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PUBLIC UTILITY COMMISSION OF TEXAS

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APPLICATION OF SOUTHWESTERN
ELECTRIC POWER COMPANY FOR
CERTIFICATE OF CONVENIENCE
AND NECESSITY AUTHORIZATION
AND RELATED RELIEF FOR THE
ACQUISITION OF WIND
GENERATION FACILITIES

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PUBLIC UTILITY COMMISSION OF
TEXAS

JULY 15, 2019

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PUC DOCKET NO. _____

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

APPLICATION

Southwestern Electric Power Company (SWEPCO or the Company) files this Application for Certificate of Convenience and Necessity Authorization and Related Relief (Application) to acquire an interest in three wind generation facilities (the Selected Wind Facilities) as described below.

I. The Selected Wind Facilities

Through a Request for Proposals (RFP) process, SWEPCO and its sister company Public Service Company of Oklahoma (PSO) have contracted to acquire the project companies owning the following three Selected Wind Facilities, subject to receipt of regulatory approvals and satisfaction of other conditions:

Traverse	999 MW
Maverick	287 MW
<u>Sundance</u>	<u>199 MW</u>
Total	1485 MW

Each of the Selected Wind Facilities is owned by an affiliate of Invenergy LLC and located in Oklahoma. SWEPCO has contracted to acquire 54.5% of each Facility, for a total of 810 MW, and PSO will acquire the remaining 45.5% (675 MW) share.

SWEPCO's Integrated Resource Plans (IRPs) in Louisiana and Arkansas and PSO's IRP in Oklahoma provide for the addition of wind generation resources by 2023 to reduce energy costs and provide capacity benefits. Based on the IRPs, the two Companies issued coordinated RFPs

for wind generation facilities in January 2019. Thirty-five bids representing nineteen (19) unique wind projects and totaling approximately 5,896 MW were submitted to the Companies in response to the RFPs. The RFP process is described in the testimony of witness Godfrey.

After analyzing the cost and deliverability of the energy from each proposed project to the AEP West load zone, the Companies chose the Selected Wind Facilities and negotiated turn-key fixed-price Purchase and Sale Agreements (PSAs) to acquire each of the Facilities. The total price for the Selected Wind Facilities including all interconnection and upgrade costs, payable at closing, is \$1.86 billion. Total project costs including PSA price adjustments and owner's costs are expected to be \$1.996 billion as discussed by witness DeRuntz. Closing is subject to regulatory approvals and other conditions, and there are no pre-closing progress or other payments. The Facilities are expected to qualify for production tax credits (PTCs) at the 80% level, except for Sundance, which is expected to qualify for 100% PTCs.¹

As discussed below and in the Company's testimony accompanying this Application, acquisition of the Selected Wind Facilities will reduce customers' energy costs, defer future capacity additions, enhance renewable energy credit options for customers that desire it, and provide economic development benefits.

II. Business Address/Authorized Representatives

SWEPSCO's business address and telephone number are:

Southwestern Electric Power Company
428 Travis Street
Shreveport, Louisiana
(318) 673-3000 – telephone

¹ In 2015, Congress enacted legislation to extend the PTC and to establish a phase-out schedule based on when wind facilities started construction. Subject to certain requirements, projects that started construction in 2016 receive 100% of the PTC and projects that started construction in 2017 receive 80%.

The Company's authorized representative for service of pleadings and other documents is:

Shelli A. Sloan
Southwestern Electric Power Company
400 West 15th Street, Suite 1520
Austin, Texas 78701
Telephone: (614) 716-2383
Facsimile: (512) 481-4591

The Company's authorized legal representatives are:

William Coe
Kerry McGrath
Duggins Wren Mann & Romero, LLP
600 Congress Ave, Suite 1900
Austin, Texas 78701
Telephone: (512) 744-9300
Facsimile (512) 744-9399
wcoe@dwmrlaw.com
kmcgrath@dwmrlaw.com

Rhonda C. Ryan
American Electric Power Service Corporation
400 West 15th Street, Suite 1520
Austin, Texas 78701
Telephone: (512) 481-3321
Facsimile: (512) 481-4591
rcryan@aep.com

III. Jurisdiction

The Commission has jurisdiction over the Company's Application pursuant to Sections 37.053, 37.056, and 37.058 of the Texas Public Utility Regulatory Act (PURA).²

IV. Relief Requested, Customers Affected, and Other Filings

CCN Amendment. SWEPCO holds CCN No. 30151. SWEPCO requests that its CCN be amended to include acquisition of its 810 MW share of the Selected Wind Facilities as described in this filing. SWEPCO has approximately 184,000 Texas retail customers, all of whom are affected by this Application. SWEPCO has filed separate applications for certification of the Selected Wind Facilities with the Arkansas Public Service Commission and the Louisiana Public Service Commission. PSO has filed for approval of rate recovery for the Selected Wind Facilities from the Oklahoma Corporation Commission.

² Tex. Util. Code Ann. §§ 11.001-66.017.

The SWEPCO/PSO RFP and regulatory approval processes were structured such that the portfolio of acquisitions and their size could be adjusted if not all jurisdictions grant the requested approval. In addition to requesting that the Commission amend its CCN to acquire 810 MW of the Selected Wind Facilities as set out above, SWEPCO requests the following alternative Commission approvals if it does not receive approvals from other state regulatory commissions:

1. If one of SWEPCO's other state jurisdictions does not approve acquisition of the Selected Wind Facilities, SWEPCO requests:
 - a) if PSO also does not receive approval, this Commission amend SWEPCO's CCN to acquire 810 MW of the Selected Wind Facilities and to allocate the costs and benefits of that acquisition proportionately to Texas and the other approving SWEPCO jurisdiction, or
 - b) if PSO does receive approval, this Commission amend SWEPCO's CCN to: i) acquire only the originally-proposed jurisdictional shares of Texas and the other approving SWEPCO jurisdiction (including the wholesale share), instead of 810 MW, of the Selected Wind Facilities; or ii) acquire 810 MW of the Selected Wind Facilities and allocate the costs and benefits of that acquisition proportionately to Texas and the other approving SWEPCO jurisdiction. These options are dependent on both approving jurisdictions having accepted the same option.
- 2) In the event this Commission is the only SWEPCO jurisdiction to approve the acquisition, the Company requests that the Commission amend its CCN to acquire only the Texas share (adjusted to recognize that a percentage must be allocated to wholesale customers) of the Selected Wind Facilities. This acquisition will only move forward if PSO's application before the OCC is also approved as necessary to preserve economies of scale for the acquisition and comply with the Companies' minimum contractual obligations under the PSAs.

The testimony of Company witness Brice further discusses SWEPCO's alternative requests if not all regulatory approvals are received. Any jurisdiction that does not approve the acquisition will neither bear the costs nor receive the benefits of any Wind Facilities acquired by the Company or PSO.

Deferred Tax Asset. PTCs for renewable energy generation significantly contribute to the favorable economics of and customer savings provided by the Selected Wind Facilities. Over the

first ten years of operation, the facilities are projected to earn PTCs net of deferred tax asset carrying costs valued at approximately \$750 million. In a future filing, SWEPCO intends to request implementation of a Generation Investment Recovery Rider that will take effect on the date the Selected Wind Facilities begin providing service to customers, pursuant to newly-enacted Section 36.213 of PURA.³ SWEPCO will also propose to flow the benefits of the PTCs to customers through the Rider.

As discussed in the testimony of witness Multer, the Company does not expect to fully use the PTCs in the tax years in which they are received. To the extent that the PTCs are not fully used by the Company in a given tax year, SWEPCO requests Commission approval in this case to include any unrealized PTCs in a deferred tax asset that will be included in rate base in subsequent rate proceedings.

V. Benefits of the Selected Wind Facilities

The Selected Wind Facilities are expected to provide several benefits to SWEPCO's customers, including reduced energy costs, deferred capacity additions and associated costs, and increased availability of renewable energy credits for customers. The Selected Wind Facilities are expected to provide energy cost savings of approximately \$2.1 billion (\$588 million net present value), as compared to a baseline case without the Facilities. The Facilities provide customer benefits under a wide range of possible future conditions analyzed by the Company and would break even at future power and gas prices below the low range of plausible forecasts. These time-sensitive Facilities take advantage of the federal Production Tax Credits (PTCs) for the benefit of customers to secure at least 80% of the value of the PTCs, and in the case of Sundance 100% of the value of the PTCs. The Company's analysis of cost savings from the Selected Wind Facilities,

³ PURA § 36.213 was recently enacted by the Texas Legislature and signed into law by the Governor. Acts 2019, 86th Leg., R.S., Ch. ____ (H.B. 1397), Sec. 4, eff. June 14, 2019.

including its evaluation of potential costs and risks arising from transmission congestion, are described in the testimony of witnesses Torpey, Ali, Sheilendranath and Pfeifenberger.

The Selected Wind Facilities will also make more renewable energy credits available to customers that want them. Many of SWEPCO's customers are seeking or even requiring that increasing amounts of their energy be provided by renewable resources. This need arises from the fact that some of SWEPCO's largest customers have significant renewable energy targets or commitments. In order to meet the needs and desires of its customers, and to make its service territory more attractive to new economic development, it is important that SWEPCO increase the amount of energy that is produced from renewable resources, while at the same time remaining focused on the cost of providing service to customers. The Selected Wind Facilities provide an opportunity to do that.⁴

To secure the benefits of the Selected Wind Facilities, SWEPCO is offering the following guarantees as described in the testimony of witnesses Smoak and Brice:

1. Capital Cost Cap Guarantee

SWEPCO proposes a cost cap equal to 100% of the aggregated filed capital costs of approximately \$1.996 billion (SWEPCO share approximately \$1.09 billion), as outlined in Exhibit JGD-3 of Company witness DeRuntz's testimony. The Capital Cost Cap Guarantee has no exceptions, including for *Force Majeure* (FM).

2. Production Tax Credit Eligibility Guarantee

If PTCs are not received at the 100% level for Sundance and the 80% level for the other two Selected Wind Facilities because a Facility is determined to be ineligible, customers will be made whole for the value of the lost PTCs based upon actual production. The Production Tax Credit Eligibility Guarantee is subject to changes caused by a Change in Law that affects the federal Production Tax Credit.

⁴ Assuming this Application is approved, SWEPCO plans to seek approval of a Renewable Energy Credit (REC) rider program through which customers will be able purchase the RECs produced by the Selected Wind Facilities. The proceeds of the sales of the RECs would be credited as a further reduction to fuel costs. This program will allow customers to voluntarily satisfy their renewable energy goals and reduce their carbon footprint.

3. Minimum Production Guarantee⁵

Beginning in 2022, the Company is willing to provide a guaranteed minimum production level, in aggregate from the Selected Wind Facilities, of an average of 87% (P95 Capacity Factor Case) of the expected output of the Facilities over each 5-year period for 10 years average across all Facilities. This scenario represents a 38.1% capacity factor and 4,959 GWh per year, in the aggregate, for the Selected Wind Facilities. If the minimum production level is not achieved, customers will be made whole on an energy and PTC (if applicable) basis. There is an exception for FM and curtailment in SPP.

VI. Identification of Witnesses and Subjects Addressed

The following witnesses support the Application in this case:

Witness	Testimony Summary
Malcolm Smoak	Need for Selected Wind Facilities, Customer Benefits, and Company Guarantees
Thomas P. Brice	Wind Facilities, SWEPCO Policy, and Requested Relief
Jay Godfrey	RFP Process, Transactions with Developers, and Expected Wind Output
Joseph DeRuntz	Description of Selected Wind Facilities
Karl Bletzacker	Fundamentals Forecast
Akarsh Sheilendranath	Congestion Analysis and Value
Kamran Ali	Deliverability Assessment, Congestion Modeling and Mitigation
John Torpey	IRP, RFP and Economic Benefits Evaluation
Johannes Pfeifenberger	Reasonableness of the Company's RFP, Congestion Analysis and Economic Benefits Analysis
Joel Multer	Production Tax Credits, Intercompany Allocations and Deferred Tax Asset
Noah Hollis	Credit Metrics/Financing
John Aaron	Customer Impacts/Recovery Mechanisms/Accounting Treatment

⁵ The Minimum Production Guarantee will be subject to *force majeure* events, which by definition are events the Company cannot control. A lack of wind velocity will not be considered a *force majeure* event. This guarantee is subject to curtailments in SPP. Payments made under this guarantee will be net of any make-whole payment made under the PTC eligibility guarantee.

VII. Guidelines Followed for Information in a Generation CCN Filing

In its testimony included with this Application, SWEPCO has attempted to supply information from past generation CCN forms and notice of intent guidelines, even though those forms and their related requirements are no longer in use or have been abolished. Moreover, SWEPCO's testimony addresses all of the CCN criteria in PURA § 37.056, although the key statutory factor for this Application is the probable lowering of cost to customers. SWEPCO has followed a similar format of presenting information used in its filings in Docket Nos. 32918, 33048, 33891 and 47461, CCN requests for other generation resources.

Based on the language in PURA § 14.101, that statute does not apply to this Application. PURA § 14.101(a) provides, "Unless a public utility reports the transaction to the commission within a reasonable time, the public utility may not: (a) sell, acquire, or lease a plant as an operating unit or system in this state for a total consideration of more than \$10 million...." The Selected Wind Facilities will not be located in this State (*i.e.*, Texas), but instead will be located wholly within Oklahoma. Nevertheless, the testimony of witness Brice addresses the factors listed in PURA § 14.101 as they pertain to the Selected Wind Facilities. To the extent the Commission determines that § 14.101 does apply to this Application, the Company respectfully requests a public interest finding pursuant to that provision. The Commission's Sale, Transfer, Merger form is attached as Attachment A.

VIII. Notice

SWEPCO's proposed notice takes account of the fact that the Selected Wind Facilities will be located outside Texas. SWEPCO proposes to provide notice of this Application to all of the parties in Docket No. 47461 (SWEPCO's CCN application for the Windcatcher project) and Docket No. 46449 (SWEPCO's most recent base rate case) and to each of SWEPCO's customers

individually, and to publish notice in newspapers of general circulation in SWEPCO's Texas service area once a week for two consecutive weeks. SWEPCO's proposed form of notice is included as Attachment B. SWEPCO's proposed notice is consistent with the notice provided in Docket No. 33891 (Turk CCN), 43958 (Union Power Station CCN), and 47461 (Windcatcher CCN). In each of these cases, the facilities in question were located outside Texas.

The Company respectfully requests that the Presiding Officer, on an expedited basis, find that its proposed notice and method of notice complies with PURA and the Commission's rules.

IX. Request for Protective Order

SWEPCO requests that the Presiding Officer issue a protective order in the form provided as Attachment C. Attachment C tracks the protective order adopted by the Presiding Officer in Docket No. 46449. Pending adoption of the protective order, SWEPCO will offer access to confidential and highly sensitive information at the Austin offices of AEP to eligible requesting parties who execute the protective order certification provided in Attachment C. Attachment D to this Application lists the documents included in the Application that SWEPCO considers confidential or highly sensitive information entitled to protection under the protective order.

X. Conclusion and Prayer

The Selected Wind Facilities will lower the overall cost to serve customers, diversify SWEPCO's generation mix, and serve the renewable energy goals of the Company's customers. As described in this Application and the accompanying testimony, SWEPCO requests that the Commission:

- Amend SWEPCO's CCN and authorize acquisition of the Selected Wind Facilities under PURA § 37.056, as described above;
- If the Commission determines PURA § 14.101 is applicable, find that SWEPCO's purchase of the Selected Wind Facilities is in the public interest under that provision; and


- Approve SWEPCO's request to include any unrealized PTCs in a deferred tax asset included in rate base in the event the PTCs cannot be fully utilized in a given year(s).

Respectfully submitted,

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By:


Kerry McGrath

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(512) 936-7000

APPLICATION FOR SALE, TRANSFER, OR MERGER

This form should be used by public utilities for:

- 1) seeking authority to sell assign, or lease a Certificate of Convenience and Necessity or any rights obtained under a certificate;
- 2) reporting the sale, acquisition, lease or rental by or to any public utility of any plant as an operating system or unit for a total consideration in excess of \$10,000,000;
- 3) reporting the merger or consolidation of two or more public utilities; and
- 4) reporting the purchase by one public utility of voting stock in another public utility.

See Sections 14.101, 14.102, and 37.154 of the Public Utility Regulatory Act

1. Proposed action or subject of report:

- ☐ Sale, transfer, or lease of an entire Certificate of Convenience and Necessity
- ☐ Sale, transfer or lease of a portion of Applicant's service area or facilities to which it is certificated (including certificate rights)
- ☒ * Sale, transfer or lease of a utility plant as an operating system or unit for more than \$10,000,000 (including certificate rights)
- ☐ Merger or consolidation of public utilities
- ☐ Purchase by a public utility of voting stock in another public utility

- * **It is SWEPCO's position that PURA § 14.101 does not apply to this Petition. PURA § 14.101(a) provides, "Unless a public utility reports the transaction to the commission within a reasonable time, the public utility may not: (a) sell, acquire, or lease a plant as an operating unit or system in this state for a total consideration of more than \$10 million...." The Selected Wind Facilities will not be located in this State (i.e., Texas), but instead will be located wholly within Oklahoma. However, to the extent that a public interest finding is required under PURA § 14.101, SWEPCO requests that the Commission find that its ownership and development of the Facilities is in the public interest.**

List all counties in which the utility's service area will be affected by this transaction:

The Selected Wind Facilities will be located in Oklahoma. Except for impacts on rates and power supply, no counties in Applicant's service area will be affected by the transaction.

2. Applicants: **Southwestern Electric Power Company**

☒ Applicant holds Certificate of Convenience and Necessity No. **30151**

☐ Applicant does not hold a certificate from the Public Utility Commission

The Applicant is the:

☐ Seller (transferor or lessor)

☒ Purchaser (transferee or lessor)

☐ One of the merging or consolidating utilities

☐ Other (please explain)

Business Address:	<u>428 Travis Street</u>	Business Telephone:	<u>(318) 673-3000</u>
			(Area Code – Number)
	<u>Shreveport</u>		<u>Louisiana 71101</u>
	(City)	(County)	(State & Zip Code)

3. Applicant is a(n): Corporation
(Individual, Partnership, Corporation, Cooperative Corporation, Water Supply Corporation, Political Subdivision, Municipally-Owned Utility)

4. If applicable, list the names, addresses and office of all partners or all officers of Applicants:

Name	Address	Office
Nicholas K. Akins	1 Riverside Plaza Columbus, OH 43215	Chairman of the Board and Chief Executive Officer
Albert M. Smoak	428 Travis Shreveport, LA 71101	President and Chief Operating Officer
Brian X. Tierney	1 Riverside Plaza Columbus, OH 43215	Vice President and Chief Financial Officer
Lisa M. Barton	1 Riverside Plaza Columbus, OH 43215	Vice President

Thomas P. Brice	428 Travis Shreveport, LA 71101	Vice President – Regulatory & Finance
Brian Bond	428 Travis Shreveport, LA 71101	Vice President – External Affairs
Lana L. Hillebrand	1 Riverside Plaza Columbus, OH 43215	Vice President
Mark J. Leskowitz	1 Riverside Plaza Columbus, OH 43215	Vice President
Eric J. James	1 Riverside Plaza Columbus, OH 43215	Vice President
Paul Chodak	1 Riverside Plaza Columbus, OH 43215	Vice President
Mark C. McCullough	1 Riverside Plaza Columbus, OH 43215	Vice President
Jimmy Llende	1 Riverside Plaza Columbus, OH 43215	Vice President-Tax
Thomas Presthus	1 Riverside Plaza Columbus, OH 43215	Vice President
Daniel J. Rogier	1 Riverside Plaza Columbus, OH 43215	Vice President
Julie A. Sherwood	1 Riverside Plaza Columbus, OH 43215	Vice President
Julia A. Sloat	1 Riverside Plaza Columbus, OH 43215	Vice President
Antonio P. Smyth	1 Riverside Plaza Columbus, OH 43215	Vice President
A. Wade Smith	1 Riverside Plaza Columbus, OH 43215	Vice President
Scott N. Smith	1 Riverside Plaza Columbus, OH 43215	Vice President
Drew Seidel	428 Travis Shreveport, LA 71101	Vice President – Distribution Region Operations
Tommy J. Slater	2400 FM 3251 Hallsville, TX	Vice President – Generating Assets
Joseph M. Buonaiuto	1 Riverside Plaza Columbus, OH 43215	Controller and Chief Accounting Officer
David M. Feinberg	1 Riverside Plaza Columbus, OH 43215	Secretary
Jeffrey W. Hoersdig	1 Riverside Plaza Columbus, OH 43215	Assistant Controller
Thomas G. Berkemeyer	1 Riverside Plaza Columbus, OH 43215	Assistant Secretary
William E. Johnson	1 Riverside Plaza Columbus, OH 43215	Assistant Secretary
Renee V. Hawkins	1 Riverside Plaza Columbus, OH 43215	Assistant Treasurer

- Applicant is a wholly owned subsidiary of American Electric Power Company (AEP).**

- Shelli A. Sloan**

(Address) (City, State and Zip Code) (Area Code and Number)

(Address)	(City, State and Zip Code)	(Area Code and Number)

- authorized legal representatives for this proceeding**
- | | | |
|-----------|----------------------------|------------------------|
| (Address) | (City, State and Zip Code) | (Area Code and Number) |
|-----------|----------------------------|------------------------|

- X** Yes. If yes, date of filing: January 9, 2019 (Docket No. 48233)

____ No. If no, attach a written schedule of present rates and services. (Use forms or format required by Commission's Tariff Clerk.)

If there are more than two parties to this transaction, please attach sheets providing the information required in Questions No. 9 through 16 for each party.

- _____ All customers will be charged the same rates as they were charged before the transaction.

_____ Some customers will be charged different rates than they were charged before the transaction. If so, please explain.

____ Applicant intends to file with the Commission an application to change rates of (some) (all) of its customers as a result of this transaction. If so, please explain.

X Other: Please explain. Please see the direct testimony of Company witness John Aaron filed with this application.

10. Other party to this transaction: _____

See Attachments A-1 through A-3 and B for information concerning the Sellers (Traverse Wind Energy Holdings LLC, Sundance Wind Project Holdings LLC, and Maverick Wind Project Holdings LLC) and the other Purchaser, Public Service Company of Oklahoma.

_____ The other party holds Certificate of Convenience and Necessity No. _____

X The other party does not hold a Certificate of Convenience and Necessity.

The other parties are the:

X Sellers (transferor or lessor) – **Traverse Wind Energy Holdings LLC, Sundance Wind Project Holdings LLC, and Maverick Wind Project Holdings LLC**

X Purchaser (transferee or lessee) – **Public Service Company of Oklahoma (45.5% share)**

_____ The merging utilities

_____ Other (please explain):

Business Address: _____ Business Telephone: _____
(Street Address must be entered here – P.O. Box may also be entered)

(City) (County) (State & Zip Code)

11. Other party is a(n): **See Attachments A-1 through A-3 and B for information concerning the Sellers, Traverse Wind Energy Holdings LLC, Sundance Wind Project Holdings LLC, and Maverick Wind Project Holdings LLC, and the other Purchaser, Public Service Company of Oklahoma.**

12. If applicable, list the names, addresses and office of all partners or all officers of the other parties.

See Attachments A-1 through A-3 and B for information concerning the Sellers, Traverse Wind Energy Holdings LLC, Sundance Wind Project Holdings LLC, and Maverick Wind Project Holdings LLC, and the other Purchaser, Public Service Company of Oklahoma.

13. If applicable, list the names and addresses of the other party's five (5) largest shareholders.

See Attachments A-1 through A-3 and B for information concerning the Sellers, Traverse Wind Energy Holdings LLC, Sundance Wind Project Holdings LLC, and Maverick Wind Project Holdings LLC, and the other Purchaser, Public Service Company of Oklahoma.

14. The other party designates the following person to be contacted with respect to any question regarding the filing:

See Attachments A-1 through A-3 and B for information concerning the Sellers, Traverse Wind Energy Holdings LLC, Sundance Wind Project Holdings LLC, and Maverick Wind Project Holdings LLC, and the other Purchaser, Public Service Company of Oklahoma.

15. If the other party has retained an engineer:

See Attachments A-1 through A-3 and B for information concerning the Sellers, Traverse Wind Energy Holdings LLC, Sundance Wind Project Holdings LLC, and Maverick Wind Project Holdings LLC, and the other Purchaser, Public Service Company of Oklahoma.

16. If the other party is represented by an attorney:

See Attachments A-1 through A-3 and B for information concerning the Sellers, Traverse Wind Energy Holdings LLC, Sundance Wind Project Holdings LLC, and Maverick Wind Project Holdings LLC, and the other Purchaser, Public Service Company of Oklahoma.

17. List all neighboring utilities, cities, political subdivisions, or other parties directly affected by this application. (Use separate sheet if needed).

The Selected Wind Facilities are located in Oklahoma, so no affected landowners, neighboring utilities, cities, political subdivisions, or other parties in Texas are directly affected by this application. All of SWEPCO's Texas retail customers may be affected by the Application.

Applicant represents to the Public Utility Commission that each of the above parties and all other parties to this transaction were notified of the nature of this application and its filing with the Commission, and each of the above parties by that notification has an opportunity to protest the application. Other parties to this transaction have been furnished copies of this application.

18. Please describe the nature of the transaction. Indicate if it involves the transfer of certificated facilities and/or service area.

SWEPCO has contracted to acquire 54.5% of each of the Selected Wind Facilities,

for a total of 810 MW, and PSO will acquire the remaining 45.5% (675 MW) share. In the event that approval is not received from all state regulatory commissions, SWEPCO requests alternative approvals in this application as described in the application and the direct testimony of Mr. Brice. Please see SWEPCO's Application and direct testimony filed in this proceeding for more information regarding the nature of the transaction.

The transaction does not involve the transfer of certificated facilities and/or service area.

19. If the transaction involves the transfer of certificated facilities and/or service area please describe the qualifications of the purchaser (or transferee) to provide adequate utility service:

Not applicable.

20. State the purchase price and/or the other consideration for the transaction:

Please see SWEPCO's Application and direct testimony filed in this proceeding.

21. If applicable, state the original cost of plant to be sold or merged, as recorded on the books of Seller (or merging companies):

Not Applicable. SWEPCO proposes to purchase new facilities that have not been previously dedicated to public use.

22. If applicable, state the amount of accumulated depreciation and the date of acquisition:

Acquisition will occur after all necessary regulatory approvals are obtained. Depreciation will not begin until after the date of acquisition.

23. If applicable, state the amount recorded as plant acquisition adjustment on books of selling company(ies):

Not applicable.

24. Complete the following proposed entries in books of purchasing (or surviving) company to record purchase (or merger):

SWEPCO proposes to debit Utility Plant in Service and credit Cash for the purchase price of the Selected Wind Facilities.

25. If utility plant in service is traded for utility plant in service, give details of original cost – accumulated depreciation, and reasons for or justification of the trade:

Not applicable.

26. Provide analysis of tax consequences in transaction and recognition given in books to parties concerned:

Not applicable.

27. Describe the type of plant facilities, and number of connections affected by this application.

Please see SWEPCO's Application filed in this proceeding.

28. Describe the location of plant facilities involved in this application with respect to streets, highways, cities, known landmarks, water courses, coordinates of transmitter sites, etc.:

The Selected Wind Facilities will be located in Custer, Blaine, Garfield, Kingfisher, Major, Woods and Alfalfa Counties in Oklahoma.. All of the facilities will be located in the state of Oklahoma. Please see SWEPCO's Application for more information.

29. Regarding the utility being sold, provide details of the following:

- a. Planned or needed capital improvements:

Not applicable.

- b. Estimated cost of such improvements:

Not applicable.

- c. Whether required to make such improvements by a federal or state agency:

Not applicable.

- d. Any time limits imposed for such improvements.

Not applicable.

30. Please describe anticipated impact of this transaction on the quality of utility service. Please explain anticipated changes in quality of service.

The Project is proposed and expected to reduce energy costs for SWEPCO's customers, defer future capacity additions, enhance renewable energy credit options for customers that desire it, and provide economic development benefits. Otherwise, the Project is not expected to have an impact on the quality of service.

31. If a merger or combination is sought by this application, please provide the following:
- a. A balance sheet for each entity;
 - b. An income statement for each entity;
 - c. Articles of Incorporation of a newly created entity;
 - d. A preliminary prospectus if stock of a newly created entity is to be publicly held.

Not applicable.


If the Affiant(s) to this form is any person other than the sole owner, partner, or officer of the applicant or its attorney, a properly verified Power of Attorney must be enclosed.

OATH

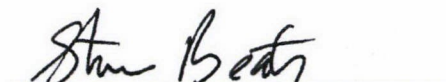
STATE OF TEXAS

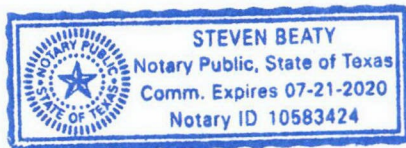
TRAVIS COUNTY

I, Albert M. Smoak, being duly sworn, file this application as President and Chief Operating Officer for Southwestern Electric Power Company. I am qualified and authorized to file and verify such application, am personally familiar with the documents filed with this application, and have complied with all the requirements contained in the application. I am also qualified and authorized to verify that all statements made and matters set forth therein with respect to the Applicant are true and correct. Statements about other parties are made on information and belief. I further state that the application is made in good faith, that notice of its filing was given to all necessary parties to the transaction and all neighboring utilities, and that this application does not duplicate any filing presently before the Commission.


Albert M. Smoak

SUBSCRIBED AND SWORN TO BEFORE ME, a Notary Public in and for the State above-named, this 10 day of July, 2019


Notary Public



Attachment A-1

10. Other party to this transaction: Maverick Wind Project Holdings LLC
(Name)

 The other party holds Certificate of Convenience and Necessity No.

 X The other party does not hold a Certificate of Convenience and Necessity.

The other party is the:

 X Seller (transferor or lessor)

 Purchaser (transferee or lessee)

 The merging utilities

 Other (please explain):

One South Wacker Drive Business Telephone: 312-224-1400
(Street Address must be entered here – P.O. Box
may also be entered)

Chicago IL 60606
(City) (County) (State & Zip Code)

11. Other party is a(n): Limited Liability Company
(Individual, Partnership, Corporation, Cooperative Corporation,
Water Supply Corporation, Political Subdivision, Municipally-
Owned Utility)

12. If applicable, list the names, addresses and office of all partners or all officers of other party.

NAME	OFFICE	ADDRESS
Michael Polsky	President	1 S. Wacker Dr., Chicago, IL 60606
James Murphy	Vice President	1 S. Wacker Dr., Chicago, IL 60606
James Shield	Vice President	1 S. Wacker Dr., Chicago, IL 60606
Bryan Schueler	Vice President	1 S. Wacker Dr., Chicago, IL 60606
James Williams	Vice President	1 S. Wacker Dr., Chicago, IL 60606
Andrea Hoffman	Vice President	1 S. Wacker Dr., Chicago, IL 60606
Meghan Schultz	Vice President	1 S. Wacker Dr., Chicago, IL 60606
Mike Blazer	Secretary	1 S. Wacker Dr., Chicago, IL 60606

13. If applicable, list the names and addresses of other party's five (5) largest shareholders.

Maverick Wind Project Holdings LLC is a wholly owned subsidiary of Invenenergy Renewable Global LLC.

14. The other party designates the following person(s) to be contacted with respect to any question regarding filing:

Kris Zadlo		
One S. Wacker Dr.	Chicago, IL 60606	(312) 582-1532
(Address)	(City, State and Zip Code)	(Area Code and Number)

15. The other party has retained an engineer: **Not applicable**
16. The other party is represented by an attorney: **Not applicable. Invenenergy is not a party to this case.**

Attachment A-2

10. Other party to this transaction: Sundance Wind Project Holdings LLC
(Name)

_____ The other party holds Certificate of Convenience and Necessity No. _____

X The other party does not hold a Certificate of Convenience and Necessity.

The other party is the:

X Seller (transferor or lessor)

_____ Purchaser (transferee or lessee)

_____ The merging utilities

_____ Other (please explain):

One South Wacker Drive Business Telephone: 312-224-1400
(Street Address must be entered here – P.O. Box
may also be entered)

Chicago IL 60606
(City) (County) (State & Zip Code)

11. Other party is a(n): Limited Liability Company
(Individual, Partnership, Corporation, Cooperative Corporation,
Water Supply Corporation, Political Subdivision, Municipally-
Owned Utility)

12. If applicable, list the names, addresses and office of all partners or all officers of other party.

NAME	OFFICE	ADDRESS
Michael Polsky	President	1 S. Wacker Dr., Chicago, IL 60606
James Murphy	Vice President	1 S. Wacker Dr., Chicago, IL 60606
James Shield	Vice President	1 S. Wacker Dr., Chicago, IL 60606
Bryan Schueler	Vice President	1 S. Wacker Dr., Chicago, IL 60606
James Williams	Vice President	1 S. Wacker Dr., Chicago, IL 60606
Andrea Hoffman	Vice President	1 S. Wacker Dr., Chicago, IL 60606
Meghan Schultz	Vice President	1 S. Wacker Dr., Chicago, IL 60606
Mike Blazer	Secretary	1 S. Wacker Dr., Chicago, IL 60606

13. If applicable, list the names and addresses of other party's five (5) largest shareholders.

Sundance Wind Project Holdings LLC is a wholly owned subsidiary of Invenenergy Renewables Global LLC.

14. The other party designates the following person(s) to be contacted with respect to any question regarding filing:

Kris Zadlo		
<u>One S. Wacker Dr.</u>	<u>Chicago, IL 60606</u>	<u>(312) 582-1532</u>
(Address)	(City, State and Zip Code)	(Area Code and Number)

15. The other party has retained an engineer: **Not applicable**
16. The other party is represented by an attorney: **Not applicable. Invenenergy is not a party to this case.**

Attachment A-3

10. Other party to this transaction: Traverse Wind Energy Holdings LLC
(Name)

_____ The other party holds Certificate of Convenience and Necessity No. _____

X The other party does not hold a Certificate of Convenience and Necessity.

The other party is the:

X Seller (transferor or lessor)

_____ Purchaser (transferee or lessee)

_____ The merging utilities

_____ Other (please explain):

One South Wacker Drive Business Telephone: 312-224-1400
(Street Address must be entered here – P.O. Box
may also be entered)

Chicago IL 60606
(City) (County) (State & Zip Code)

11. Other party is a(n): Limited Liability Company
(Individual, Partnership, Corporation, Cooperative Corporation,
Water Supply Corporation, Political Subdivision, Municipally-
Owned Utility)

12. If applicable, list the names, addresses and office of all partners or all officers of other party.

NAME	OFFICE	ADDRESS
Michael Polsky	President	1 S. Wacker Dr., Chicago, IL 60606
James Murphy	Vice President	1 S. Wacker Dr., Chicago, IL 60606
James Shield	Vice President	1 S. Wacker Dr., Chicago, IL 60606
Bryan Schueler	Vice President	1 S. Wacker Dr., Chicago, IL 60606
James Williams	Vice President	1 S. Wacker Dr., Chicago, IL 60606
Andrea Hoffman	Vice President	1 S. Wacker Dr., Chicago, IL 60606
Meghan Schultz	Vice President	1 S. Wacker Dr., Chicago, IL 60606
Mike Blazer	Secretary	1 S. Wacker Dr., Chicago, IL 60606

13. If applicable, list the names and addresses of other party's five (5) largest shareholders.

Traverse Wind Energy Holdings LLC is a wholly owned subsidiary of Invenenergy Renewables Global LLC.

14. The other party designates the following person(s) to be contacted with respect to any question regarding filing:

Kris Zadlo

One S. Wacker Dr.

Chicago, IL 60606

(312) 582-1532

(Address)

(City, State and Zip Code)

(Area Code and Number)

15. The other party has retained an engineer: **Not applicable**

16. The other party is represented by an attorney: **Not applicable. Invenenergy is not a party to this case.**

Attachment B

10. Other party to this transaction: **Public Service Company of Oklahoma**
(Name)

_____ The other party holds Certificate of Convenience and Necessity No. _____

X The other party does not hold a Certificate of Convenience and Necessity.

The other party is the:

_____ Seller (transferor or lessor)

X Purchaser (transferee or lessee) **(45.5%)**

_____ The merging utilities

_____ Other (please explain):

212 East Sixth Street

(Street Address must be entered here – P.O. Box
may also be entered)

Business

Telephone: **1-888-216-3523**

Tulsa

(City)

(County)

OK, 74119

(State & Zip Code)

11. Other party is a(n): **Corporation**
(Individual, Partnership, Corporation, Cooperative Corporation,
Water Supply Corporation, Political Subdivision, Municipally-
Owned Utility)
12. If applicable, list the names, addresses and office of all partners or all officers of other party.

NAME	ADDRESS	OFFICE
Nicholas K. Akins	1 Riverside Plaza Columbus, OH 43215	Chairman of the Board and Chief Executive Officer
Peggy I. Simmons	212 E. 6 th Street Tulsa, OK 74119	President and Chief Operating Officer
Steven F. Baker	212 E. 6 th Street Tulsa, OK 74119	Vice President – Distribution Region Operations
Brian X. Tierney	1 Riverside Plaza Columbus, OH 43215	Vice President and Chief Financial Officer
Lisa M. Barton	1 Riverside Plaza Columbus, OH 43215	Vice President

Paul Chodak	1 Riverside Plaza Columbus, OH 43215	Vice President
Tiffini S. Jackson	1 Riverside Plaza Columbus, OH 43215	Vice President – External Affairs
Lana L. Hillebrand	1 Riverside Plaza Columbus, OH 43215	Vice President
Eric J. James	1 Riverside Plaza Columbus, OH 43215	Vice President
Mark J. Leskowitz	1 Riverside Plaza Columbus, OH 43215	Vice President
Mark C. McCullough	1 Riverside Plaza Columbus, OH 43215	Vice President
James X. Llende	1 Riverside Plaza Columbus, OH 43215	Vice President
Thomas Presthus	1 Riverside Plaza Columbus, OH 43215	Vice President
Daniel J. Rogier	1 Riverside Plaza Columbus, OH 43215	Vice President and Treasurer
Julie A. Sherwood	1 Riverside Plaza Columbus, OH 43215	Vice President
Wade A. Smith	1 Riverside Plaza Columbus, OH 43215	Vice President
Scott N. Smith	1 Riverside Plaza Columbus, OH 43215	Vice President
Antonio P. Smyth	1 Riverside Plaza Columbus, OH 43215	Vice President
Matthew A. Horeled	212 E. 6 th Street Tulsa, OK 74119	Vice President – Regulatory & Finance
Monte McMahon	212 E. 6 th Street Tulsa, OK 74119	Vice President - Generating Assets
Joseph M. Buonaiuto	1 Riverside Plaza Columbus, OH 43215	Controller and Chief Accounting Officer
David M. Feinberg	1 Riverside Plaza Columbus, OH 43215	Secretary
Jeffrey W. Hoersdig	1 Riverside Plaza Columbus, OH 43215	Assistant Controller
Thomas G. Berkemeyer	1 Riverside Plaza Columbus, OH 43215	Assistant Secretary
William E. Johnson	1 Riverside Plaza Columbus, OH 43215	Assistant Secretary
Renee V. Hawkins	1 Riverside Plaza Columbus, OH 43215	Assistant Treasurer

13. If applicable, list the names and addresses of other party's five (5) largest shareholders.

PSO is a wholly owned subsidiary of American Electric Power Company (AEP).

14. The other party designates the following person(s) to be contacted with respect to any question regarding filing:

Mary Williamson
Director Regulatory Services
212 East Sixth Street
Tulsa, OK 74119
Phone: 918-599-2252

15. The other party has retained an engineer: **Not applicable**

16. The other party is represented by an attorney: **Not applicable. PSO is not a party to this case.**

PUBLIC NOTICE

On [Month Day], 2019, Southwestern Electric Power Company (SWEPCO) filed a petition with the Public Utility Commission of Texas (Commission) requesting Certificate of Convenience and Necessity (CCN) authorization to acquire an interest in three wind generation facilities (the Selected Wind Facilities) located in Oklahoma. The docket number and style of the case are PUC Docket No. _____, *Application of Southwestern Electric Power Company for Certificate of Convenience and Necessity Authorization and Related Relief for the Acquisition of Wind Generation Facilities*. SWEPCO has approximately 184,000 Texas retail customers, all of whom are affected by this Application. SWEPCO has filed separate applications for certification of the Selected Wind Facilities with the Arkansas Public Service Commission and the Louisiana Public Service Commission. PSO has filed for approval of rate recovery for the Selected Wind Facilities from the Oklahoma Corporation Commission.

Through a Request for Proposals (RFP) process, SWEPCO and its sister company Public Service Company of Oklahoma (PSO) have contracted to acquire the project companies owning the following three Selected Wind Facilities, subject to receipt of regulatory approvals and satisfaction of other conditions:

Traverse	999 MW
Maverick	287 MW
<u>Sundance</u>	<u>199 MW</u>
	1485 MW

Each of the Selected Wind Facilities is owned by an affiliate of Invenergy LLC. SWEPCO has contracted to acquire 54.5% of each Facility, for a total of 810 MW, and PSO will acquire the remaining 45.5% (675 MW) share. In the event that approval is not received from all state regulatory commissions, SWEPCO requests approval in this application to acquire a larger share of the Selected Wind Facilities for the benefit of Texas customers.

The total price for the Selected Wind Facilities including all interconnection and upgrade costs, payable at closing, is \$1.86 billion (\$1,253/kW), of which SWEPCO's 54.5% share is \$1.01 billion. Total project costs including PSA price adjustments and owner's costs are expected to be approximately \$1.996 billion, of which SWEPCO's 54.5% share is approximately \$1.09 billion. Closing is subject to regulatory approvals and other conditions, and there are no pre-closing progress or other payments.

Persons with questions about this Project should contact SWEPCO at 428 Travis Street, Shreveport, Louisiana 71101 or call toll-free at (888) 216-3523 during normal business hours. Persons who wish to intervene in the proceeding or comment upon action sought, should contact the Public Utility Commission, P.O. Box 13326, Austin, Texas 78711-3326, or call the Public Utility Commission at (512) 936-7120 or (888) 782-8477. Hearing- and speech-impaired individuals with text telephones (TTY) may contact the commission at (512) 936-7136. The deadline for intervention in the proceeding is [Month Day] 2019 and you must send a letter requesting intervention to the Commission which is received by that date.

A copy of SWEPCO's petition may be viewed on the Commission's webpage at <https://www.puc.texas.gov>. The Commission maintains an electronic copy of all filings on the "Filings/Filings Search" section of its webpage. The control number for this proceeding is [DOCKET NO.].

PUC DOCKET NO. _____

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

PROTECTIVE ORDER

This Protective Order shall govern the use of all information deemed confidential (Protected Materials) or highly confidential (Highly Sensitive Protected Materials), including information whose confidentiality is currently under dispute, by a party providing information to the Public Utility Commission of Texas (Commission) or to any other party to this proceeding.

It is ORDERED that:

1. **Designation of Protected Materials.** Upon producing or filing a document, including, but not limited to, records on a computer disk or other similar electronic storage medium in this proceeding, the producing party may designate that document, or any portion of it, as confidential pursuant to this Protective Order by typing or stamping on its face “PROTECTED PURSUANT TO PROTECTIVE ORDER ISSUED IN DOCKET NO. _____” (or words to this effect) and consecutively Bates Stamping each page. Protected Materials and Highly Sensitive Protected Materials include the documents so designated, as well as the substance of the information contained in the documents and any description, report, summary, or statement about the substance of the information contained in the documents.
2. **Materials Excluded from Protected Materials Designation.** Protected Materials shall not include any information or document contained in the public files of the Commission or any other federal or state agency, court, or local governmental authority subject to the Public Information Act.¹ Protected Materials also shall not include documents or

¹ Tex. Gov’t Code Ann. §§ 552.001-552.353.

information which at the time of, or prior to disclosure in, a proceeding is or was public knowledge, or which becomes public knowledge other than through disclosure in violation of this Protective Order.

3. **Reviewing Party.** For the purposes of this Protective Order, a “Reviewing Party” is any party to this docket.
4. **Procedures for Designation of Protected Materials.** On or before the date the Protected Materials or Highly Sensitive Protected Materials are provided to the Commission, the producing party shall file with the Commission and deliver to each party to the proceeding a written statement, which may be in the form of an objection, indicating: (a) any exemptions to the Public Information Act claimed to apply to the alleged Protected Materials; (b) the reasons supporting the producing party’s claim that the responsive information is exempt from public disclosure under the Public Information Act and subject to treatment as protected materials; and (c) that counsel for the producing party has reviewed the information sufficiently to state in good faith that the information is exempt from public disclosure under the Public Information Act and merits the Protected Materials designation.
5. **Persons Permitted Access to Protected Materials.** Except as otherwise provided in this Protective Order, a Reviewing Party may access Protected Materials only through its “Reviewing Representatives” who have signed the Protective Order Certification Form (see Attachment A). Reviewing Representatives of a Reviewing Party include its counsel of record in this proceeding and associated attorneys, paralegals, economists, statisticians, accountants, consultants, or other persons employed or retained by the Reviewing Party and directly engaged in this proceeding. At the request of the PUC Commissioners, copies of Protected Materials may be produced by Commission Staff. The Commissioners and their staff shall be informed of the existence and coverage of this Protective Order and shall observe the restrictions of the Protective Order.
6. **Highly Sensitive Protected Material Described.** The term “Highly Sensitive Protected Materials” is a subset of Protected Materials and refers to documents or information that a producing party claims is of such a highly sensitive nature that making copies of such

documents or information or providing access to such documents to employees of the Reviewing Party (except as specified herein) would expose a producing party to unreasonable risk of harm. Highly Sensitive Protected Materials include but are not limited to: (a) customer-specific information protected by § 32.101(c) of the Public Utility Regulatory Act;² (b) contractual information pertaining to contracts that specify that their terms are confidential or that are confidential pursuant to an order entered in litigation to which the producing party is a party; (c) market-sensitive fuel price forecasts, wholesale transactions information and/or market-sensitive marketing plans; and (d) business operations or financial information that is commercially sensitive. Documents or information so classified by a producing party shall bear the designation “HIGHLY SENSITIVE PROTECTED MATERIALS PROVIDED PURSUANT TO PROTECTIVE ORDER ISSUED IN DOCKET NO. _____” (or words to this effect) and shall be consecutively Bates Stamped. The provisions of this Protective Order pertaining to Protected Materials also apply to Highly Sensitive Protected Materials, except where this Protective Order provides for additional protections for Highly Sensitive Protected Materials. In particular, the procedures herein for challenging the producing party’s designation of information as Protected Materials also apply to information that a producing party designates as Highly Sensitive Protected Materials.

7. **Restrictions on Copying and Inspection of Highly Sensitive Protected Material.**

Except as expressly provided in this Protective Order, one copy of Highly Sensitive Protected Materials may be made and kept in the possession of outside counsel for a Reviewing Party and one copy in the possession of the outside consultants having a need to access the materials, except that additional copies may be made to have sufficient copies for introduction of the material into the evidentiary record if the material is to be offered for admission into the record. The Reviewing Party shall maintain a record of all copies made of Highly Sensitive Protected Material and shall send a duplicate of the record to the producing party when the copy or copies are made. The record shall specify the location and the person possessing the copy. Limited notes may be made of Highly Sensitive Protected Materials, and such notes shall themselves be treated as Highly

² Public Utility Regulatory Act, Tex. Util. Code Ann. §§ 11.001-66.016 (PURA).

Sensitive Protected Materials unless such notes are limited to a description of the document and a general characterization of its subject matter in a manner that does not state any substantive information contained in the document.

8. **Restricting Persons Who May Have Access to Highly Sensitive Protected Material.**

With the exception of Commission Staff, the Office of the Attorney General (OAG), and the Office of Public Utility Counsel (OPC), and except as provided herein, the Reviewing Representatives for the purpose of access to Highly Sensitive Protected Materials may be persons who are (a) outside counsel for the Reviewing Party, (b) outside consultants for the Reviewing Party working under the direction of Reviewing Party's counsel or, (c) employees of the Reviewing Party working with and under the direction of Reviewing Party's counsel who have been authorized by the presiding officer to review Highly Sensitive Protected Materials. The Reviewing Party shall limit the number of Reviewing Representatives that review Highly Sensitive Protected Materials to the minimum number of persons necessary. The Reviewing Party is under a good faith obligation to limit access to each portion of any Highly Sensitive Protected Materials to two Reviewing Representatives whenever possible. Reviewing Representatives for Commission Staff, OAG, and OPC, for the purpose of access to Highly Sensitive Protected Materials, shall consist of their respective counsel of record in this proceeding and associated attorneys, paralegals, economists, statisticians, accountants, consultants, or other persons employed or retained by them and directly engaged in these proceedings.

9. **Copies Provided of Highly Sensitive Protected Material.** A producing party shall provide one copy of Highly Sensitive Protected Materials specifically requested by the Reviewing Party to the person designated by the Reviewing Party who must be a person authorized to review Highly Sensitive Protected Material under Paragraph 8. Representatives of the Reviewing Party who are authorized to view Highly Sensitive Protected Material may review the copy of Highly Sensitive Protected Materials at the office of the Reviewing Party's representative designated to receive the information. Any Highly Sensitive Protected Materials provided to a Reviewing Party may not be copied except as provided in Paragraph 7. The restrictions contained herein do not apply

to Commission Staff, OPC, and the OAG when the OAG is representing a party to the proceeding.

10. **Procedures in Paragraphs 10-14 Apply to Commission Staff, OPC, and the OAG and Control in the Event of Conflict.** The procedures in Paragraphs 10 through 14 apply to responses to requests for documents or information that the producing party designates as Highly Sensitive Protected Materials and provides to Commission Staff, OPC, and the OAG in recognition of their purely public functions. To the extent the requirements of Paragraphs 10 through 14 conflict with any requirements contained in other paragraphs of this Protective Order, the requirements of these Paragraphs shall control.
11. **Copy of Highly Sensitive Protected Material to be Provided to Commission Staff, OPC and the OAG.** When, in response to a request for information by a Reviewing Party, the producing party makes available for review documents or information claimed to be Highly Sensitive Protected Materials, the producing party shall also deliver one copy of the Highly Sensitive Protected Materials to the Commission Staff, OPC, and the OAG (if the OAG is representing a party) in Austin, Texas. Provided however, that in the event such Highly Sensitive Protected Materials are voluminous, the materials will be made available for review by Commission Staff, OPC, and the OAG (if the OAG is representing a party) at the designated office in Austin, Texas. The Commission Staff, OPC and the OAG (if the OAG is representing a party) may request such copies as are necessary of such voluminous material under the copying procedures specified herein.
12. **Delivery of the Copy of Highly Sensitive Protected Material to Commission Staff and Outside Consultants.** The Commission Staff, OPC, and the OAG (if the OAG is representing a party) may deliver the copy of Highly Sensitive Protected Materials received by them to the appropriate members of their staff for review, provided such staff members first sign the certification specified by Paragraph 15. After obtaining the agreement of the producing party, Commission Staff, OPC, and the OAG (if the OAG is representing a party) may deliver the copy of Highly Sensitive Protected Materials

received by it to the agreed, appropriate members of their outside consultants for review, provided such outside consultants first sign the certification in Attachment A.

13. **Restriction on Copying by Commission Staff, OPC and the OAG.** Except as allowed by Paragraph 7, Commission Staff, OPC and the OAG may not make additional copies of the Highly Sensitive Protected Materials furnished to them unless the producing party agrees in writing otherwise, or, upon a showing of good cause, the presiding officer directs otherwise. Commission Staff, OPC, and the OAG may make limited notes of Highly Sensitive Protected Materials furnished to them, and all such handwritten notes will be treated as Highly Sensitive Protected Materials as are the materials from which the notes are taken.
14. **Public Information Requests.** In the event of a request for any of the Highly Sensitive Protected Materials under the Public Information Act, an authorized representative of the Commission, OPC, or the OAG may furnish a copy of the requested Highly Sensitive Protected Materials to the Open Records Division at the OAG together with a copy of this Protective Order after notifying the producing party that such documents are being furnished to the OAG. Such notification may be provided simultaneously with the delivery of the Highly Sensitive Protected Materials to the OAG.
15. **Required Certification.** Each person who inspects the Protected Materials shall, before such inspection, agree in writing to the following certification found in Attachment A to this Protective Order:

I certify my understanding that the Protected Materials are provided to me pursuant to the terms and restrictions of the Protective Order in this docket, and that I have been given a copy of it and have read the Protective Order and agree to be bound by it. I understand that the contents of the Protected Materials, any notes, memoranda, or any other form of information regarding or derived from the Protected Materials shall not be disclosed to anyone other than in accordance with the Protective Order and unless I am an employee of the Commission or OPC shall be used only for the purpose of the proceeding in Docket No. _____. I acknowledge that the obligations imposed by this certification are pursuant to such Protective Order. Provided, however, if the information contained in the Protected Materials is obtained from

independent public sources, the understanding stated herein shall not apply.

In addition, Reviewing Representatives who are permitted access to Highly Sensitive Protected Material under the terms of this Protective Order shall, before inspection of such material, agree in writing to the following certification found in Attachment A to this Protective Order:

I certify that I am eligible to have access to Highly Sensitive Protected Material under the terms of the Protective Order in this docket.

The Reviewing Party shall provide a copy of each signed certification to Counsel for the producing party and serve a copy upon all parties of record.

16. **Disclosures between Reviewing Representatives and Continuation of Disclosure Restrictions after a Person is no Longer Engaged in the Proceeding.** Any Reviewing Representative may disclose Protected Materials, other than Highly Sensitive Protected Materials, to any other person who is a Reviewing Representative provided that, if the person to whom disclosure is to be made has not executed and provided for delivery of a signed certification to the party asserting confidentiality, that certification shall be executed prior to any disclosure. A Reviewing Representative may disclose Highly Sensitive Protected Material to other Reviewing Representatives who are permitted access to such material and have executed the additional certification required for persons who receive access to Highly Sensitive Protected Material. In the event that any Reviewing Representative to whom Protected Materials are disclosed ceases to be engaged in these proceedings, access to Protected Materials by that person shall be terminated and all notes, memoranda, or other information derived from the protected material shall either be destroyed or given to another Reviewing Representative of that party who is authorized pursuant to this Protective Order to receive the protected materials. Any person who has agreed to the foregoing certification shall continue to be bound by the provisions of this Protective Order so long as it is in effect, even if no longer engaged in these proceedings.

17. **Producing Party to Provide One Copy of Certain Protected Material and Procedures for Making Additional Copies of Such Materials.** Except for Highly Sensitive Protected Materials, which shall be provided to the Reviewing Parties pursuant to Paragraphs 9, and voluminous Protected Materials, the producing party shall provide a Reviewing Party one copy of the Protected Materials upon receipt of the signed certification described in Paragraph 15. Except for Highly Sensitive Protected Materials, a Reviewing Party may make further copies of Protected Materials for use in this proceeding pursuant to this Protective Order, but a record shall be maintained as to the documents reproduced and the number of copies made, and upon request the Reviewing Party shall provide the party asserting confidentiality with a copy of that record.
18. **Procedures Regarding Voluminous Protected Materials.** 16 Tex. Admin. Code (TAC) § 22.144(h) will govern production of voluminous Protected Materials. Voluminous Protected Materials will be made available in the producing party's voluminous room, in Austin, Texas, or at a mutually agreed upon location, Monday through Friday, 9:00 a.m. to 5:00 p.m. (except on state or Federal holidays), and at other mutually convenient times upon reasonable request.
19. **Reviewing Period Defined.** The Protected Materials may be reviewed only during the Reviewing Period, which shall commence upon entry of this Protective Order and continue until the expiration of the Commission's plenary jurisdiction. The Reviewing Period shall reopen if the Commission regains jurisdiction due to a remand as provided by law. Protected materials that are admitted into the evidentiary record or accompanying the evidentiary record as offers of proof may be reviewed throughout the pendency of this proceeding and any appeals.
20. **Procedures for Making Copies of Voluminous Protected Materials.** Other than Highly Sensitive Protected Materials, Reviewing Parties may take notes regarding the information contained in voluminous Protected Materials made available for inspection or they may make photographic, mechanical or electronic copies of the Protected Materials, subject to the conditions in this Protective Order; provided, however, that before photographic, mechanical or electronic copies may be made, the Reviewing Party

seeking photographic, mechanical or electronic copies must provide written confirmation of the receipt of copies listed on Attachment B of this Protective Order identifying each piece of Protected Materials or portions thereof the Reviewing Party will need.

21. **Protected Materials to be Used Solely for the Purposes of These Proceedings.** All Protected Materials shall be made available to the Reviewing Parties and their Reviewing Representatives solely for the purposes of these proceedings. Access to the Protected Materials may not be used in the furtherance of any other purpose, including, without limitation: (a) any other pending or potential proceeding involving any claim, complaint, or other grievance of whatever nature, except appellate review proceedings that may arise from or be subject to these proceedings; or (b) any business or competitive endeavor of whatever nature. Because of their statutory regulatory obligations, these restrictions do not apply to Commission Staff or OPC.
22. **Procedures for Confidential Treatment of Protected Materials and Information Derived from Those Materials.** Protected Materials, as well as a Reviewing Party's notes, memoranda, or other information regarding or derived from the Protected Materials are to be treated confidentially by the Reviewing Party and shall not be disclosed or used by the Reviewing Party except as permitted and provided in this Protective Order. Information derived from or describing the Protected Materials shall be maintained in a secure place and shall not be placed in the public or general files of the Reviewing Party except in accordance with the provisions of this Protective Order. A Reviewing Party must take all reasonable precautions to insure that the Protected Materials including notes and analyses made from Protected Materials that disclose Protected Materials are not viewed or taken by any person other than a Reviewing Representative of a Reviewing Party.
23. **Procedures for Submission of Protected Materials.** If a Reviewing Party tenders for filing any Protected Materials, including Highly Sensitive Protected Materials, or any written testimony, exhibit, brief, motion or other type of pleading or other submission at the Commission or before any other judicial body that quotes from Protected Materials or discloses the content of Protected Materials, the confidential portion of such submission

shall be filed and served in sealed envelopes or other appropriate containers endorsed to the effect that they contain Protected Material or Highly Sensitive Protected Material and are sealed pursuant to this Protective Order. If filed at the Commission, such documents shall be marked "PROTECTED MATERIAL" and shall be filed under seal with the presiding officer and served under seal to the counsel of record for the Reviewing Parties. The presiding officer may subsequently, on his/her own motion or on motion of a party, issue a ruling respecting whether or not the inclusion, incorporation or reference to Protected Materials is such that such submission should remain under seal. If filing before a judicial body, the filing party: (a) shall notify the party which provided the information within sufficient time so that the producing party may seek a temporary sealing order; and (b) shall otherwise follow the procedures in Rule 76a, Texas Rules of Civil Procedure.

24. **Maintenance of Protected Status of Materials during Pendency of Appeal of Order Holding Materials are not Protected Materials.** In the event that the presiding officer at any time in the course of this proceeding finds that all or part of the Protected Materials are not confidential or proprietary, by finding, for example, that such materials have entered the public domain or materials claimed to be Highly Sensitive Protected Materials are only Protected Materials, those materials shall nevertheless be subject to the protection afforded by this Protective Order for three (3) full working days, unless otherwise ordered, from the date the party asserting confidentiality receives notice of the presiding officer's order. Such notification will be by written communication. This provision establishes a deadline for appeal of a presiding officer's order to the Commission. In the event an appeal to the Commissioners is filed within those three (3) working days from notice, the Protected Materials shall be afforded the confidential treatment and status provided in this Protective Order during the pendency of such appeal. Neither the party asserting confidentiality nor any Reviewing Party waives its right to seek additional administrative or judicial remedies after the Commission's denial of any appeal.
25. **Notice of Intent to Use Protected Materials or Change Materials Designation.** Parties intending to use Protected Materials shall notify the other parties prior to offering

them into evidence or otherwise disclosing such information into the record of the proceeding. During the pendency of Docket No. _____ at the Commission, in the event that a Reviewing Party wishes to disclose Protected Materials to any person to whom disclosure is not authorized by this Protective Order, or wishes to have changed the designation of certain information or material as Protected Materials by alleging, for example, that such information or material has entered the public domain, such Reviewing Party shall first file and serve on all parties written notice of such proposed disclosure or request for change in designation, identifying with particularity each of such Protected Materials. A Reviewing Party shall at any time be able to file a written motion to challenge the designation of information as Protected Materials.

26. **Procedures to Contest Disclosure or Change in Designation.** In the event that the party asserting confidentiality wishes to contest a proposed disclosure or request for change in designation, the party asserting confidentiality shall file with the appropriate presiding officer its objection to a proposal, with supporting affidavits, if any, within five (5) working days after receiving such notice of proposed disclosure or change in designation. Failure of the party asserting confidentiality to file such an objection within this period shall be deemed a waiver of objection to the proposed disclosure or request for change in designation. Within five (5) working days after the party asserting confidentiality files its objection and supporting materials, the party challenging confidentiality may respond. Any such response shall include a statement by counsel for the party challenging such confidentiality that he or she has reviewed all portions of the materials in dispute and, without disclosing the Protected Materials, a statement as to why the Protected Materials should not be held to be confidential under current legal standards, or that the party asserting confidentiality for some reason did not allow such counsel to review such materials. If either party wishes to submit the material in question for in camera inspection, it shall do so no later than five (5) working days after the party challenging confidentiality has made its written filing.
27. **Procedures for Presiding Officer Determination Regarding Proposed Disclosure or Change in Designation.** If the party asserting confidentiality files an objection, the appropriate presiding officer will determine whether the proposed disclosure or change in

designation is appropriate. Upon the request of either the producing or Reviewing Party or upon the presiding officer's own initiative, the presiding officer may conduct a prehearing conference. The burden is on the party asserting confidentiality to show that such proposed disclosure or change in designation should not be made. If the presiding officer determines that such proposed disclosure or change in designation should be made, disclosure shall not take place earlier than three (3) full working days after such determination unless otherwise ordered. No party waives any right to seek additional administrative or judicial remedies concerning such presiding officer's ruling.

28. **Maintenance of Protected Status during Periods Specified for Challenging Various**

Orders. Any party electing to challenge, in the courts of this state, a Commission or presiding officer determination allowing disclosure or a change in designation shall have a period of ten (10) days from: (a) the date of an unfavorable Commission order; or (b) if the Commission does not rule on an appeal of an interim order, the date an appeal of an interim order to the Commission is overruled by operation of law, to obtain a favorable ruling in state district court. Any party challenging a state district court determination allowing disclosure or a change in designation shall have an additional period of ten (10) days from the date of the order to obtain a favorable ruling from a state appeals court. Finally, any party challenging a determination of a state appeals court allowing disclosure or a change in designation shall have an additional period of ten (10) days from the date of the order to obtain a favorable ruling from the state supreme court, or other appellate court. All Protected Materials shall be afforded the confidential treatment and status provided for in this Protective Order during the periods for challenging the various orders referenced in this paragraph. For purposes of this paragraph, a favorable ruling of a state district court, state appeals court, Supreme Court or other appellate court includes any order extending the deadlines in this paragraph.

29. **Other Grounds for Objection to Use of Protected Materials Remain Applicable.**

Nothing in this Protective Order shall be construed as precluding any party from objecting to the use of Protected Materials on grounds other than confidentiality, including the lack of required relevance. Nothing in this Protective Order constitutes a waiver of the right to argue for more disclosure, provided, however, that unless the

Commission or a court orders such additional disclosure, all parties will abide by the restrictions imposed by the Protective Order.

30. **Protection of Materials from Unauthorized Disclosure.** All notices, applications, responses or other correspondence shall be made in a manner which protects Protected Materials from unauthorized disclosure.
31. **Return of Copies of Protected Materials and Destruction of Information Derived from Protected Materials.** Following the conclusion of these proceedings, each Reviewing Party must, no later than thirty (30) days following receipt of the notice described below, return to the party asserting confidentiality all copies of the Protected Materials provided by that party pursuant to this Protective Order and all copies reproduced by a Reviewing Party, and counsel for each Reviewing Party must provide to the party asserting confidentiality a letter by counsel that, to the best of his or her knowledge, information, and belief, all copies of notes, memoranda, and other documents regarding or derived from the Protected Materials (including copies of Protected Materials) that have not been so returned, if any, have been destroyed, other than notes, memoranda, or other documents which contain information in a form which, if made public, would not cause disclosure of the substance of Protected Materials. As used in this Protective Order, “conclusion of these proceedings” refers to the exhaustion of available appeals, or the running of the time for the making of such appeals, as provided by applicable law. If, following any appeal, the Commission conducts a remand proceeding, then the “conclusion of these proceedings” is extended by the remand to the exhaustion of available appeals of the remand, or the running of the time for making such appeals of the remand, as provided by applicable law. Promptly following the conclusion of these proceedings, counsel for the party asserting confidentiality will send a written notice to all other parties, reminding them of their obligations under this Paragraph. Nothing in this Paragraph shall prohibit counsel for each Reviewing Party from retaining two (2) copies of any filed testimony, brief, application for rehearing, hearing exhibit or other pleading which refers to Protected Materials provided that any such Protected Materials retained by counsel shall remain subject to the provisions of this Protective Order.

32. **Applicability of Other Law.** This Protective Order is subject to the requirements of the Public Information Act, the Open Meetings Act,³ the Texas Securities Act⁴ and any other applicable law, provided that parties subject to those acts will notify the party asserting confidentiality, if possible under those acts, prior to disclosure pursuant to those acts. Such notice shall not be required where the Protected Materials are sought by governmental officials authorized to conduct a criminal or civil investigation that relates to or involves the Protected Materials, and those governmental officials aver in writing that such notice could compromise the investigation and that the governmental entity involved will maintain the confidentiality of the Protected Materials.
33. **Procedures for Release of Information under Order.** If required by order of a governmental or judicial body, the Reviewing Party may release to such body the confidential information required by such order; provided, however, that: (a) the Reviewing Party shall notify the producing party of the order requiring the release of such information within five (5) calendar days of the date the Reviewing Party has notice of the order; (b) the Reviewing Party shall notify the producing party at least five (5) calendar days in advance of the release of the information to allow the producing party to contest any release of the confidential information; and (c) the Reviewing Party shall use its best efforts to prevent such materials from being disclosed to the public. The terms of this Protective Order do not preclude the Reviewing Party from complying with any valid and enforceable order of a state or federal court with competent jurisdiction specifically requiring disclosure of Protected Materials earlier than contemplated herein. The notice specified in this section shall not be required where the Protected Materials are sought by governmental officials authorized to conduct a criminal or civil investigation that relates to or involves the Protected Materials, and those governmental officials aver in writing that such notice could compromise the investigation and that the governmental entity involved will maintain the confidentiality of the Protected Materials.
34. **Best Efforts Defined.** The term “best efforts” as used in the preceding paragraph requires that the Reviewing Party attempt to ensure that disclosure is not made unless

³ Tex. Gov’t Code Ann. § 551.001-551.146 (West 2012 & Supp. 2016).

⁴ Tex. Rev. Civ. Stat. Ann. arts. 581-1 to 581-43 (West 2010 & Supp. 2016).

such disclosure is pursuant to a final order of a Texas governmental or Texas judicial body, the written opinion of the Texas Attorney General sought in compliance with the Public Information Act, or the request of governmental officials authorized to conduct a criminal or civil investigation that relates to or involves the Protected Materials. The Reviewing Party is not required to delay compliance with a lawful order to disclose such information but is simply required to timely notify the party asserting confidentiality, or its counsel, that it has received a challenge to the confidentiality of the information and that the Reviewing Party will either proceed under the provisions of §552.301 of the Public Information Act, or intends to comply with the final governmental or court order. Provided, however, that no notice is required where the Protected Materials are sought by governmental officials authorized to conduct a criminal or civil investigation that relates to or involves the Protected Materials, and those governmental officials aver in writing that such notice could compromise the investigation and that the governmental entity involved will maintain the confidentiality of the Protected Materials.

35. **Notify Defined.** “Notify” for purposes of Paragraphs 32, 33 and 34 means written notice to the party asserting confidentiality at least five (5) calendar days prior to release; including when a Reviewing Party receives a request under the Public Information Act. However, the Commission, OAG, or OPC may provide a copy of Protected Materials to the Open Records Division of the OAG as provided herein.
36. **Requests for Non-Disclosure.** If the producing party asserts that the requested information should not be disclosed at all, or should not be disclosed to certain parties under the protection afforded by this Protective Order, the producing party shall tender the information for in camera review to the presiding officer within ten (10) calendar days of the request. At the same time, the producing party shall file and serve on all parties its argument, including any supporting affidavits, in support of its position of non-disclosure. The burden is on the producing party to establish that the material should not be disclosed. The producing party shall serve a copy of the information under the classification of Highly Sensitive Protected Material to all parties requesting the information that the producing party has not alleged should be prohibited from reviewing the information.

Parties wishing to respond to the producing party's argument for non-disclosure shall do so within five working days. Responding parties should explain why the information should be disclosed to them, including why disclosure is necessary for a fair adjudication of the case if the material is determined to constitute a trade secret. If the presiding officer finds that the information should be disclosed as Protected Material under the terms of this Protective Order, the presiding officer shall stay the order of disclosure for such period of time as the presiding officer deems necessary to allow the producing party to appeal the ruling to the Commission.

37. **Sanctions Available for Abuse of Designation.** If the presiding officer finds that a producing party unreasonably designated material as Protected Material or as Highly Sensitive Protected Material, or unreasonably attempted to prevent disclosure pursuant to Paragraph 36, the presiding officer may sanction the producing party pursuant to 16 TAC § 22.161.
38. **Modification of Protective Order.** Each party shall have the right to seek changes in this Protective Order as appropriate from the presiding officer.
39. **Breach of Protective Order.** In the event of a breach of the provisions of this Protective Order, the producing party, if it sustains its burden of proof required to establish the right to injunctive relief, shall be entitled to an injunction against such breach without any requirements to post bond as a condition of such relief. The producing party shall not be relieved of proof of any element required to establish the right to injunctive relief. In addition to injunctive relief, the producing party shall be entitled to pursue any other form of relief to which it is entitled.

ATTACHMENT A**Protective Order Certification**

I certify my understanding that the Protected Materials are provided to me pursuant to the terms and restrictions of the Protective Order in this docket and that I have received a copy of it and have read the Protective Order and agree to be bound by it. I understand that the contents of the Protected Materials, any notes, memoranda, or any other form of information regarding or derived from the Protected Materials shall not be disclosed to anyone other than in accordance with the Protective Order and unless I am an employee of the Commission or OPC shall be used only for the purpose of the proceeding in Docket No. _____. I acknowledge that the obligations imposed by this certification are pursuant to such Protective Order. Provided, however, if the information contained in the Protected Materials is obtained from independent public sources, the understanding stated here shall not apply.

Signature_____
Party Represented_____
Printed Name_____
Date

I certify that I am eligible to have access to Highly Sensitive Protected Material under the terms of the Protective Order in this docket.

Signature_____
Party Represented_____
Printed Name_____
Date

ATTACHMENT B

I request to view/copy the following documents:

Document Requested	# of Copies	Non-Confidential	Protected Materials and/or Highly Sensitive Protected Materials

Signature

Party Represented

Printed Name

Date

PUC DOCKET NO. _____

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

**STATEMENT UNDER SECTION 4 OF THE PROTECTIVE ORDER
AND LIST OF CONFIDENTIAL/HIGHLY SENSITIVE INFORMATION**

Southwestern Electric Power Company's (SWEPCO) filing package includes customer specific information, confidential employee related information, proprietary information, commercially or competitively sensitive information, and/or trade secret information, or information whose public disclosure would be contrary to contractual obligations to which SWEPCO is bound. The public disclosure of this information would harm SWEPCO or third parties with whom SWEPCO must maintain an ongoing business relationship. Therefore, this information is protected under the Public Information Act, Tex. Gov't. Code §§ 552.101, 552.102, 552.104, and 552.110, or Tex. Util. Code § 32.101(c). The following is a list of schedules, exhibits, and workpapers that include such information, along with the sponsoring witness, the designation of the information, and applicable legal exemption.

Confidential and Highly Sensitive Information

Witness	Exempt Material	Designation	Exempt Under Tex. Gov't Code
Jay F. Godfrey	Exhibit JFG-2	Highly Sensitive	§§ 552.101, 552.104, and 552.110
	Exhibit JFG-3	Highly Sensitive	§§ 552.101, 552.104, and 552.110
	Exhibit JFG-5	Highly Sensitive	§§ 552.101, 552.104, and 552.110
Noah K. Hollis	Exhibit NKH-2	Confidential	§§ 552.101, 552.104, and 552.110

Witness	Exempt Material	Designation	Exempt Under Tex. Gov't Code
	Exhibit NKH-3	Confidential	§§ 552.101, 552.104, and 552.110
John F. Torpey	Exhibit JFT-2	Confidential	§§ 552.101, 552.104, and 552.110

I certify that I have reviewed the information sufficiently to state in good faith that the Information is exempt from public disclosure under the Public Information Act or Tex. Util. Code § 32.101(c) and merits the applicable designation of Confidential (Protected) Materials or Highly Sensitive (Highly Sensitive Protected) Materials detailed in the Protective Order accompanying this Application.

Kerry McGrath

PUC DOCKET NO. _____
PUBLIC UTILITY COMMISSION OF TEXAS

APPLICATION OF
SOUTHWESTERN ELECTRIC POWER COMPANY
FOR CERTIFICATE OF CONVENIENCE AND NECESSITY
AUTHORIZATION AND RELATED RELIEF FOR
THE ACQUISITION OF WIND GENERATION FACILITIES

DIRECT TESTIMONY OF
A. MALCOLM SMOAK
FOR
SOUTHWESTERN ELECTRIC POWER COMPANY

JULY 2019

TESTIMONY INDEX

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1 I. INTRODUCTION

2 Q. PLEASE STATE YOUR NAME, POSITION, AND BUSINESS ADDRESS.

3 A. My name is Albert Malcolm Smoak. I am employed by Southwestern Electric Power
4 Company (SWEPCO or Company) as President and Chief Operating Officer (COO).
5 SWEPCO is an operating company of American Electric Power Company, Inc., (AEP).
6 My business address is 428 Travis Street, Shreveport, Louisiana 71101.

7 Q. WHAT ARE YOUR PRINCIPAL AREAS OF RESPONSIBILITY WITH SWEPCO?

8 A. As President and COO of SWEPCO, I am responsible for the safe delivery of reliable
9 electric energy and quality services to our customers. This includes oversight of the
10 following SWEPCO functions in Arkansas, Louisiana, and Texas:

- 11 • Distribution;
12 • Customer service;
13 • Regulatory and statutory compliance;
14 • Community and economic development; and
15 • Maintenance of SWEPCO's financial performance and health.

16 In addition, I provide strategic coordination of transmission and generation
17 operations as these activities affect SWEPCO's financial health and day-to-day
18 operations. In fulfilling these roles, I coordinate with American Electric Power Service
19 Corporation (AEPSC) departments and leaders responsible for supporting SWEPCO's
20 provision of utility services. I also represent SWEPCO as it interacts with other
21 operating units within the AEP system.

22 Q. WILL YOU BRIEFLY DESCRIBE YOUR EDUCATIONAL AND PROFESSIONAL
23 BACKGROUND?

1 A. I hold a Bachelor of Science degree in electrical engineering from Louisiana Tech
2 University and I am a registered professional engineer in the State of Louisiana. I am
3 a member of the Institute of Electrical and Electronics Engineers (IEEE) and former
4 President of the IEEE Shreveport chapter. I am a member of the National Society of
5 Professional Engineers (NSPE) and I represent the NSPE on the National Electrical
6 Safety Code, Subcommittee Eight.

7 My career at SWEPCO began in 1984 as a distribution engineer and I have
8 held positions of escalating responsibility serving as a meterman supervisor, the
9 Louisiana division operations superintendent, distribution operations supervisor,
10 distribution engineering supervisor, and the Shreveport district manager of the
11 distribution system. I assumed the position of Vice President of Distribution Region
12 Operations in 2004 where I had responsibility for Distribution throughout the
13 SWEPCO service territory in Arkansas, Louisiana and Texas. In May 2018, I was
14 promoted to my current position.

15 Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE ANY REGULATORY
16 COMMISSION?

17 A. Yes. I have filed testimony before the Arkansas Public Service Commission (APSC),
18 the Louisiana Public Service Commission (LPSC or Commission), and the Public
19 Utility Commission of Texas (PUCT). I have previously submitted testimony before
20 this Commission in Docket Nos 46449, 45712, 40443, and 37364.

II. PURPOSE OF TESTIMONY

Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

A. My testimony: 1) discusses the need to acquire certain new wind facilities (collectively referred to as the Selected Wind Facilities, which are also referred to by the Company as the North Central Energy Facilities) for the benefit of customers; 2) sets out the time sensitive nature of the opportunity to capture the remaining benefits of the federal Production Tax Credits (PTCs) for SWEPCO's customers; 3) describes the opportunity to provide lower energy costs and savings to all SWEPCO customers of \$2.12 billion on a nominal basis and \$588 million Net Present Value in the Base Fundamentals Forecast; 4) discusses the Company's guarantees for the benefit of customers; and 5) addresses the continued customer demand for renewable energy.

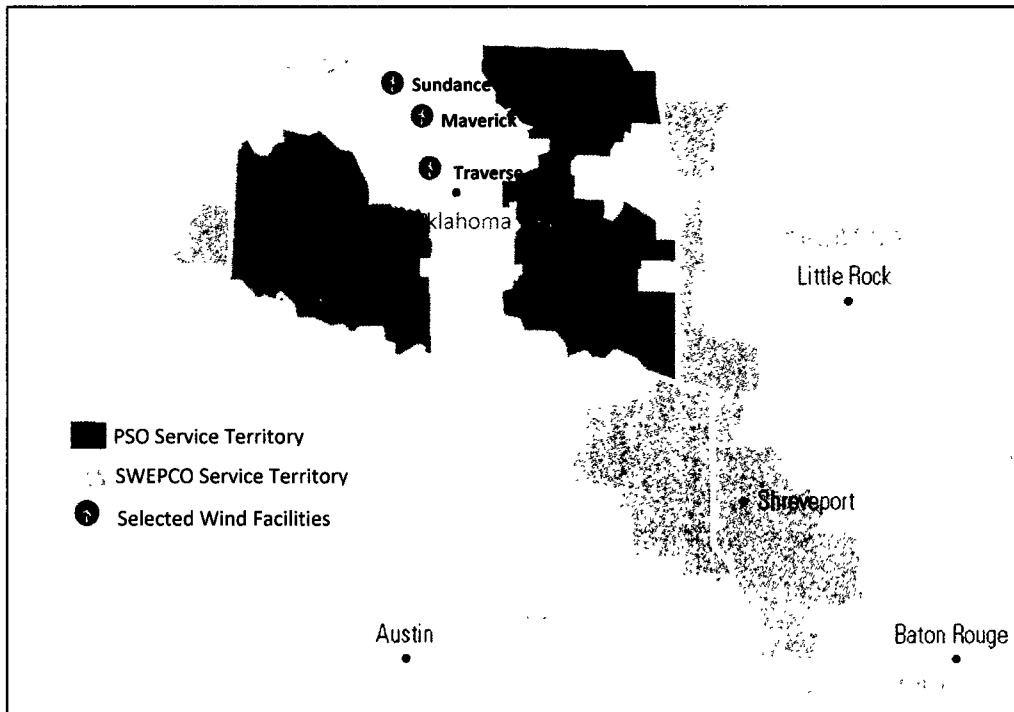
Q. PLEASE DESCRIBE THE SELECTED WIND FACILITIES TO BE ACQUIRED.

A. The Selected Wind Facilities were chosen through a market-competitive RFP process to evaluate and select the best bids for the benefit of customers, as further described by Company witnesses Brice and Godfrey. SWEPCO seeks approval to acquire 54.5% of the following Selected Wind Facilities:

Wind Facility Name	Total MW	SWEPCO Share
Traverse	999	544.5
Maverick	287	156
Sundance	199	108.5
Total	1485	810

SWEPCO's sister company, Public Service Company of Oklahoma (PSO), will acquire the remaining 45.5% share.

1 The Selected Wind Facilities are located in Oklahoma to access some of the best wind
2 resources in the region, and are shown on the following map:



3

4 The developers of the Selected Wind Facilities will design, develop, construct, and
5 commission the Facilities on a turn-key basis. No progress payments will be made by
6 SWEPCO during that process and no cost recovery will begin until the Selected Wind
7 Facilities are purchased and go into service. Company witness Aaron further describes
8 the requested rate treatment, Company witness Godfrey further discusses the
9 transactions with the sellers, and Company witness DeRuntz provides a more detailed
10 description of the Selected Wind Facilities.

11 Q. PLEASE PROVIDE A BRIEF SUMMARY OF THE BACKGROUND OF THE
12 NEED FOR THE SELECTED WIND FACILITIES.

1 A. In accordance with Arkansas and Louisiana regulatory requirements, SWEPCO
2 prepares an Integrated Resource Plan (IRP) to guide its resource planning activities.
3 That plan shows the need for significant increases in renewable energy, including wind
4 and solar, while maintaining fuel diversity, over the next 20 years. PSO's IRP also
5 shows a need for wind resources. Therefore, both SWEPCO and PSO issued Requests
6 for Proposals (RFPs), which were then jointly evaluated resulting in the selection of
7 the Selected Wind Facilities. The RFPs and the RFP evaluation process are discussed
8 further by Company witness Godfrey. Concurrent with this application, SWEPCO is
9 filing its requests for approval of the acquisitions with its jurisdictions in Louisiana and
10 Texas, and with the Federal Electric Regulatory Commission (FERC). PSO has also
11 filed a request with the Oklahoma Corporation Commission related to its acquisition of
12 a share of the Selected Wind Facilities.

13 Acquisition of the Selected Wind Facilities is time sensitive to meet the
14 requirements to receive at least 80% of the value of the federal Production Tax Credits
15 (PTCs) for the Traverse and Maverick wind facilities and 100% PTC value for the
16 Sundance wind facility. SWEPCO continues to see strong customer interest in more
17 renewable energy to meet their sustainability and renewable energy goals.

18 Q. WILL THE SELECTED WIND FACILITIES BENEFIT CUSTOMERS WHILE
19 SERVING CUSTOMERS' NEEDS?

20 A. Yes. Acquisition of the Selected Wind Facilities is expected to provide substantial
21 benefits in excess of its costs for customers. As I discuss in more detail below, the
22 acquisition will provide low-cost energy to customers and results in fuel savings
23 because there are no fuel costs. It will also contribute to a more diversified generation

1 mix of natural gas, wind, solar, and solid fuels, while meeting the demand for
2 renewables.

3 Q. IS THE OPPORTUNITY TO CAPTURE SIGNIFICANT SAVINGS FOR
4 SWEPCO'S CUSTOMERS TIME SENSITIVE?

5 A. Yes, definitely. The savings for SWEPCO's customers available pursuant to this
6 Application are indeed significant, especially when compared to the capital costs of the
7 Selected Wind Facilities. SWEPCO's capital outlay for the Selected Wind Facilities is
8 \$1.09 billion. Yet, SWEPCO's customers will receive the benefit of \$750 million of
9 PTCs net of deferred tax asset (DTA) carrying costs. But, the federal PTCs are being
10 phased out over the next four years. As discussed in more detail by Company witness
11 Multer there is limited time to assure the capture of these savings for SWEPCO's
12 customers. This is shown in the figure below:
13

SWEPCO CAPITAL INVESTMENT VS. PTC, NET OF DTA CARRYING
CHARGES
(NOMINAL \$ IN MILLIONS)



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A. The Selected Wind Facilities are expected to provide benefits in excess of costs that create savings of approximately \$2.12 billion on a total Company basis in nominal dollars and \$588 million Net Present Value over the life of the project in the Company's Base Fundamental Forecast. The Company's analysis shows robust savings and substantial customer benefits under a wide range of scenarios. The Selected Wind Facilities take advantage of federal PTCs for the benefit of customers to secure at least 80% of the value of the PTCs, and in the case of Sundance 100% of the value of the PTCs. Company witness Torpey discusses the specific SWEPSCO customer benefits in his testimony.

Q. HOW WERE THESE PROJECTED BENEFITS DETERMINED?

A. As further discussed in the testimonies of Company witnesses Bletzacker, Torpey, Sheilendranath, and Pfeifenberger, SWEPCO and PSO went through a robust modeling analysis to confirm that the Selected Wind Facilities will provide customer benefits when compared to the Base case.

1 Q. IN ADDITION TO NET CUSTOMER SAVINGS, WILL THE SELECTED WIND
2 FACILITIES PROVIDE OTHER BENEFITS TO CUSTOMERS?

3 A. Yes. We constantly focus on economic development in the states and communities we
4 serve. One of the ways we assist in economic development is by working to retain
5 existing and attract new customers. Current and potential customers have expressed an
6 increasing interest in energy savings including low-cost renewable energy to meet their
7 sustainability goals. In fact, many local, regional, national, and international
8 companies have sustainability goals, of which renewable energy is a key component.
9 For example, some of the customers in the SWEPCO service territory that have
10 publicly expressed a desire for increased renewable energy content include Walmart,
11 Tyson Foods, McDonalds, Target, and United Parcel Service. The Selected Wind
12 Facilities will meet customer demand for both sustainability and low-cost energy.

13 Q. WILL THE SELECTED WIND FACILITIES PROMOTE ECONOMIC GROWTH?

14 A. Yes. Growth can come in the form of expansion of existing companies and customers,
15 as well as attracting new customers. Providing lower-cost energy and meeting
16 sustainability goals helps achieve both of these objectives.

17 Q. DOES SWEPCO'S OWNERSHIP OF THE SELECTED WIND FACILITIES
18 PROVIDE OTHER ADVANTAGES FOR CUSTOMERS?

19 A. Yes. As further addressed by Company witness Brice, acquisition of the Selected Wind
20 Facilities provides significant benefits to SWEPCO customers, including reduced fuel
21 costs and the potential value of the Facilities continuing to serve customers after they
22 have been substantially depreciated. Finally, another benefit of SWEPCO and PSO

1 purchasing and owning these Selected Wind Facilities is that the Company can better
2 facilitate the guarantees discussed below.

3
4 IV. GUARANTEES FOR THE BENEFIT OF CUSTOMERS

5 Q. PLEASE DISCUSS THE GUARANTEES SWEPCO IS PROVIDING TO
6 CUSTOMERS ASSOCIATED WITH THE ACQUISITION OF THE WIND
7 FACILITIES.

8 A. SWEPCO is offering a suite of guarantees that are designed to protect customers and
9 provide significant value. The guarantees include a cost cap, a long-term minimum
10 production guarantee, and a guarantee that the Facilities will qualify for the PTC
11 percentage at the levels outlined above. These guarantees are further detailed by
12 Company witness Brice.

13 Q. ARE THE PERFORMANCE GUARANTEES A SUBSTANTIAL BENEFIT OF
14 SWEPCO OWNING THE SELECTED WIND FACILITIES?

15 A. Yes. SWEPCO ownership and control of the Selected Wind Facilities facilitates the
16 offering of these substantial guarantees for the benefit of customers. Ownership allows
17 the Company to better respond to changing market conditions and to make operational
18 decisions necessary to deliver the guarantees, as discussed further by Company witness
19 Brice.

1 V. CONCLUSION

2 Q. PLEASE SUMMARIZE WHY THE COMMISSION SHOULD APPROVE
3 SWEPCO'S ACQUISITION OF AN INTEREST IN THE SELECTED WIND
4 FACILITIES.

5 A. The proposed transaction to acquire the Selected Wind Facilities is in the public interest
6 and provides benefits in excess of its costs for SWEPCO customers and long-term fuel
7 diversity for SWEPCO. The Selected Wind Facilities are estimated to result in savings
8 to SWEPCO customers of \$2.12 billion in nominal dollars and of \$588 million on a
9 Net Present Value basis in the Base Fundamentals Forecast. There are substantial
10 customer benefits and savings over all the scenarios considered. There is no risk of
11 fuel cost volatility and customers are seeking sustainable energy. However, due to the
12 phase out of PTCs, there is a relatively limited period of time for SWEPCO to take full
13 advantage of the potential acquisition of the wind resources for the benefit of
14 customers.

15 Accordingly, SWEPCO respectfully requests approval of the transaction to
16 acquire the Selected Wind Facilities.

17 Q. DOES THIS COMPLETE YOUR TESTIMONY?

18 A. Yes. Thank you.

PUC DOCKET NO. _____
PUBLIC UTILITY COMMISSION OF TEXAS

APPLICATION OF
SOUTHWESTERN ELECTRIC POWER COMPANY
FOR CERTIFICATE OF CONVENIENCE AND NECESSITY
AUTHORIZATION AND RELATED RELIEF FOR
THE ACQUISITION OF WIND GENERATION FACILITIES

DIRECT TESTIMONY OF
THOMAS P. BRICE
FOR
SOUTHWESTERN ELECTRIC POWER COMPANY

JULY 15, 2019

TESTIMONY INDEX

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1 I. INTRODUCTION

2 Q. PLEASE STATE YOUR NAME, POSITION, AND BUSINESS ADDRESS.

3 A. My name is Thomas P. Brice. My business position is Vice President Regulatory and
4 Finance for Southwestern Electric Power Company (SWEPCO or Company). My
5 business address is 428 Travis Street, Shreveport, Louisiana 71101.

6 Q. WHAT ARE YOUR PRINCIPAL AREAS OF RESPONSIBILITY WITH SWEPCO?

7 A. I am responsible for SWEPCO's financial results and regulatory matters in Arkansas,
8 Louisiana, and Texas. I have responsibility for the preparation, filing, and litigation of
9 regulatory cases. Additionally, I am responsible for regulatory interactions, monitoring
10 of regulatory filings, participation in rulemakings, rate and tariff administration, and
11 ensuring compliance with regulatory requirements. I am also responsible for the
12 financial matters of the Company, which includes serving as the primary interface with
13 SWEPCO's parent company, American Electric Power Company, Inc. (AEP).

14 Q. WILL YOU BRIEFLY DESCRIBE YOUR EDUCATIONAL AND PROFESSIONAL
15 BACKGROUND?

16 A. I graduated from the University of Louisiana at Monroe (formerly Northeast Louisiana
17 University) in 1985 with a Bachelor of Business Administration in Accounting and a
18 minor in Finance. I am a certified public accountant and certified internal auditor. I
19 am a member of the American Institute of Certified Public Accountants and the
20 Louisiana State Society of Certified Public Accountants. I have more than 34 years of
21 experience in the electric and natural gas utility industries.

22 After graduation, I was employed by Arkla, Inc., which at the time was a
23 vertically integrated natural gas company, in the internal audit department. Upon my

1 departure in 1992, I was a senior auditor with primary responsibilities in contract and
2 joint venture auditing.

3 In 1992, I was employed by SWEPCO as an audit manager and soon thereafter
4 assumed the responsibilities of audit director on an interim basis in early 1993. My
5 primary responsibilities as audit manager/interim audit director included managing the
6 day-to-day operation of the department, ensuring successful completion of the annual
7 audit plan, and reporting annual audit results to SWEPCO's Board of Directors.

8 From 1994 through 2004, I worked as a senior consultant for SWEPCO in the
9 areas of planning and analysis, business ventures, and regulatory services. During this
10 period of time, I had the opportunity to manage a diverse set of projects for the
11 Company.

12 In 2004, I assumed the position of Director, Business Operations Support. I was
13 responsible for the Company's financial plans and coordination with other
14 organizations within the AEP system on matters directly affecting SWEPCO's
15 financial and operational results.

16 In June 2010, I assumed the responsibilities of Director, Regulatory Services.
17 In this capacity, I was responsible for the regulatory matters of SWEPCO in Arkansas,
18 Louisiana, and Texas. In May 2017, I assumed my current responsibilities of Vice
19 President of Regulatory and Finance.

20 Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE ANY REGULATORY
21 COMMISSION?

1 A. Yes. I have filed testimony before the Arkansas Public Service Commission (APSC),
2 the Louisiana Public Service Commission (LPSC), and the Public Utility Commission
3 of Texas (PUCT).
4

5 II. PURPOSE OF TESTIMONY

6 Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

7 A. My testimony supports the Company's request for Certificate of Convenience and
8 Necessity (CCN) authorization for the acquisition of a 54.5% share of three wind
9 generation facilities with a total capacity of 1485 MW of capacity (collectively referred
10 to as the Selected Wind Facilities). SWEPCO's sister company, Public Service
11 Company of Oklahoma (PSO), will acquire the remaining 45.5% share. Specifically,
12 SWEPCO proposes the acquisition of the following facilities:

- 13 • Traverse 999MW
- 14 • Maverick 287MW
- 15 • Sundance 199MW

16 All of the Selected Wind Facilities were selected as a result of a competitive Request
17 for Proposals (RFP). The Selected Wind Facilities are forecasted to provide
18 SWEPCO's customers a savings over the 30-year expected facilities life of
19 approximately \$588 million (total Company) on a net present value (NPV) basis, or
20 more than \$2.1 billion on a nominal basis. The Facilities provide customer benefits
21 under a wide range of possible future conditions analyzed by the Company, including
22 production at the level guaranteed by the Company, and would break even at future
23 power and gas prices below the low range of plausible forecasts.

1 Q. WHY DOES SWEPCO REQUEST AUTHORITY TO ACQUIRE THE SELECTED
2 WIND FACILITIES?

3 A. SWEPCO's most recent Integrated Resource Plan (IRP) concludes that customers will
4 benefit from SWEPCO's acquisition of low-cost wind generation resources. That plan
5 shows that increases in renewable energy, including wind and solar, over the planning
6 period will provide significant benefits to customers. Under that plan, energy output
7 attributable to wind resources increases from 9% to 26% of SWEPCO's total energy
8 mix. Acquisition of the Selected Wind Facilities will reduce customers' energy costs,
9 help meet capacity needs, provide renewable energy credits (RECs) that customers may
10 desire to acquire, and further diversify SWEPCO's portfolio of supply-side resources.
11 Further, SWEPCO continues to see customer interest in more renewable energy to meet
12 their sustainability and renewable energy goals. Therefore, SWEPCO is seeking to
13 acquire the Selected Wind Facilities to save customers money *and* further diversify
14 SWEPCO's energy resource mix.

15 Q. PLEASE IDENTIFY THE WITNESSES WHO WILL BE SPONSORING
16 TESTIMONY IN SUPPORT OF THE PROPOSED ACQUISITION.

17 A. In addition to me, the following witnesses support SWEPCO's request in this
18 proceeding:

Witness	Testimony Summary
Malcolm Smoak	Need for Selected Wind Facilities, Customer Benefits, and Company Guarantees
Jay Godfrey	RFP Process, Transactions with Developers and Expected Wind Output
Joseph DeRuntz	Description of Selected Wind Facilities
Karl Bletzacker	Fundamentals Forecast
Akarsh Sheilendranath	Congestion Cost Analysis and Value
Kamran Ali	Deliverability Assessment and Congestion Modeling and Mitigation
John Torpey	IRP, RFP and Economic Benefits Evaluation
Johannes Pfeifenberger	The Reasonableness of the Company's RFP, Congestion Analysis and Economic Benefits Analysis
Joel Multer	Production Tax Credits, Intercompany Allocations and Deferred Tax Asset
Noah Hollis	Credit Metrics/Financing
John Aaron	Customer Impacts/Recovery Mechanisms/Accounting Treatment

1 Q. WHAT TOPICS ARE COVERED BY THE REMAINDER OF YOUR TESTIMONY?

2 A. The remaining sections of my testimony are as follows:

- 3 • Section III - Describes the Selected Wind Facilities;
- 4 • Section IV - Discusses the expected benefits for SWEPCO's customers
- 5 associated with acquisition of the Selected Wind Facilities;
- 6 • Section V - Discusses the guarantees offered by the Company;
- 7 • Section VI – Provides an overview of the RFP and the IRP that led to
- 8 the RFP;
- 9 • Section VII – Describes how the acquisition is scalable if regulatory
- 10 approvals are not obtained from one or more jurisdictions;
- 11 • Section VIII - Describes the regulatory approvals the Company seeks,
- 12 including a request for a CCN under the Public Utilities Regulatory Act
- 13 (PURA) § 37.056 and a public interest finding under PURA § 14.101,
- 14 to the extent that later provision applies;
- 15 • Section IX – Describes the requested Commission findings; and
- 16 • Section X - Conclusion.

1 III. DESCRIPTION OF THE SELECTED WIND FACILITIES

2 Q. PLEASE DESCRIBE THE WIND FACILITIES TO BE ACQUIRED.

3 A. The Selected Wind Facilities will be located to take advantage of one of the better wind
4 resources in North America within the western portion of the Southwest Power Pool
5 (SPP) in North Central Oklahoma. The Selected Wind Facilities consist of three
6 separate projects totaling 1,485 MW of installed nameplate capacity: Traverse,
7 Maverick, and Sundance.

8 **Selected Wind Facilities Overview**

	Traverse	Maverick	Sundance
Size (Nameplate)	999 MW	287 MW	199 MW
Planned COD	2021	2021	2020

9 As discussed by SWEPCO witness DeRuntz, the Selected Wind Facilities will
10 be engineered to have a design life of 30 years and will consist of a selection of General
11 Electric (GE) 2.3 MW, 2.5 MW, and 2.82 MW wind turbine generators.

12 Q. WHAT IS THE AGREED-UPON PURCHASE PRICE FOR THE SELECTED WIND
13 FACILITIES?

14 A. As described in detail in the testimony of Company witness Godfrey, the total purchase
15 price for the project companies that own the three Selected Wind Facilities providing
16 1,485 MW is \$1.86 billion, or approximately \$1,253/kW, which includes all costs
17 associated with interconnecting the facilities to the SPP transmission system and any
18 assigned network upgrade costs.

1 Q. WHAT IS THE EXPECTED TOTAL COST OF THE FACILITIES?

2 A. Total project costs including PSA price adjustments and owner's costs are expected to
3 be \$1.996 billion as discussed by witness DeRuntz.

4 Q. PLEASE DESCRIBE THE TRANSACTIONS THAT WILL ACCOMPLISH THE
5 PROPOSED ACQUISITION.

6 A. The acquisition transactions are structured as a build-transfer arrangement pursuant to
7 which, following completion of each Facility, the Companies will purchase all of the
8 equity interests in the project company from the seller for the agreed-upon purchase
9 price. The developers of the Selected Wind Facilities will design, develop, construct,
10 and commission the facilities on a turn-key basis. No progress payments will be made
11 by SWEPCO during that process. Company witness Godfrey further addresses the
12 transactions with the sellers.

13 Q. WILL SWEPCO AFFILIATE PUBLIC SERVICE COMPANY OF OKLAHOMA
14 ALSO PARTICIPATE IN THE ACQUISITION OF THE SELECTED WIND
15 FACILITIES?

16 A. Yes. Contemporaneous with SWEPCO's RFP, PSO also issued an RFP that sought the
17 same wind energy resources in the same geographical area as SWEPCO through the
18 acquisition of one or more wind projects. SWEPCO and PSO are AEP affiliate electric
19 operating companies and anticipate that they will jointly own the Selected Wind
20 Facilities, subject to receipt of necessary regulatory approvals. A bidder that submitted
21 a proposal in response to SWEPCO's RFP was also required to submit an identical
22 proposal in response to the PSO RFP. The bids submitted in the two RFPs were

1 evaluated and selected in a single RFP proposal evaluation. The RFP evaluation
2 process and results are further discussed by Company witness Godfrey.

3
4 IV. CUSTOMER BENEFITS

5 Q. WHAT BENEFITS DOES SWEPCO EXPECT THE SELECTED WIND
6 FACILITIES TO PROVIDE TO CUSTOMERS?

7 A. The Facilities will provide a significant volume of low-cost energy, diversify the
8 Company's generation mix, provide capacity benefits, lower fuel costs, and provide a
9 renewable energy credit option for customers that desire it. The addition of the Selected
10 Wind Facilities to SWEPCO's generation portfolio will have a positive economic
11 impact on customers' energy costs. Advances in wind turbine manufacturing, in
12 conjunction with the federal production tax credit (PTC), have positioned wind
13 resources to be an economical source of energy for SWEPCO's customers. The
14 benefits of the Selected Wind Facilities are shown in the following table and discussed
15 by Company witness Torpey.

16 **Table 1 – SWEPCO Base Fundamentals Analysis (\$ millions)**

Benefit/Cost Component	31 Year NPV	Total 31 Year Nominal
Production Cost Savings Excluding Congestion/Losses	\$1,680	\$5,185
Congestion and Losses	(\$322)	(\$893)
Capacity Value	\$70	\$311
Production Tax Credits (grossed up, net of DTA)	\$507	\$750
Wind Facility Revenue Requirement	(\$1,348)	(\$3,233)
Net Customer Benefits	\$588	\$2,120

1 Q. PLEASE EXPLAIN THE BASIS FOR THESE BENEFITS CALCULATIONS.

2 A. To determine the customer benefits of the Selected Wind Facilities, the Company

3 developed a case with (Project Case) and without (Baseline Case) the Selected Wind

4 Facilities. The Company then compared the difference or “delta” between these two

5 cases for the period modeled, 2021 to 2051. The benefits also include the Selected

6 Wind Facilities’ capacity value, which was determined using the PLEXOS model. The

7 adjusted production cost savings were added to avoided capacity value and the value

8 of PTCS (grossed up, net of Deferred Tax Asset (DTA) carrying charges) to arrive at

9 the total customer benefit. Project costs including the wind project revenue

10 requirements and congestion and line loss costs are then subtracted from the total

11 benefit to arrive at an annual net benefit to customers. The present value of all costs

12 and benefits is then calculated.

13 Q. WERE A VARIETY OF FUTURE NATURAL GAS PRICES AND THE

14 POSSIBILITY OF NO FUTURE CARBON BURDEN CONSIDERED IN THE

15 CALCULATION OF EXPECTED CUSTOMER BENEFITS?

16 A. Yes. After the final selection was made, the customer benefits associated with the

17 Selected Wind Facilities were calculated under a variety of sensitivities, including a

18 number of natural gas price projections both with and without a projected carbon

19 emissions burden. Each was run on the overall portfolio to estimate net revenue

20 requirements and net benefits to customers. The expected customer benefits under a

21 range of natural gas and carbon burden assumptions analyzed by the Company are

22 shown in the following table:

1

Table 2 – Customer Benefits Summary

	31 Year NPV	PTC Period – First 11 years Nominal Total	Full 31 year Nominal Total
High Gas with CO ₂	\$741	\$526	\$2,595
Base Gas With CO ₂	\$588	\$424	\$2,120
Base Gas Without CO ₂	\$415	\$323	\$1,540
Low Gas With CO ₂	\$414	\$298	\$1,612
Low Gas Without CO ₂	\$253	\$214	\$1,055

2

(Amounts in Millions, P50 capacity factor)

3

The Company's fundamentals natural gas price and carbon emissions burden

4

forecasts are further discussed by Company witness Bletzacker. The stress tests around

5

expected customer benefits are further discussed by Company witness Torpey.

6 Q.

DID THE COMPANY ANALYZE THE POWER AND NATURAL GAS PRICES AT

7

WHICH THE SELECTED WIND FACILITIES WOULD "BREAK EVEN"?

8 A.

Yes. The "break-even," which is the equivalent power price analysis conducted by

9

Company witness Torpey, shows that the Selected Wind Facilities would provide \$0

10

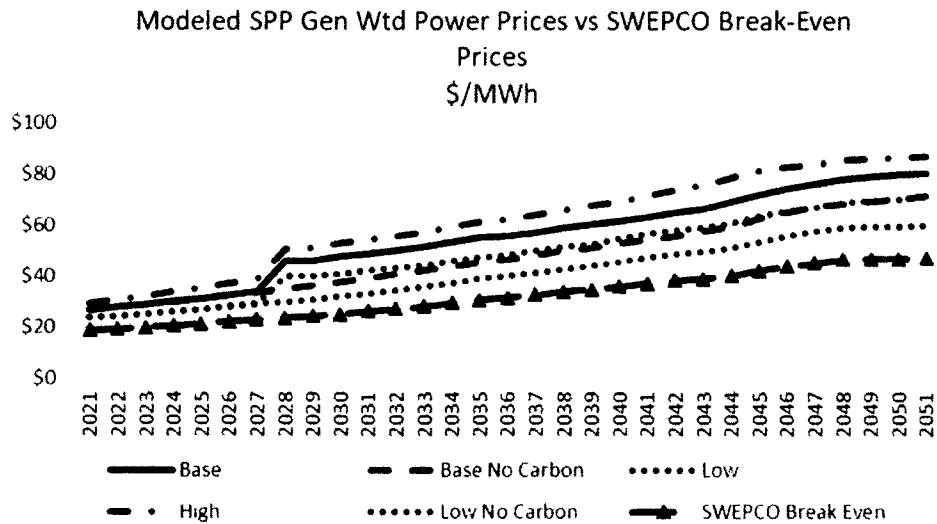
net customer benefits at the Facilities' expected output even if the low gas no carbon

11

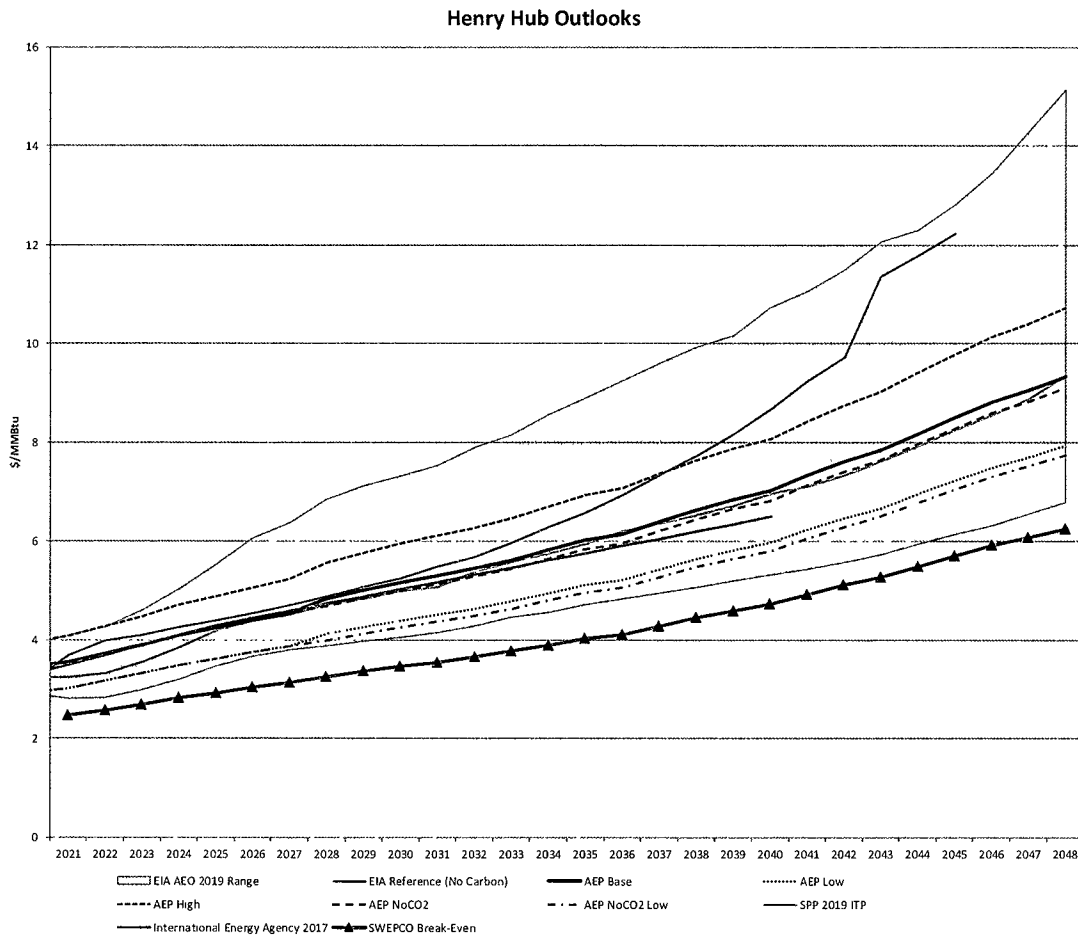
fundamentals energy price was reduced by 21%, as shown in the following Figure from

12

Mr. Torpey's testimony:



Company witness Bletzacker derived the “break-even” (equivalent) gas price from the equivalent power price provided by Mr. Torpey. The break-even gas price is below all gas prices in the Company’s fundamentals forecast (including the low, no-carbon gas price) and is below the gas price range of plausible third-party forecasts, as shown in the following figure from Mr. Bletzacker’s testimony:



1

2 Q. HOW WILL THE SELECTED WIND FACILITIES TAKE ADVANTAGE OF THE
3 PTC?

4 A. Company witness Multer discusses the requirements for PTC qualification and explains
5 that the amount of PTCs that the Company will earn for any given year is equal to a
6 PTC rate that is adjusted annually for inflation multiplied by the kilowatt hours of
7 electricity produced by the Selected Wind Facilities over the first 10 years of operation.
8 Over that period, the facilities are projected to earn PTCs net of DTA carrying costs
9 valued at approximately \$750 million for the benefit of SWEPCO customers.

1 Q. WILL THE SELECTED WIND FACILITIES PROTECT CUSTOMERS FROM THE
2 RISK OF FUTURE FUEL PRICE INCREASES?

3 A. Yes. The Wind Facilities would not be impacted if fuel prices increased in the future,
4 since they are powered by wind. While natural gas prices are currently low, they have
5 historically been quite volatile and have seen periods when they were substantially
6 higher than at present. During their expected 30-year lives and perhaps longer, the
7 Selected Wind Facilities will protect customers from the risk of increased natural gas
8 and power prices as further discussed by SWEPCO witnesses Torpey and
9 Pfeifenberger.

10 Q. IN ADDITION TO THE ECONOMIC ENERGY THEY WOULD PRODUCE
11 THROUGHOUT THEIR LIFE, WHAT OTHER BENEFITS WOULD BE DERIVED
12 FROM THESE ASSETS?

13 A. The Selected Wind Facilities will produce one REC for each MWh of energy they
14 generate. The RECs would be the property of the Company. If the Commission were
15 to grant SWEPCO authority to acquire the Selected Wind Facilities, SWEPCO intends
16 to propose the creation of a new tariff schedule through which customers could
17 purchase the RECs created by these assets. This would have the dual benefit of giving
18 SWEPCO's customers a choice by which to meet their own renewable energy goals
19 and producing revenue that would further reduce costs for all customers.

20 Q. WHY DID SWEPCO SEEK ACQUISITION OF WIND RESOURCES?

21 A. Through its RFP, SWEPCO sought competitively-priced wind energy resources on a
22 fixed-price, turnkey basis through the acquisition of one or more wind projects totaling
23 up to 1,200 MW. While SWEPCO currently has 469 MWs of wind resources under

1 Power Purchase Agreements (PPAs), SWEPCO owns no wind resources. Acquisition
2 of wind generation facilities will further diversify SWEPCO's generation resources and
3 offers several benefits to SWEPCO and its customers, including:

- 4 • The ability for the Company to offer guarantees discussed hereinafter;
- 5 • Company control and ability to react to changes in the market that are not
6 available under a PPA;
- 7 • Ability to manage congestion risk and preserve customer benefits if congestion
8 becomes a problem;
- 9 • Allowing SWEPCO, on behalf of customers, to determine the feasibility of
10 running the facilities beyond their estimated depreciable life or of repowering
11 facilities to maximize value to customers;
- 12 • Providing the Company the opportunity to take advantage of 1) existing or new
13 generation technologies including the installation of battery storage systems or
14 2) turbine performance improving technologies that include potential improved
15 or advanced parts, system conversions, modifications or upgrades that result in
16 improved performance of the existing wind turbine generators; and
- 17 • Management of credit risk and metrics associated with PPAs.

18 Q. WILL YOU PLEASE DISCUSS FURTHER HOW FACILITIES OWNERSHIP
19 WILL FACILITATE THE MANAGEMENT OF CONGESTION RISK AND THE
20 PRESERVATION OF CUSTOMER BENEFITS?

21 A. In the event substantial congestion develops in the future, facilities ownership will
22 facilitate the construction of an extended generation-tie line to relieve that congestion
23 if and when it becomes economically beneficial to do so.

24 Q. PLEASE DISCUSS FURTHER HOW FACILITIES OWNERSHIP AND
25 OPERATION MAY PROVIDE THE OPPORTUNITY TO MAXIMIZE VALUE TO
26 CUSTOMERS.

27 A. Ownership allows the Company, on behalf of customers, to have control of determining
28 the feasibility of running the facilities beyond their expected useful life, or to repower

1 the facilities. These alternatives provide the Company the ability to maximize the
2 overall value to customers given the fuel-free nature of wind generation facilities.

3 Q. PLEASE DISCUSS FURTHER HOW FACILITIES OWNERSHIP WILL PROVIDE
4 THE COMPANY THE ABILITY TO REACT TO POTENTIAL CHANGES IN THE
5 MARKET.

6 A. Market conditions and market rules pertaining to frequency regulation, ancillary
7 services, congestion charges, and other factors continually evolve over time. With
8 direct operational control over the Selected Wind Facilities, the Company would be
9 better positioned to respond to changes in market rules than it would be with an asset
10 owned by a third party. There would be no need to seek amendments to contractual
11 arrangements, to which a counterparty may or may not be amendable, in order to
12 conform to changing market conditions or rules, for example.

13 Q. PLEASE SUMMARIZE THE BENEFITS OF THE SELECTED WIND FACILITIES.

14 A. The acquisition of the Selected Wind Facilities is designed to support SWEPCO's long-
15 term commitment to affordable rates, fuel diversity, and environmental responsibility.
16 Specifically, the Facilities will:

- 17 • Create significant economic benefits with the delivery of clean, low-
18 cost energy previously not available to SWEPCO customers, resulting
19 in estimated customer savings (SWEPCO total company) of
20 approximately \$588 billion NPV;
- 21 • Provide customer value through delivery of PTCs associated with
22 energy production at the Selected Wind Facilities;
- 23 • Provide capacity benefits by deferring future capacity additions;
- 24 • Continue SWEPCO's strategy of diversifying its generation portfolio,
25 including both owned assets and Power Purchase Agreements, and
26 mitigate fuel price volatility; and
- 27 • Advance customers' sustainability and renewable energy goals.

1 V. COMPANY GUARANTEES

2 Q. IS THE COMPANY OFFERING GUARANTEES THAT ASSURE CUSTOMER
3 BENEFITS OF THE SELECTED WIND FACILITIES?

4 A. Yes. The Company is providing guarantees related to the Facilities' energy production
5 levels, qualification for the PTC, and total cost. Witness Torpey's testimony shows
6 that the customer benefits of the Facilities, if they operated at these guaranteed levels
7 at the base gas fundamentals price forecast with and without an assumed carbon cost,
8 would be \$1,470 million (NPV \$350 million) and \$964 million (NPV \$199 million),
9 respectively, over the life of the Facilities.

10 Q. PLEASE DESCRIBE THE GUARANTEES SWEPCO IS PROVIDING TO
11 CUSTOMERS ASSOCIATED WITH THE ACQUISITION OF THE SELECTED
12 WIND FACILITIES.

13 A. SWEPCO is offering a suite of guarantees that, taken in total, are designed to ensure
14 value to customers. These guarantees include:

15 **1. Capital Cost Cap Guarantee**

16
17 SWEPCO proposes a cost cap equal to 100% of the aggregated filed capital costs
18 of approximately \$1.996 billion (SWEPCO share approximately \$1.09 billion), as
19 outlined in EXHIBIT JGD-3 of Company witness DeRuntz's testimony. The
20 Capital Cost Cap Guarantee has no exceptions, including for *Force Majeure* (FM).
21

22 **2. Production Tax Credit Eligibility Guarantee**

23 If PTCs are not received at the 100% level for Sundance and the 80% level for the
24 other two Facilities because a Selected Wind Facility is determined to be ineligible,
25 customers will be made whole for the value of the lost PTCs based upon actual
26 production. The Production Tax Credit Eligibility Guarantee is subject to changes
27 caused by a Change in Law that affects the federal Production Tax Credit.

1 **3. Minimum Production Guarantee¹**

2 Beginning in 2022, the Company is willing to provide a guaranteed minimum
3 production level, in aggregate from the Selected Wind Facilities, of an average of
4 87% (P95 Capacity Factor Case) of the expected output of the facilities over each
5 five-year period for 10 years average across all facilities. This scenario represents
6 a 38.1% capacity factor and 4,959 GWh per year, in the aggregate for the Selected
7 Wind Facilities. If the minimum production level is not achieved, customers will
8 be made whole on an energy and PTC (if applicable) basis. There is an exception
9 for FM and curtailment in SPP.

10 Q. PLEASE DISCUSS HOW THE GUARANTEES THAT SWEPCO OFFERS
11 ENHANCE THE VALUE TO CUSTOMERS OF SWEPCO'S ACQUISITION OF
12 THE SELECTED WIND FACILITIES.

13 A. The Capital Cost Cap Guarantee helps to ensure customer benefits even if the Selected
14 Wind Facilities cost more than projected and insulates the customer from the risk of
15 any *Force Majeure* event. The PTC eligibility guarantee helps to ensure customer
16 benefits even if the Selected Wind Facilities fail to qualify for PTCs at the 80% level
17 for Traverse and Maverick or at the 100% level for Sundance for any reason other than
18 a change in law specific to the federal PTCs, as discussed further by Company witness
19 Multer. In addition, the minimum production guarantee helps to ensure customer
20 benefits even if the Selected Wind Facilities, over each five-year period for the first ten
21 years, perform at the P95 Net Capacity Factor, which is lower than the expected net
22 capacity factor.

¹ The Minimum Production Guarantee will be subject to *force majeure* events, which by definition are events the Company cannot control. A lack of wind velocity will not be considered a *force majeure* event. This guarantee is subject to curtailments in SPP. Payments made under this guarantee will be net of any make-whole payment made under the PTC eligibility guarantee.

1 Q. IN REGARDS TO THE OUTPUT OF A WIND FACILITY, PLEASE EXPLAIN THE
2 DIFFERENCE BETWEEN A P50, THE EXPECTED OUTPUT, AND P95 LEVEL.

3 A. The “P” refers to the probability that the wind will blow with the stated wind profile,
4 at a specific velocity, at a percentage of the time. The P-number value defines how
5 many megawatt hours will be produced from the wind facility. A P50 scenario is
6 indicative of the expected output (number of megawatt hours) that will be produced
7 over the life of the project. In other words, the facility will produce more megawatt
8 hours than the expected output 50% of the time and fewer megawatt hours than the
9 expected output 50% of the time. It is the middle probability and is the most likely and
10 expected outcome. A P95 level means that ninety-five percent of the time the facility
11 will produce more megawatt hours than the indicated number of megawatt hours.
12

13 VI. RFP AND SUPPORTING IRP

14 Q. WAS THE SELECTION OF THE SELECTED WIND FACILITIES THE RESULT
15 OF AN RFP?

16 A. Yes. SWEPCO and PSO both issued RFPs for wind generation resources on January 7,
17 2019. A bidder that submitted a proposal in response to the SWEPCO RFP was
18 required to also submit an identical proposal in response to the PSO RFP. SWEPCO
19 requested proposals for the acquisition of up to 1,200 megawatts of wind energy
20 resources to be in commercial operation by December 15, 2021. SWEPCO sought
21 facilities on a turnkey, fixed-cost basis in which it individually, or together with PSO,
22 would acquire all of the equity interests in the facility. Key considerations in the RFP
23 evaluation process included cost, performance, and long-term deliverability. SWEPCO

1 sought projects located in, and interconnected to, the SPP regional grid in Arkansas,
2 Louisiana, Texas, or Oklahoma – the four states in which SWEPCO and PSO operate.
3 The projects bid into the RFP were required to interconnect to the SPP and have a
4 completed System Impact Study by the proposal due date of March 1, 2019.
5 SWEPCO's RFP is further discussed by Company witness Godfrey.

6 Q. PLEASE BRIEFLY DESCRIBE HOW THE RFP PROCESS WAS DEVELOPED
7 AND EXECUTED PURSUANT TO REQUIREMENTS IN SWEPCO'S
8 JURISDICTIONS?

9 A. Once the Company developed its draft RFP, in accordance with LPSC orders, the
10 Company provided that draft to the LPSC Staff and its consultant for review. The final
11 RFP was then produced with input provided by LPSC Staff. Further, in December of
12 2018, the Company hosted a technical conference and webinar to review the proposed
13 RFP process. LPSC Staff and potential bidders participated by telephone and
14 SWEPCO responded to questions from the attendees. SWEPCO and PSO both issued
15 their RFPs after this input on January 7, 2019. SWEPCO continued to coordinate
16 closely with LPSC Staff and its consultant to confidentially review the proposed bid
17 packages, while the Company completed its evaluation of bids. The development and
18 execution of the RFP is further discussed by Company witness Godfrey.

19 Q. PLEASE PROVIDE AN OVERVIEW OF THE RESULTS OF THE RFP.

20 A. The Company was pleased with the robust response from the market. The Company
21 received 35 bids totaling 5,896 MW and representing 19 unique wind projects. Fifteen
22 projects were located in Oklahoma and four projects were located in Texas. Using the
23 eligibility and threshold criteria of the RFP, 11 projects, with 19 separate bids including

1 project variations, were evaluated in the RFP. Three projects were selected for a total
2 1,485 MWs.

3 Q. WAS THE POTENTIAL FOR TRANSMISSION GRID CONGESTION
4 CONSIDERED IN THE EVALUATION OF RFP BIDS?

5 A. Yes. Future congestion costs are uncertain and could have a significant impact on the
6 delivered cost of energy from wind facilities. The Company analyzed the expected cost
7 of future transmission congestion for the proposals along with the cost of mitigating
8 such potential future congestion, such that customers obtain the lowest risk, highest
9 value projects to ensure the expected benefits from the Selected Wind Facilities. This
10 consideration included a focus on managing congestion risk and included the
11 possibility of constructing an extended generation-tie line, if necessary, to mitigate and
12 cap congestion risk. Resources with higher deliverability and less congestion to the
13 AEP West Load Zone will tend to have higher value to customers.

14 The Company sought facilities that will be physically located in, and
15 interconnected to, the SPP in Arkansas, Louisiana, Texas, or Oklahoma that are not
16 currently experiencing, or anticipated by the Company to experience, significant
17 congestion or deliverability constraints that are likely to result in adverse facility
18 economics. The RFP analysis is further discussed by Company witnesses Godfrey,
19 Torpey, Ali, Sheilendranath, and Pfeifenberger.

20 Q. IS SWEPCO SEEKING APPROVAL OF AN EXTENDED GENERATION-TIE
21 LINE IN THIS PROCEEDING?

22 A. No. The Company does not anticipate the need for a generation tie line based on current
23 expectations concerning implementation of SPP's ten-year plan. Any future

1 construction of a generation-tie line to mitigate congestion or curtailment risk would
2 need to be supported by the economics at that time with consideration of the current
3 state of the SPP transmission system. However, this option is available for the
4 Company to use as a mitigation option against future congestion risk, if necessary.

5 Q. PLEASE DISCUSS SWEPCO'S MOST RECENTLY COMPLETED AND FILED
6 IRP AND HOW IT SUPPORTS THE RFP.

7 A. To meet its customers' future energy requirements, SWEPCO will continue the
8 operation of, and ongoing investment in, its existing fleet of generation resources. In
9 addition, SWEPCO must consider the impact of the promulgation of environmental
10 rules, as well as the emergence of new technologies and renewable energy resources.
11 In accordance with Arkansas and Louisiana regulatory requirements, SWEPCO
12 prepares an Integrated Resource Plan (IRP) to guide its resource planning activities.
13 The IRP analyzes various scenarios that would provide adequate supply and demand
14 resources to meet SWEPCO's peak load obligations and reduce or minimize costs to
15 customers, including energy costs, for the next 20 years. Under the plan, SWEPCO's
16 energy output attributable to solid fuel generation decreases from 83% to 44% over the
17 planning period, while energy from natural gas resources increases from 7% to 19%.
18 The plan introduces solar resources, which contributes 10% of total energy.
19 Additionally, energy from wind resources increases from 9% to 26%, while Demand
20 Side Management (DSM) resources increase from 0.3% to 1.3% of SWEPCO's total
21 energy mix. Acquiring wind resources to help achieve this energy mix goal was a
22 primary purpose of the RFP that led to the selection of the Selected Wind Facilities
23 SWEPCO now seeks to acquire.

1 VII. THE ACQUISITION IS SCALABLE

2 Q. IS SWEPCO'S PROPOSED ACQUISITION OF THE SELECTED WIND
3 FACILITIES SCALABLE TO ALIGN WITH REGULATORY APPROVALS BY
4 STATE?

5 A. Yes. Along with this request before the Public Utility Commission of Texas, SWEPCO
6 simultaneously filed requests for approval of the requested acquisitions with the APSC
7 and the LPSC. PSO has also filed a request for approval of cost recovery for the
8 acquisition with the Oklahoma Corporation Commission (OCC). SWEPCO and PSO
9 anticipate jointly acquiring the Selected Wind Facilities if each obtains their respective
10 state regulatory approvals.

11 However, realizing that it is possible that not all four of the regulatory
12 commissions will grant the requested relief, SWEPCO and PSO have designed the
13 proposed acquisition of the Selected Wind Facilities to be scalable to allow for the
14 jurisdictions that approve the Companies' applications to move forward with the
15 acquisition in order to maximize the benefits of the Company's proposal for its
16 customers in those jurisdictions. SWEPCO believes it can do so consistent with the
17 minimum number of megawatts necessary to preserve the economies of scale of the
18 Selected Wind Facilities, and the Companies' minimum contractual obligations of 810
19 MWs under the PSA. However, the timing associated with any decision concerning
20 scalability is important to customers in producing the expected benefits. Therefore, the
21 Company is requesting additional approvals from the Commission concerning
22 scalability that need to be addressed by the Commission in the order issued for this
23 proceeding. In addition to requesting that the Commission amend its CCN to acquire

1 810 MW of the Selected Wind Facilities based on receipt of all regulatory approvals
2 by SWEPCO and PSO, SWEPCO requests the following additional Commission
3 approvals if either it or PSO does not receive certain state regulatory approvals:

4 1. If one of SWEPCO's other state jurisdictions does not approve acquisition of
5 the Selected Wind Facilities, SWEPCO requests:

6
7 a) if PSO also does not receive approval, this Commission amend
8 SWEPCO's CCN to acquire 810 MW of the Selected Wind Facilities
9 and to allocate the costs and benefits of that acquisition to Texas and the
10 other approving SWEPCO jurisdiction proportionately (provided both
11 approving SWEPCO jurisdictions grant approval to acquire their
12 additional, proportionate shares), or

13
14 b) if PSO does receive approval, this Commission amend SWEPCO's
15 CCN to: i) acquire only the originally-proposed jurisdictional shares of
16 Texas and the other approving SWEPCO jurisdiction (including the
17 wholesale share), instead of 810 MW, of the Selected Wind Facilities;
18 or ii) acquire 810 MW of the Selected Wind Facilities and allocate the
19 costs and benefits of that acquisition proportionately to Texas and the
20 other approving SWEPCO jurisdiction. These options are dependent on
21 both approving jurisdictions having accepted the same option.
22

23 2) In the event this Commission is the only SWEPCO jurisdiction to approve the
24 acquisition, the Company requests that the Commission amend its CCN to
25 acquire only the Texas share (adjusted to recognize a percentage must be
26 allocated to wholesale customers) of the Selected Wind Facilities. This
27 acquisition will only move forward if PSO's application before the OCC is also
28 approved as necessary to preserve economies of scale for the acquisition and
29 comply with the Companies' minimum contractual obligations under the PSAs.
30

31 Q. HOW WILL THE STATE JURISDICTIONS THAT DO NOT APPROVE THE
32 PROPOSED ACQUISITION BE IMPACTED IF SWEPCO MOVES FORWARD
33 WITH THE ACQUISITION BASED ON APPROVALS IN OTHER STATES?

34 A. Any jurisdiction that does not approve the acquisition will neither bear the costs nor
35 receive the benefits of any of the Selected Wind Facilities acquired by the Company or
36 PSO.

1 VIII. REGULATORY APPROVALS SOUGHT

2 Q. WHAT CCN AUTHORIZATION IS SWEPCO REQUESTING IN THIS CASE?

3 A. Under PURA § 37.056 and 16 TAC § 25.101(b)(2), SWEPCO is requesting CCN
4 authorization to acquire its share of the Selected Wind Facilities, as described in my
5 testimony above.

6 Q. WHAT CCN REGULATORY STANDARDS AND CRITERIA ARE ADDRESSED
7 BY THE COMPANY'S APPLICATION?

8 A. An application for a generation CCN must comply with the requirements in PURA
9 § 37.056. That section states the Commission may approve an application if it finds
10 the certificate to be necessary for the service, accommodation, convenience, or safety
11 of the public. It requires the Commission consider the following criteria: adequacy of
12 existing service; need for additional service; effect of granting the CCN on the recipient
13 and any electric utility serving the proximate area; and other factors such as community
14 values, recreational and park areas, historical and aesthetic values, environmental
15 integrity, the probable improvement of service or lowering of cost to consumers, and
16 the effect of granting the CCN on the state's ability to meet the renewable generating
17 capacity goal.

18 Because the Selected Wind Facilities are located in Oklahoma, the site-specific
19 factors identified above are not relevant to the Commission's decision regarding the
20 Company's request. In a previous CCN proceeding, the Commission found that a
21 generation facility located outside of Texas would have no effect on site-specific

1 factors such as community values, recreational and park areas, historical and aesthetic
2 values, environmental integrity, and the impact on other utilities serving Texas.²

3 Q. ARE THE SELECTED WIND FACILITIES NECESSARY FOR THE SERVICE,
4 ACCOMMODATION, CONVENIENCE, OR SAFETY OF THE PUBLIC IN
5 TEXAS?

6 A. Yes. Granting a CCN for the Selected Wind Facilities would serve the public
7 convenience and necessity by enhancing the Company's ability to provide low-cost
8 energy to its customers. The Selected Wind Facilities would produce energy at lower
9 than avoided cost as demonstrated by Company witness Torpey. The addition of the
10 Selected Wind Facilities to SWEPCO's generation supply, considering the expected
11 reduction in energy costs and the PTC, would save SWEPCO customers an estimated
12 \$2.12 billion, or \$588 million on an NPV basis. This low-cost energy and the
13 associated customer benefits justify the addition of these resources to SWEPCO's
14 generation supply portfolio. In addition, the Selected Wind Facilities would provide
15 capacity benefits by deferring future capacity additions. Furthermore, as a renewable
16 resource, wind generation incurs no fuel costs, produces no emissions, and enables the
17 Company to respond to customer desire for additional options to satisfy their long-term
18 renewable energy goals.

19 Q. WOULD GRANTING THE CCN AFFECT THE ABILITY OF THE STATE TO
20 MEET THE RENEWABLE ENERGY GOAL SET OUT IN PURA?

² *Application of Southwestern Electric Power Company for Certificate of Convenience and Necessity Authorization for a Coal-Fired Power Plant in Arkansas*, Docket No. 33891, Order at Findings of Fact Nos. 43, 46, 48, 50, and 51 (Aug. 12, 2008).

1 A. No. It is my understanding that the State has exceeded the renewable energy goal set
2 out in PURA § 39.904(a).

3 Q. WOULD THE GRANTING OF THIS CCN BY THE COMMISSION HAVE A
4 NEGATIVE EFFECT ON SWEPCO?

5 A. No. From an operational perspective, the Selected Wind Facilities would enhance the
6 Company's ability to provide low-cost energy to its customers, as described above and
7 explained in more detail by Company witness Torpey. Furthermore, the Company has
8 a plan in place to ensure reliable ongoing operation and maintenance of the Facilities
9 at a reasonable cost, as described by Company witness DeRuntz. Although acquisition
10 of the Selected Wind Facilities would be a significant investment for SWEPCO, the
11 proposed rate treatment discussed later in my testimony will mitigate any negative
12 impact on the Company's financial standing from those investments. In addition, as
13 detailed by Company witness Hollis, SWEPCO's parent company, AEP, will provide
14 necessary equity to SWEPCO to maintain its capital structure and support its current
15 Moody's Baa2 credit rating. Thus, the effect of granting the CCN would be positive
16 for the Company and for its customers.

17 Q. IS A PUBLIC INTEREST FINDING REQUIRED UNDER PURA § 14.101 FOR
18 SWEPCO'S PROPOSED ACQUISITION OF THE SELECTED WIND
19 FACILITIES?

20 A. The Company's position is that such a finding is not required. Section 14.101 requires
21 Commission review of any transaction in which a utility intends to sell, acquire, or
22 lease a plant as an operating unit or system in this state for a total consideration of more
23 than \$10 million. The Selected Wind Facilities will be located in Oklahoma, so it does

1 not appear to be “an operating unit or system in this state.” However, in an abundance
2 of caution, SWEPCO requests a public interest finding under PURA § 14.101 if such a
3 finding is required.

4 Q. IS THE PROPOSED ACQUISITION CONSISTENT WITH PURA SECTION
5 14.101?

6 A. Yes. Under § 14.101, the Commission considers:

- 7 (1) the reasonable value of the property, facilities, or securities to be acquired,
8 disposed of, merged, transferred, or consolidated;
9 (2) whether the transaction will:
10 (a) adversely affect the health or safety of customers or employees;
11 (b) result in the transfer of jobs of citizens of the state to workers domiciled
12 outside this state; or
13 (c) result in the decline of service;
14 (3) whether the public utility will receive consideration equal to the reasonable
15 value of the assets when it sells, leases, or transfers the assets; and
16 (4) whether the transaction is in the public interest.

17 Q. WHY IS SWEPCO’S ACQUISITION OF AN INTEREST IN THE SELECTED
18 WIND FACILITIES IN THE PUBLIC INTEREST?

19 A. As discussed above, the proposed acquisition will produce significant and immediate
20 cost savings for SWEPCO customers by locking in a long-term, low-cost power supply.
21 As a result, it is in the public interest.

22 Q. WILL THE PROPOSED ACQUISITION ADVERSELY AFFECT THE HEALTH OR
23 SAFETY OF CUSTOMERS OR EMPLOYEES, RESULT IN THE TRANSFER OF
24 JOBS FROM TEXAS, OR RESULT IN A DECLINE IN SERVICE?

25 A. No. The acquisition will have no effect on the health or safety of customers or
26 employees and will not result in the transfer of jobs from Texas. With regard to its

1 effect on service, the addition of these resources is expected to result in lower overall
2 costs for customers.

3 Q. IS SWEPCO PAYING A REASONABLE VALUE FOR THE SELECTED WIND
4 FACILITIES?

5 A. Yes. After conducting an RFP to select the most competitive proposals, the Companies
6 have diligently negotiated with the developers of the Selected Wind Facilities to arrive
7 at terms for the respective purchase agreements that provide reasonable pricing,
8 performance assurance, and risk mitigation to protect SWEPCO customers. The
9 pricing achieved through such negotiations represents the vast majority of the costs
10 considered in the economic evaluation of the Selected Wind Facilities.

11 Q. WHAT IS SWEPCO'S PROPOSAL FOR COST RECOVERY ASSOCIATED WITH
12 THE PROPOSED ACQUISITION?

13 A. The Legislature has recently passed and the Governor has signed legislation that
14 amends the PURA, Chapter 36, to allow recovery of generation investment by a non-
15 ERCOT utility such as SWEPCO outside the confines of a comprehensive base rate
16 case. That legislation allows for the recovery of generation investment effective on the
17 date the power generation facility begins providing service to customers, subject to
18 reconciliation in the utility's next comprehensive base rate case. SWEPCO intends to
19 use this legislation to begin recovery of its investment in the Wind Facilities at the time
20 those facilities begin providing service to customers. SWEPCO witness Aaron further
21 discusses SWEPCO's cost recovery plan.

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IX. REQUESTED COMMISSION FINDINGS

- Q. PLEASE DISCUSS THE SPECIFIC RELIEF SWEPCO IS SEEKING IN ORDER TO ACHIEVE THE CUSTOMER SAVINGS ASSOCIATED WITH THE SELECTED WIND FACILITIES.
- A. SWEPCO requests that the Commission:
- Amend SWEPCO’s CCN and authorize acquisition of the Selected Wind Facilities under PURA § 37.056;
 - If the Commission determines PURA § 14.101 is applicable, find that SWEPCO’s purchase of the Selected Wind Facilities is in the public interest under that provision; and
 - Approve SWEPCO’s request to include any unrealized PTCs in a deferred tax asset included in rate base in the event the PTCs cannot be fully utilized in a given year(s) as discussed by Company witness Aaron.

X. CONCLUSION

- Q. PLEASE SUMMARIZE WHY THE COMMISSION SHOULD APPROVE SWEPCO’S ACQUISITION OF AN INTEREST IN THE SELECTED WIND FACILITIES.
- A. The Selected Wind Facilities will produce a significant volume of low-cost energy, diversify the Company’s generation mix, provide capacity benefits, reduce fuel costs, and provide enhanced renewable energy credit options for customers that desire it. For these reasons and those explained above, the Company’s application satisfies the requirements of PURA §§ 14.101 and 37.056.
- Q. DOES THIS COMPLETE YOUR TESTIMONY?
- A. Yes. Thank you.

PUC DOCKET NO. _____

PUBLIC UTILITY COMMISSION OF TEXAS

APPLICATION OF
SOUTHWESTERN ELECTRIC POWER COMPANY
FOR CERTIFICATE OF CONVENIENCE AND NECESSITY
AUTHORIZATION AND RELATED RELIEF FOR
THE ACQUISITION OF WIND GENERATION FACILITIES

DIRECT TESTIMONY OF
JAY F. GODFREY
FOR
SOUTHWESTERN ELECTRIC POWER COMPANY

JULY 15, 2019

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EXHIBITS

<u>EXHIBIT</u>	<u>DESCRIPTION</u>
EXHIBIT JFG-1	Wind Energy Resources RFP
HIGHLY SENSITIVE CONFIDENTIAL EXHIBIT JFG-2	Congestion and Line Losses Cost
HIGHLY SENSITIVE CONFIDENTIAL EXHIBIT JFG-3	Selected Wind Facilities' Purchase and Sale Agreements
EXHIBIT JFG-4	Simon Wind Resume
HIGHLY SENSITIVE CONFIDENTIAL EXHIBIT JFG-5	Bidder Wind Resource Assessment Review
EXHIBIT JFG-6	Wind Energy Resource Assessments

1 I. INTRODUCTION

2 Q. PLEASE STATE YOUR NAME, BUSINESS ADDRESS, AND POSITION.

3 A. My name is Jay F. Godfrey. My business address is 1 Riverside Plaza, Columbus, Ohio
4 43215. I am employed by American Electric Power Service Corporation (AEPSC), a
5 wholly-owned subsidiary of American Electric Power Company, Inc. (AEP), as Vice
6 President - Energy Marketing and Renewables. AEP is the parent company of
7 Southwestern Electric Power Company (SWEPCO or Company) and Public Service
8 Company of Oklahoma (PSO). AEPSC supplies engineering, financing, accounting,
9 regulatory, and similar planning and advisory services to AEP's regulated electric
10 operating companies, including SWEPCO and PSO (Companies).

11 Q. WOULD YOU BRIEFLY DESCRIBE YOUR EDUCATIONAL AND
12 PROFESSIONAL BACKGROUND?

13 A. I earned a Bachelor's degree in Business Administration from California State
14 University – Chico in 1985 and a Master's degree in Business Administration from
15 National University in 1990. In 2006, I completed the AEP Strategic Leadership
16 Program at The Ohio State University Fisher School of Business.

17 I joined AEPSC in 2002. During my time at AEPSC, I have been involved in
18 the asset management and project financing of AEP's first two owned, non-regulated
19 wind projects located in western Texas; development efforts for potential greenfield
20 renewable energy projects; and the procurement and management of AEP's wind,
21 hydro, and solar renewable energy purchase agreements (REPAs). AEP's portfolio of
22 REPAs total approximately 2,840 MW and are located across eight states.

1 My experience includes the negotiation of wind and solar energy power
2 purchase agreements, asset purchase and sales agreements, wind system operations and
3 maintenance (O&M) agreements, real estate agreements related to wind and solar
4 projects, wind turbine purchase agreements, and project loan documents. I also possess
5 experience evaluating the impact of various financial parameters on project investment
6 returns.

7 I have over twenty years of commercial and financial management experience
8 in the renewable energy industry. Prior to joining AEPSC's wind energy group in
9 2002, I worked for seven years (1995-2002) in various wind project finance and
10 development roles in the United States and Europe for Enron Wind Corporation, which
11 has since been acquired by General Electric. I have also served as the Financial
12 Controller for two publicly held companies in non-energy related fields.

13 From 2005 to 2017, I served twelve successive terms on the Board of Directors
14 of the American Wind Energy Association (AWEA). AWEA is the Washington D.C.-
15 based trade association for the wind energy industry, and AEP is a member. From 2015
16 to 2017, I chaired the AWEA Utility Working Group, which advises that same Board.
17 I also previously served on the Executive Committee of the Renewable Energy Council
18 of the Electric Power Research Institute (EPRI), an independent, non-profit company
19 that performs research, development, and demonstration in the electricity sector for the
20 benefit of the public.

21 Q. WHAT ARE YOUR CURRENT RESPONSIBILITIES AS VICE PRESIDENT –
22 ENERGY MARKETING AND RENEWABLES?