	78,861	78,598	78,383	78,177	77,983	77,799	77,625
OPERATING INCOME	3,081	(5,677)	(19,729)	(20,555)	(24,594)	(29,032)	(32,191)	(32,874)
NON-OPERATING INCOME/(EXPENSES)								
Total Interest & Dividend Income	(620)			526	1,129	603		
Interest & Dividend Carrying Charges								
Other Pension Components								
INTEREST EXPENSE								
Interest on Long-Term Debt	58	20,782	19,639	18,496	17,353	16,211	15,068	13,925
Interest on Short Term Debt	1,697	411	(281)	(244)		(199)	(163)	317
Amort Loss (Gain) on Reacquired Debt								
Other Interest - NonAffil								
Interest Rate Hedge Unrealized (Gain)/Loss								
Total Interest Charges	1,755	21,193	19,358	18,252	17,353	16,012	14,905	14,242
INCOME BEFORE INCOME TAXES and EQUITY EARNINGS	706	(26,870)	(39,086)	(38,280)	(40,819)	(44,441)	(47,096)	(47,116)
INCOME TAXES and EQUITY EARNINGS								
Total Income Taxes	(20,679)	(75,746)	(76,169)	(69,701)	(71,711)	(72,229)	(74,923)	(75,816)
Equity Earnings of Subs								
INCOME AFTER INCOME TAXES and EQUITY EARNINGS	21,385	48,875	37,083	31,421	30,892	27,788	27,824	28,700
Extraordinary income / (Expenses)								
NET INCOME	21,385	48,875	37,083	31,421	30,892	27,788	27,824	28,700
Earnings to Common Shareholders	21,385	48,875	37,083	31,421	30,892	27,788	27,824	28,700

SWEPCO Share of North Central Energy Facilities
Pro Forma Project Only Balance Sheet

	Year 2021	Year 2022	Year 2023	Year 2024	Year 2025	Year 2026	Year 2027	Year 2028
SWEPCO - CSP								
ASSETS								
Cash & Cash Equivalents	0	0	0	0	0	0	0	0
Other Cash Deposits								
Accounts Receivable								
Advances to Affiliates				25,365	29,058			
Fuel								
Materials & Supplies								
Curr Risk Mgmt Cont & Deposits								
Prepayments & Other Curr Asts	(8)	26	26	26	26	26	26	26
TOTAL CURRENT ASSETS	(8)	26	26	25,390	29,083	26	26	26
Gross Property, Plant & Equip	1,030,914	1,030,914	1,030,914	1,030,914	1,030,914	1,030,914	1,030,914	1,030,914
Construction Work In Progress	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)
TOTAL GROSS PLANT	1,030,914	1,030,914	1,030,914	1,030,914	1,030,914	1,030,914	1,030,914	1,030,914
Accumulated Depreciation		(33,838)	(67,675)	(101,513)	(135,350)	(169,188)	(203,025)	(236,863)
TOTAL NET PLANT	1,030,914	997,076	963,239	929,401	895,564	861,726	827,888	794,051
Net Regulatory Assets								
Nucl Trusts & Securitized Assets								
Investments in Power & Distr Prj								
Goodwill								
Long-Term Risk Mgmt Assets								
Employee Benefits & Pens. Assets								
Other Non-Current Assets								
TOTAL ASSETS	1,030,906	997,102	963,264	954,791	924,647	861,752	827,914	794,077
LIABILITIES								
Short-Term Debt								
LTD Current								(26,000)
Accounts Payable								
Advances from Affiliates	22,792	(1,926)	(11,776)			(9,569)	1,707	13,569
Current Risk Mgmt Liabilities								
Accrued Taxes & Interest	7,987	76,776	138,280	186,841	218,831	247,329	267,167	279,644
Other Current Liabilities								
TOTAL CURRENT LIABILITIES	30,779	74,850	126,503	186,841	218,831	237,759	268,874	267,213
Long-Term Debt	487,000	461,000	435,000	409,000	383,000	357,000	331,000	331,000
Long-Term Risk Mgmt Liabs								
DFIT Asset Reclass - Static (190)	(11,382)	76,595	(1,101,191)	(167,811)	(1,196,527)	249,512	(167,347)	(281,015)
Accum DFIT (281-283)	37,901	99,258	133,137	150,526	167,907	172,916	165,555	158,184
Deferred Income Taxes	26,519	20,663	(7,054)	(38,317)	(53,020)	(76,600)	(103,892)	(123,832)
Deferred Investment Tax Credit								
Regulatory Liabs & Deferred Cr								
Employee Bfts & Pension Oblig								
Other Non-Current Liabilities	15,963	17,268	18,612	19,995	21,420	22,889	24,405	25,969
TOTAL LIABILITIES	560,261	573,782	573,061	577,518	570,231	541,049	520,387	500,350
EQUITY								
MINORITY INTEREST - DEFERRED CREDITS								
COMMON EQUITY	470,645	423,320	390,203	377,273	354,415	320,703	307,527	293,727
TOTAL LIABILITIES & EQUITY	1,030,906	997,102	963,264	954,791	924,647	861,752	827,914	794,077
Diff		0	0	0	0	0	0	0
Change in Diff		0	0	(0)	0	(0)	(0)	(0)

SWEPCO Share of North Central Energy Facilities
Pro Forma Project Only Cash Flow Statement

	Year 2021	Year 2022	Year 2023	Year 2024	Year 2025	Year 2026	Year 2027	Year 2028
SWEPCO - CSP								
OPERATING ACTIVITIES								
Net Income before Preferred Stock Divs	21,385	48,875	37,083	31,421	30,892	27,788	27,824	28,700
(Income)/Loss from Discontinued Operations								
Net Income from Continuing Operations	21,385	48,875	37,083	31,421	30,892	27,788	27,824	28,700
ADJUSTMENTS TO NET INCOME								
Depreciation & Amortization	71	34,364	34,364	34,364	34,364	34,364	34,364	34,364
Deferred Income Tax	26,519	(1,855)	(17,717)	(11,764)	11,764	(3,580)	(2,707)	(19,940)
Deferred Property Tax								
Amortization of Nuclear Fuel								
Change in Other Liabilities	104	779	817	857	899	943	989	1,038
Cash Flow before Changes in Working Capital	48,079	78,162	44,547	35,377	51,452	39,514	35,885	44,161
CHANGES IN WORKING CAPITAL								
Accounts Receivable - Customers								
Margin Deposits								
Taxes Accrued	7,931	67,213	61,596	48,653	32,083	28,590	19,931	12,568
Interest Accrued	58	1,576		(11)	(32)	(57)	(91)	
Other Current Assets	8	(44)						
Changes in Working Capital	7,996	68,756	61,504	48,561	31,991	28,498	19,838	12,476
Net Cash Flow From Operating Activities	56,075	146,918	106,050	83,938	83,443	68,012	55,724	56,638
INVESTING ACTIVITIES								
Capital Expenditures - Property & Construction	(3,185)							
Change in Adv to Affiliates	(77,533)			(35,701)	(3,693)	29,058		
Acquisitions of Assets								
Acquisitions of Nuclear Fuel								
Purchases of Investment Securities								
Sales of Investment Securities								
Investment in Subsidiaries								
Net Cash Flow (Used) by Investing Activities	(940,717)			(25,365)	(3,693)	29,058		
FINANCING ACTIVITIES								
Issuance - Common Stock (AEP)								
Capital Contribution from Parent	391,350							
Capital Contribution from Partner								
Issuance - Long-term Debt	487,000							
Change in Adv from Affiliates	22,792	(14,718)	(1,850)	11,776		(9,568)	11,276	11,862
Retirement - Long-term Debt		(26,000)	(1,000,000)	(1,767,000)	(1,000,000)	(26,000)	(7,100)	(1,000,000)
Dividend Paid - Common Stock	(11,560)	(9,200)	(70,000)	(44,382)	(1,527)	(61,000)	(41,000)	(42,500)
Net Cash Flow From Financing Activities	884,642	(146,918)	(106,050)	(58,574)	(79,750)	(97,069)	(55,724)	(56,638)
INC(DEC) in CASH & CASH EQUIVALENTS								
	(0)	(0)		(0)	0	0	0	(0)
Beg. Cash & Cash Equivalents	(0)	0	0	0	0	0	0	0
Less: Cash held by Divestitures								
Net Beg. Cash & Cash Equivalents	(0)	0	0	0	0	0	0	0
ENDING CASH BALANCE	0	0	0	0	0	0	0	0
End. Cash & Cash Equiv, Net of STD	(1,732)	1,926	11,776	25,365	29,058	9,569	(1,707)	(1,356)
Cash change diff (fcst s/b 0)	0	0	0	0	0	0	0	0

**SOAH DOCKET NO. 473-19-6862
PUC DOCKET NO. 49737**

**SOUTHWESTERN ELECTRIC POWER COMPANY'S RESPONSE TO TEXAS
INDUSTRIAL ENERGY CONSUMERS' SEVENTH REQUEST FOR INFORMATION**

Question No. TIEC 7-10:

Please describe how AEP in creating its Fundamental Forecasts of natural gas prices accounts, if at all, for known unknowns and the possibility of unknown unknowns.

Response No. TIEC 7-10:

Regarding the formation of AEPSC's long-term natural gas price forecast, known unknowns must be based on "substantial evidence" before being considered. Substantial evidence is enough evidence that a reasonable mind could accept as adequate support for inclusion in a long-term forecast. For example, substantive Final Investment Decisions in technological advances affecting long-term prices and trends would qualify as substantial evidence. The possibility of unknown unknowns are assumed to be in balance and ultimately exert no upward or downward bias to long-term forecasted natural gas prices. Ultimately, the future outcomes, events, circumstances, or consequences that cannot be planned for are approximated within the bounds of the Company's High and Low Band forecasts.

Prepared By: Connie S. Trecuzzi

Title: Economic Forecast Analyst Staff

Sponsored By: Karl R. Bletzacker

Title: Dir Fundamental Analysis

**SOAH DOCKET NO. 473-19-6862
PUC DOCKET NO. 49737**

**SOUTHWESTERN ELECTRIC POWER COMPANY'S RESPONSE TO TEXAS
INDUSTRIAL ENERGY CONSUMERS' SEVENTH REQUEST FOR INFORMATION**

Question No. TIEC 7-11:

Does SWEPCO agree that the AEP Fundamentals Forecast natural gas prices it has presented to the PUCT over the last ten years have generally been higher than actual realized natural gas prices? If not, please explain why SWEPCO believes that its natural gas price forecasts have not been generally too high.

Response No. TIEC 7-11:

Yes. However, the Company does not believe hindsight is a valid way to evaluate a forecast. Over the last ten years the Company's natural gas prices presented in the AEP Fundamentals Forecast has generally tended to be higher than actual realized natural gas prices for many reasons, as have other natural gas price forecasts. Some of the circumstances that affect the natural gas market include abnormal weather, legislative/regulatory activity, demographics and the utilization of emerging technologies that cannot be fully anticipated. In the period from 2005 through 2010, Henry Hub natural gas spot prices averaged \$6.62/MMBtu and have trended downward to average \$3.22/MMBtu during the last 10 years (2011-2019). The Company's natural gas price forecasts have also trended downward. The differences in each of the Company's successive natural gas price forecasts document the changes in best available information at the time.

Prepared By: Connie S. Trecuzzi

Title: Economic Forecast Analyst Staff

Sponsored By: Karl R. Bletzacker

Title: Dir Fundamental Analysis

**SOAH DOCKET NO. 473-19-6862
PUC DOCKET NO. 49737**

**SOUTHWESTERN ELECTRIC POWER COMPANY'S RESPONSE TO TEXAS
INDUSTRIAL ENERGY CONSUMERS' SEVENTH REQUEST FOR INFORMATION**

Question No. TIEC 7-12:

Please provide all documents from the last ten years regarding lessons that SWEPCO/AEP have learned regarding natural gas price forecasting.

Response No. TIEC 7-12:

The Company has not identified any documents concerning "lessons learned" regarding natural gas forecasting. The Company's Fundamentals Forecasts, including natural gas price forecasts, are not predictions of energy market outcomes but are modeled projections of what may happen given the best available information at the time they are prepared. Known drivers are included, known unknowns are judged for "substantial evidence" and the bias of unknown unknowns is considered. Please see the Company's response to TIEC 7-10 and 7-11.

Prepared By: Connie S. Trecuzzi

Title: Economic Forecast Analyst Staff

Sponsored By: Karl R. Bletzacker

Title: Dir Fundamental Analysis

**SOAH DOCKET NO. 473-19-6862
PUC DOCKET NO. 49737**

**SOUTHWESTERN ELECTRIC POWER COMPANY'S RESPONSE TO TEXAS
INDUSTRIAL ENERGY CONSUMERS' SEVENTH REQUEST FOR INFORMATION**

Question No. TIEC 7-13:

Please describe all changes to SWEPCO/AEP's natural gas price forecasting methodology that have occurred during the past ten years and provide any supporting documents.

Response No. TIEC 7-13:

AEPCSC has made no changes in forecasting methodology in the prior ten years. The Fundamentals Forecast methodology continues to rely on the Aurora energy market simulation model for its projections resulting from best-available data.

Prepared By: Connie S. Trecuzzi

Title: Economic Forecast Analyst Staff

Sponsored By: Karl R. Bletzacker

Title: Dir Fundamental Analysis

**SOAH DOCKET NO. 473-19-6862
PUC DOCKET NO. 49737**

**SOUTHWESTERN ELECTRIC POWER COMPANY'S RESPONSE TO TEXAS
INDUSTRIAL ENERGY CONSUMERS' SEVENTH REQUEST FOR INFORMATION**

Question No. TIEC 7-14:

Please provide all internal presentations, analyses, and correspondence associated with the decision to proceed with the North Central Energy Facilities.

Response No. TIEC 7-14:

This request is subject to pending objection because SWEPCO has determined that some information responsive to this request may be protected by the attorney-client and/or work product privilege. TIEC has extended the time for the Company to provide any non-privileged responsive documents and/or privilege index.

Prepared By: Christen M. Blend

Title: Senior Counsel

Prepared By: Melissa A. Gage

Title: Senior Counsel

Prepared By: Jessica A. Cano

Title: Senior Counsel

Sponsored by: Counsel

**SOAH DOCKET NO. 473-19-6862
PUC DOCKET NO. 49737**

**SOUTHWESTERN ELECTRIC POWER COMPANY'S RESPONSE TO TEXAS
INDUSTRIAL ENERGY CONSUMERS' SEVENTH REQUEST FOR INFORMATION**

Question No. TIEC 7-15:

Please provide all internal presentations, analyses, and correspondence associated with the decision to issue the January 2019 wind request for proposals.

Response No. TIEC 7-15:

This request is subject to pending objection because SWEPCO has determined that some information responsive to this request may be protected by the attorney-client and/or work product privilege. TIEC has extended the time for the Company to provide any non-privileged responsive documents and/or privilege index.

Prepared By: Christen M. Blend

Title: Senior Counsel

Prepared By: Melissa A. Gage

Title: Senior Counsel

Prepared By: Jessica A. Cano

Title: Senior Counsel

Sponsored by: Counsel

**SOAH DOCKET NO. 473-19-6862
PUC DOCKET NO. 49737**

**SOUTHWESTERN ELECTRIC POWER COMPANY'S RESPONSE TO TEXAS
INDUSTRIAL ENERGY CONSUMERS' SEVENTH REQUEST FOR INFORMATION**

Question No. TIEC 7-16:

Please provide all communications, including internal communications and communications with the Brattle Group, sent or received by AEP or SWEPCO regarding the economics of the North Central Energy Facilities.

Response No. TIEC 7-16:

This request is subject to pending objection because SWEPCO has determined that some information responsive to this request may be protected by the attorney-client and/or work product privilege. TIEC has extended the time for the Company to provide any non-privileged responsive documents and/or privilege index.

Prepared By: Christen M. Blend

Title: Senior Counsel

Prepared By: Melissa A. Gage

Title: Senior Counsel

Prepared By: Jessica A. Cano

Title: Senior Counsel

Sponsored by: Counsel

**SOAH DOCKET NO. 473-19-6862
PUC DOCKET NO. 49737**

**SOUTHWESTERN ELECTRIC POWER COMPANY'S RESPONSE TO TEXAS
INDUSTRIAL ENERGY CONSUMERS' SEVENTH REQUEST FOR INFORMATION**

Question No. TIEC 7-17:

Please provide all communications, including internal communications and communications with Simon Wind or Invenergy, regarding the capacity factors of the North Central Energy Facilities.

Response No. TIEC 7-17:

This request is subject to pending objection because SWEPCO has determined that some information responsive to this request may be protected by the attorney-client and/or work product privilege. TIEC has extended the time for the Company to provide any non-privileged responsive documents and/or privilege index.

Prepared By: Christen M. Blend

Title: Senior Counsel

Prepared By: Melissa A. Gage

Title: Senior Counsel

Prepared By: Jessica A. Cano

Title: Senior Counsel

Sponsored by: Counsel

**SOAH DOCKET NO. 473-19-6862
PUC DOCKET NO. 49737**

**SOUTHWESTERN ELECTRIC POWER COMPANY'S RESPONSE TO TEXAS
INDUSTRIAL ENERGY CONSUMERS' SEVENTH REQUEST FOR INFORMATION**

Question No. TIEC 7-18:

Referring to SWEPCO's Supplemental Response to TIEC 2-4, please provide a full unredacted copy of SWEPCO's Customer Savings Plan presentation and any related drafts, and full unredacted copies of any related communications.

Response No. TIEC 7-18:

The information responsive to this request is CONFIDENTIAL under the terms of the Protective Order. The Confidential information is available for review at the Austin offices of American Electric Power Company (AEP), 400 West 15th Street, Suite 1520, Austin, Texas, 78701, (512) 481-4562, during normal business hours.

See TIEC 7-18 Confidential Attachment 1.

Prepared By: Christen M. Blend
Prepared By: Melissa A. Gage
Prepared By: Jessica A. Cano

Title: Senior Counsel
Title: Senior Counsel
Title: Senior Counsel

Sponsored by: Counsel