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

CROSS-REBUTTAL TESTIMONY

OF

TONY M. GEORGIS, P.E.

ON BEHALF OF THE

OFFICE OF PUBLIC UTILITY COUNSEL

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APRIL 23, 2021

**CROSS-REBUTTAL TESTIMONY OF
TONY M. GEORGIS**

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1 **I. INTRODUCTION**

2 **Q. PLEASE STATE YOUR NAME AND ON WHOSE BEHALF YOU ARE**
3 **PRESENTING TESTIMONY IN THIS PROCEEDING.**

4 A. My name is Tony Georgis, and I am presenting testimony on behalf of the Office of Public
5 Utility Counsel ("OPUC").

6 **Q. WHAT IS THE PURPOSE OF YOUR CROSS-REBUTTAL TESTIMONY IN THIS**
7 **PROCEEDING?**

8 A. The purpose of my testimony is to respond to issues raised by other parties in this
9 proceeding. My lack of response to any specific argument raised in the proceeding by any
10 other party does not reflect my agreement with those positions or recommendations.
11 Specifically, I address the proposal of East Texas Salt Water Disposal Company and East
12 Texas Oil and Gas Producers ("ETSWD") witness Ms. Kit Pevoto to adjust SWEPCO's
13 test year billing determinants to account for COVID-19 pandemic impacts and Texas
14 Industrial Energy Consumers ("TIEC") witness Ms. Billie LaConte's proposal to impute
15 capacity to SWEPCO's wind generation purchase power agreements ("PPAs") and allocate
16 the costs on a demand basis.

17 **II. SUMMARY AND RECOMMENDATIONS**

18 **Q. PLEASE SUMMARIZE YOUR RECOMMENDATIONS.**

19 A. I recommend that the Commission reject:

20 1) ETSWD witness Ms. Pevoto's proposed pro-forma adjustment to Southwestern Electric
21 Power Company's ("SWEPCO" or the "Company") test year billing determinants to

1 address the COVID-19 pandemic impacts to the Texas retail customer class's energy
2 consumption; and

3 2) TIEC witness Ms. LaConte's proposal to: (1) impute capacity to SWEPCO's wind
4 generation PPAs; and (2) allocate imputed costs to Texas retail customer classes on a
5 demand basis, rather than on an energy basis.

6 **III. PRO-FORMA ADJUSTMENT TO SWEPCO'S TEST YEAR**

7 **BILLING DETERMINANTS**

8 **Q. PLEASE EXPLAIN ETSWD WITNESS MS. PEVOTO'S PROPOSED**
9 **PRO-FORMA ADJUSTMENT TO SWEPCO'S TEST YEAR BILLING**
10 **DETERMINANTS TO ADDRESS THE COVID-19 PANDEMIC IMPACTS TO**
11 **THE TEXAS RETAIL CUSTOMER CLASS'S ENERGY CONSUMPTION.**

12 **A.** ETSWD witness Ms. Pevoto recommends an adjustment to SWEPCO's test year billing
13 determinants to reflect the temporary impacts of the COVID-19 pandemic to the Texas
14 retail customer class's energy consumption. The temporary impacts include a reduction in
15 the commercial and industrial customer classes' energy consumption and an increase in the
16 residential customer class's energy consumption due to local, regional, or state-related
17 business closures and stay-at-home orders that required residents to remain home during
18 the pandemic. Ms. Pevoto's proposal would essentially shift costs from the commercial
19 and industrial customer classes to the residential customer class based on a snapshot of
20 time that captures the impacts of the COVID-19 pandemic that is not representative of
21 future energy consumption by all customer classes.

1 **Q. DOES THE CHANGE IN ENERGY CONSUMPTION NOTED BY ETSWD**
2 **WITNESS MS. PEVOTO FOR THE COMMERCIAL AND INDUSTRIAL**
3 **CUSTOMER CLASSES AND THE RESIDENTIAL CUSTOMER CLASS MEET**
4 **THE REQUIREMENTS FOR A KNOWN AND MEASURABLE ADJUSTMENT?**

5 A. No. The National Association of Regulatory Utility Commissioners (“NARUC”)
6 describes known and measurable adjustments as having a strong degree of certainty
7 associated with them, and that there should be a reasonable ability to measure the item
8 underlying the adjustment.¹ A known and measurable adjustment to SWEPCO’s historical
9 billing data or costs must be both measurable *and* [emphasis added] have a strong degree
10 of certainty or more permanent impact that is required to reflect ongoing and normal
11 operations.

12 The COVID-19 pandemic changes in electricity consumption do not represent
13 normal operating conditions or a more enduring or permanent change in SWEPCO’s Texas
14 retail customer class’s electricity consumption profiles. The changes in electricity
15 consumption of the commercial and industrial customer classes and residential customer
16 class during the COVID-19 pandemic were driven by local, regional, and state actions and
17 stay-at-home orders during the pandemic that were temporary in nature. The changes in
18 energy consumption are not long-term, enduring, systemic impacts on SWEPCO’s system
19 or normal operations. Moreover, Texas Governor Greg Abbott issued an executive order
20 on March 2, 2021 that lifted all state restrictions and opened businesses to 100% capacity.²

35. ¹ NARUC Staff and Subcommittee on Accounting and Finance, *Rate Case and Audit Manual*, 2003, page

² Executive Order GA-34, Office of the Texas Governor.

1 Because the change in energy consumption during the COVID-19 pandemic is an anomaly,
2 uncertain, temporary, and not reflective of normal SWEPCO operations, it would be
3 inappropriate to assume that the effects of the COVID-19 pandemic are a known and
4 measurable change to the Company's test year billing determinants.

5 **Q. IS THERE COMMISSION PRECEDENT ON THE TREATMENT OF COVID-19**
6 **PANDEMIC IMPACTS?**

7 A. Yes. In El Paso Electric Company's ("EPE") Certificate of Convenience and Necessity
8 ("CCN") case, Docket Number 50277,³ the City of El Paso recommended that the
9 Commission reject the CCN for a new gas generation facility, partially on the basis that
10 the COVID-19 pandemic reduced EPE's customer demand and the Company's need for
11 the generation facility.⁴ The Administrative Law Judges were not persuaded by the City
12 of El Paso's argument, finding that "[w]hile COVID-19 has since caused significant
13 disruptions to economic and other human activity, whether this will lead to material
14 reductions in EPE's long-term demand remains no more than speculation."⁵ The
15 Commission ultimately approved EPE's CCN application, adopted the ALJs' Proposal for
16 Decision, and declined to adopt the City of El Paso's recommendation regarding the
17 impacts of the COVID-19 pandemic.⁶

³ *Application of El Paso Electric Company to Amend its Certificate of Convenience and Necessity for an Additional Generating Unit at the Newman Generating Station in El Paso County and the City of El Paso*, Docket No. 50277, Final Order (Oct. 16, 2020).

⁴ Docket No. 50227, Direct Testimony of Scott Norwood (May 5, 2020).

⁵ Docket No. 50227, Proposal for Decision at 24 (Sep. 3, 2020).

⁶ Docket No. 50227, Final Order (Oct. 16, 2020).

1 **Q. DOES ETSWD WITNESS MS. PEVOTO REFERENCE OTHER ADJUSTMENTS**
2 **SWEPCO APPLIED TO ITS TEST YEAR BILLING DETERMINANTS?**

3 A. Yes. Ms. Pevoto references SWEPCO's pro-forma adjustment to the test year billing
4 determinants related to the permanent closure of an industrial customer in the Texas
5 jurisdiction by the end of 2020.

6 **Q. IS SWEPCO'S ADJUSTMENT TO THE TEST YEAR BILLING DETERMINANTS**
7 **TO REMOVE THE INDUSTRIAL CUSTOMER DUE TO ITS BUSINESS**
8 **CLOSURE A KNOWN AND MEASURABLE ADJUSTMENT?**

9 A. Yes. U.S. Steel at Lone Star and Hughes Springs, an industrial customer within
10 SWEPCO's Texas jurisdiction announced it is closing its plants in June of 2020 and those
11 closures were already underway. The closure of these plants is certain and measurable,
12 and thus, should be included as a known and measurable adjustment in the Company's test
13 year billing determinants.

14 **Q. WHAT IS YOUR RECOMMENDATION REGARDING ETSWD WITNESS MS.**
15 **PEVOTO'S PROPOSAL FOR A PRO-FORMA ADJUSTMENT TO SWEPCO'S**
16 **TEST YEAR BILLING DETERMINANTS DUE TO THE IMPACTS OF THE**
17 **COVID-19 PANDEMIC?**

18 A. The Commission should reject Ms. Pevoto's proposed pro-forma adjustment to
19 SWEPCO's test year billing determinants, because the changes in energy consumption that
20 Ms. Pevoto relies on to support her proposal are an anomaly, uncertain, temporary, and do
21 not reflect normal or expected utility operations for the Company in the future. As such,
22 the changes in customer class electricity consumption during the COVID-19 pandemic are

1 not known and measurable adjustments to the Company's test year billing determinants
2 and do not reflect ongoing impacts to SWEPCO's system and operating conditions.

3 **IV. IMPUTED CAPACITY COSTS FOR WIND GENERATION PURCHASE**
4 **POWER AGREEMENTS ("PPAS")**

5 **Q. PLEASE DESCRIBE TIEC WITNESS MS. LACONTE'S PROPOSAL TO IMPUTE**
6 **CAPACITY TO SWEPCO'S WIND GENERATION PURCHASE POWER PPAS.**

7 A. SWEPCO has four wind generation PPAs⁷ that provide energy to serve retail load and/or
8 sell energy (i.e., kilowatt-hours ("kWh")) into the Southwest Power Pool ("SPP") market).
9 All four of the wind generation PPAs came into service on or before 2013.⁸ The wind
10 generation in the PPAs provide energy to SWEPCO's customers and are currently and
11 historically included in the Company's eligible fuel expenses and fuel reconciliation
12 proceedings. Ms. LaConte proposes to change the approved and historical treatment of
13 wind generation PPAs to impute a portion of the Company's wind generation PPAs
14 capacity, thereby imputing capacity costs to the retail customer class.

15 **Q. DO YOU AGREE WITH MS. LACONTE'S PROPOSAL TO IMPUTE CAPACITY**
16 **TO SWEPCO'S WIND GENERATION PPAS AND ALLOCATE THE IMPUTED**
17 **CAPACITY COSTS ON A DEMAND BASIS?**

18 A. No. It is not industry practice to impute capacity to wind generation PPAs on a demand
19 basis. SWEPCO's wind generation PPAs provide energy (i.e., kWh) to serve retail load

⁷ Attachment A, SWEPCO Response to CARD RFI No. 1-12, Attachment 1 at 50.

⁸ *Application of Southwestern Electric Power Company for Authority to Reconcile Fuel Costs*, Docket No. 50997, Rebuttal Testimony of Scott Mertz at 15.

1 or sell into the SPP market. Therefore, the Company incurs costs on an energy, not demand
2 basis (i.e., kilo-watt (kW”)). Furthermore, Ms. LaConte’s proposal would misalign the
3 costs incurred by SWEPCO and the allocation of those costs to the Company’s customers
4 by accounting for these PPAs in base rates, which treats costs on a demand basis, whereas
5 the costs actually paid are energy costs usually accounted for in a utility’s fuel
6 reconciliations.⁹

7 **Q. DOES MS. LACONTE’S TESTIMONY IDENTIFY COMMISSION PRECEDENT**
8 **FOR THE IMPUTATION OF CAPACITY TO WIND GENERATION PPA**
9 **COSTS?**

10 A. I am not an attorney, but in my opinion, Ms. LaConte has not demonstrated that imputing
11 capacity to wind generation PPAs and subsequently imputing capacity costs on a demand
12 basis in this proceeding is reasonable and consistent with Commission precedent. Ms.
13 LaConte’s testimony references EPE’s 2015 rate case proceeding, Docket No. 44941,¹⁰ in
14 which EPE proposed a methodology for calculating imputed capacity costs for solar
15 photovoltaic PPAs.

16 However, the 2015 EPE rate case proceeding in Docket No. 44941 was a settled
17 case and not fully litigated.¹¹ A settlement agreement is not considered precedential.¹²
18 Thus, the EPE rate case proceeding does not establish Commission precedent for imputing

⁹ See Direct Testimony of Michael A. Baird at 35:9-18 (Oct. 14, 2020).

¹⁰ *Application of El Paso Electric Company to Change Rates*, Docket No. 44941, Order (Aug. 25, 2016).

¹¹ *Id*

¹² See Docket No. 44941, Joint Motion to Implement Uncontested Amended and Restated Stipulation and Agreement, Exhibit A Amended and Restated Stipulation Agreement at 9 (Jul. 21, 2016) (“this Amended and Restated Agreement, including all terms provided herein, shall not be binding or precedential on a signatory outside of this case.”).

1 capacity to renewable generation PPAs. Ms. LaConte has not provided Commission
2 precedent that establishes that a portion of a utility's wind generation PPA costs should be
3 imputed capacity and then allocated to customer classes on a demand basis in a utility's
4 base rates.

5 **Q. WHAT METHODOLOGY DID MS. LACONTE USE IN HER RECOMMENDED**
6 **CAPACITY IMPUTATION CALCULATION?**

7 A. Ms. LaConte relies on and references a SPP methodology for calculating imputed capacity
8 for its minimum planning reserve. Ms. LaConte does not provide a Commission-approved
9 methodology for calculating imputed capacity costs for wind generation projects or wind
10 generation PPAs for ratemaking purposes. Ms. LaConte's methodology misaligns the cost
11 and associated cost allocation by taking an energy based cost and allocating it to capacity.

12 **Q. WHAT ARE THE CUSTOMER CLASS IMPACTS OF IMPUTING CAPACITY**
13 **AND ALLOCATING IMPUTED CAPACITY COSTS ON A DEMAND BASIS?**

14 A. Changing the classification and treatment of the wind generation PPA costs from an
15 energy-related basis that are recovered as fuel costs to a demand-related basis that are
16 recovered in a utility's base rates will shift costs from large commercial and industrial
17 customers to small commercial and residential customers. The cost of service for
18 residential and small commercial customers will increase, while the cost of service for large
19 commercial and industrial customers will decrease with Ms. LaConte's proposed approach.
20 This shift in cost results from the allocation of wind generation PPA costs on a demand
21 allocation basis, rather than the historically used energy allocation basis. SWEPCO's
22 purchases of energy have consistently been recovered as fuel costs in fuel reconciliation

1 proceedings and appropriately recovered on an energy-related basis.¹³ Ms. LaConte's
2 proposal instead recovers these energy purchases on a demand basis through base rates.

3 **Q. ARE THERE ADDITIONAL ISSUES WITH MS. LACONTE'S**
4 **RECOMMENDATION TO TREAT A PORTION OF THE WIND GENERATION**
5 **PPA COSTS AS DEMAND-RELATED COSTS?**

6 A. Yes. Imputing capacity to SWEPCO's wind generation PPAs and allocating the capacity
7 costs to the customer classes based on a demand basis contradicts and misaligns with the
8 way in which SWEPCO incurs costs to operate and pay for the wind generation PPAs.

9 **Q. PLEASE FURTHER EXPLAIN THE MISALIGNMENT OF ALLOCATING**
10 **ENERGY-RELATED COSTS WITH A DEMAND ALLOCATION FACTOR.**

11 A. The underlying costs incurred by SWEPCO for the wind generation PPAs are based on the
12 energy (i.e., kWh) delivered to the Company or SPP market.¹⁴ SWEPCO does not incur
13 capacity (i.e., kW) costs associated with the Company's wind generation PPAs. SWEPCO
14 compensates the owners of the wind generation on a dollar per kWh ("\$/kWh") delivered
15 basis. Therefore, SWEPCO does not make capacity-related payments for the Company's
16 wind generation PPAs. Allocating an energy-related cost, such as the wind generation
17 PPAs, to customer classes using a demand-related allocation factor, misaligns the cost
18 causation to SWEPCO with the cost allocation to the customer classes.

¹³ *Application of Southwestern Electric Power Company for Authority to Reconcile Fuel Costs*, Docket No. 50997, Rebuttal Testimony of Frances K. Bourland at 15:6-8 (Jan. 28, 2021). *See also* Docket No. 51415, Direct Testimony of Michael A. Baird at 35:9-13 (Oct. 14, 2020).

¹⁴ *See* Attachment B, SWEPCO's Response to CARD RFI No. 1-12 Attachment 1 at 199 (Nov. 12, 2020) ("The Buyer receives the Locational Marginal Price (LMP) at the point of interconnection, which is net of congestion and line loss costs and then pays the Seller the contracted rate for the energy.").

1 **Q. WHAT IS INDUSTRY PRACTICE FOR THE DEVELOPMENT OF A COST OF**
2 **SERVICE STUDY FOR TREATING COST CAUSATION FOR THE UTILITY**
3 **AND COST ALLOCATION TO CUSTOMER CLASSES?**

4 A. Industry practice is to align how costs are incurred (i.e., cost causation) with how those
5 same costs are allocated to the customer classes (i.e., cost allocation). Thus, the way in
6 which SWEPCO incurs the costs (i.e., capacity-related or energy-related costs) should
7 align with the way in which those same costs are allocated to the customer classes. In the
8 case of the wind generation PPAs in which SWEPCO incurs costs based on the energy
9 delivered to the Company, those same costs should be allocated to customer classes based
10 on the energy consumed by the customer class.

11 **Q. WHAT IS YOUR RECOMMENDATION?**

12 A. I recommend that the Commission reject Ms. LaConte's proposal to impute capacity to
13 SWEPCO's wind generation PPAs and reject Ms. LaConte's proposed allocation of
14 imputed capacity costs to customer classes on a demand basis.

15 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

16 A. Yes, it does.

ATTACHMENTS

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

**SOUTHWESTERN ELECTRIC POWER COMPANY'S RESPONSE TO
CITIES ADVOCATING REASONABLE DEREGULATION'S
FIRST SET OF REQUESTS FOR INFORMATION**

NOVEMBER 12, 2020

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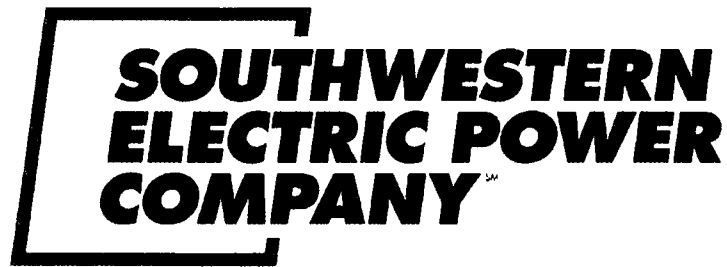
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An **AEP** Company

BOUNDLESS ENERGYSM

INTEGRATED RESOURCE PLANNING REPORT
TO THE
LOUISIANA PUBLIC SERVICE COMMISSION

August 15, 2019



2019 Integrated Resource Plan

Table 1. Current Supply-Side Resources, as of June 2019

Plant	Unit	Output Net MW Capability	In-Service Year	Expected Useful Life	Primary Fuel	State	Retirement Date (1)
Arsenal Hill	5	110	1960	65	Natural Gas	LA	2025
Dolet Hills (2)	1	650**	1986	60	Lignite	LA	2046
Flint Creek	1	528*	1978	60	Coal	AR	2038
Knox Lee	2	30	1950	69	Natural Gas	TX	2020
Knox Lee	3	31	1952	67	Natural Gas	TX	2020
Knox Lee	5	348	1974	65	Natural Gas	TX	2039
Lieberman	2	26	1949	70	Natural Gas	LA	2019
Lieberman	3	109	1957	65	Natural Gas	LA	2022
Lieberman	4	108	1959	65	Natural Gas	LA	2024
Lone Star	1	50	1954	65	Natural Gas	TX	2019
Mattison	1	76	2007	45	Natural Gas (CT)	AR	2052
Mattison	2	76	2007	45	Natural Gas (CT)	AR	2052
Mattison	3	76	2007	45	Natural Gas (CT)	AR	2052
Mattison	4	76	2007	45	Natural Gas (CT)	AR	2052
Pirkey	1	675***	1985	60	Lignite	TX	2045
Stall	6A, 6B, 6S	511	2010	40	Natural Gas (CC)	LA	2050
Turk	1	650	2012	55	Coal	AR	2067
Welsh	1	528	1977	60	Coal	TX	2037
Welsh	3	528	1982	60	Coal	TX	2042
Wilkes	1	177	1964	65	Natural Gas	TX	2029
Wilkes	2	362	1970	65	Natural Gas	TX	2035
Wilkes	3	362	1971	65	Natural Gas	TX	2036
Majestic	1	80 (A)	2009		Wind (PPA)	TX	2029
High Majestic	1	80 (A)	2012		Wind (PPA)	TX	2032
Flat Ridge	1,2	109 (A)	2013		Wind (PPA)	KS	2032
Canadian Hills	1,2,3	201 (A)	2012		Wind (PPA)	OK	2032

* SWEPCO's Share is 264 MW

** SWEPCO's Share is 262 MW

*** SWEPCO's Share is 580 MW

(1) Based on the latest Commission approved depreciation rates in the respective SWEPCO state jurisdictions.

(2) Dolet Hills has transitioned to seasonal operations and the Company is continuing to evaluate operations.

For purposes of establishing a modeling “baseline,” it is necessary to establish assumptions pertaining to all of the capacity and energy resources available to SWEPCO. Figure 10 depicts SWEPCO’s current generation resources along with their current age. For IRP purposes, each generating unit has an assumed planned retirement date based on the latest Commission approved depreciation rates in the respective SWEPCO state jurisdictions, which is shown in Table 1 and reflected in the Capacity, Demand, and Reserves summary (CDR) found in Exhibit F of the appendix. As depicted in the figure, the gas-steam units are the oldest units on the

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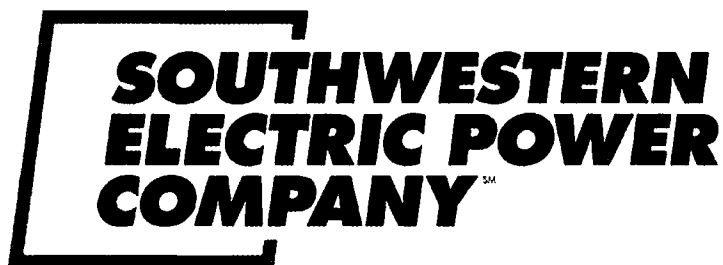
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BOUNDLESS ENERGYSM

INTEGRATED RESOURCE PLANNING REPORT
TO THE
LOUISIANA PUBLIC SERVICE COMMISSION

August 15, 2019



2019 Integrated Resource Plan

Exhibit I Stakeholder Comments

STAKEHOLDER COMMENTS:	SWEPCO Response
SREA encouraged company to develop framework to fairly evaluate energy storage options associated with wind and solar energy proposals	The Company refers the Stakeholders to Exhibit K for an analysis of energy storage prepared for the SWEPCO Arkansas stakeholders. At this time, the Company observations suggest that the addition of energy storage to either wind or solar resources will raise the combined resources cost.
SREA requested SWEPCO to publish all cost and performance assumptions for all generation technologies in a single chart and conduct a narrative comparison w/ the NREL ATB highlighting the areas that are higher or lower.	See Exhibit B for the table and Exhibit J for the narrative comparison.
SREA requested SWEPCO to increase its cap on wind energy to beyond 60%, increase solar cap to beyond 25% and consider increasing its annual limit for those sources to 1000 MW/year or higher as an additional sensitivity run.	Section 4.5.5 describes the basis for our cap on these resources. For this IRP, SWEPCO's resource additions caps for both wind and solar are reasonable.
SREA requested the company to explain the details of its existing renewable energy PPAs and how transmission service is handled.	See Section 3.2. Also note: The Buyer receives the Locational Marginal Price (LMP) at the point of interconnection, which is net of congestion and line loss costs and then pays the Seller the contracted rate for the energy. The Buyer also pays the Seller for deemed generation and lost Production Tax Credits anytime Buyer Economically Curtails (dispatches down) generation from the wind facility. However, if the Transmission Operator curtails generation due to a "Reliability Problem or event" then the Buyer does not pay or reimburse the Seller for any deemed or lost generation. The Seller is also required to transmit real-time SCADA data (output, wind speed, availability, etc.) from the turbines and the substation for use by the Buyer in developing its offer into the SPP market. So long as the Seller is reliably transmitting this real-time data, the Buyer is responsible for the schedule imbalance costs incurred for its account. If the Seller is not reliably transmitting real-time data to the Buyer, following a notice period and chance to cure, the Seller then would absorb or reimburse imbalance costs billed by SPP.
SREA requested the Company's energy storage assumptions be reduced	See Section 4.5.5.4.4