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PUBLIC UTILITY COMMISSION OF TEXAS

APPLICATION OF
SOUTHWESTERN ELECTRIC POWER COMPANY
FOR AUTHORITY TO CHANGE RATES

REBUTTAL TESTIMONY OF
CHARLES J. LOCKE
FOR
SOUTHWESTERN ELECTRIC POWER COMPANY

APRIL 23, 2021

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1 I. INTRODUCTION

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

3 A. My name is Charles J. Locke. I am employed by Southwest Power Pool, Inc. ("SPP")
4 as Director, Transmission Policy and Rates. My business address is 201 Worthen
5 Drive, Little Rock, Arkansas 72223.

6 Q. DID YOU FILE DIRECT TESTIMONY IN THIS CASE?

7 A. No, I did not.

8 Q. ON WHOSE BEHALF ARE YOU SUBMITTING THIS TESTIMONY?

9 A. I am testifying on behalf of Southwestern Electric Power Company ("SWEPCO").

10 Q. WHAT ARE YOUR DUTIES AND RESPONSIBILITIES AS DIRECTOR,
11 TRANSMISSION POLICY AND RATES FOR SPP?

12 A. As SPP's Director, Transmission Policy and Rates, I am responsible for assisting SPP's
13 senior management team to address ongoing and strategic transmission policy issues
14 and to provide support regarding federal and state transmission policy and rate
15 questions. In connection with this role, I conduct rate and other analyses to inform SPP
16 decision-making and administration, support compliance with the SPP Open Access
17 Transmission Tariff ("SPP Tariff") and other governing documents, address
18 stakeholder questions regarding SPP Tariff application, coordinate among SPP
19 departments to address transmission matters, support SPP stakeholder working groups
20 in considering and developing solutions to transmission issues, and represent SPP in
21 various regulatory matters.

1 Q. PLEASE SUMMARIZE YOUR EDUCATIONAL AND PROFESSIONAL
2 BACKGROUND.

3 A. I received a Bachelor of Science Degree in Economics from Southwest Missouri State
4 University and a Master of Arts Degree in Economics from the University of Missouri-
5 Kansas City. Prior to being named Director of Transmission Policy and Rates in
6 August 2017, I served as a Lead Regulatory Analyst at SPP from 2014 until 2017.
7 Before working at SPP, I was employed by Kansas City Power & Light Company for
8 approximately thirty-three years in a number of managerial and analytical positions,
9 primarily in the areas of state and federal regulatory affairs.

10 Q. HAVE YOU TESTIFIED BEFORE ANY REGULATORY COMMISSIONS?

11 A. Yes. I have provided testimony to the Federal Energy Regulatory Commission
12 (“FERC”), the Public Utilities Commission of Texas,¹ the Missouri Public Service
13 Commission, and the Kansas Corporation Commission.

14 II. PURPOSE OF REBUTTAL TESTIMONY

15 Q. WHAT IS THE PURPOSE OF YOUR REBUTTAL TESTIMONY?

16 A. In my rebuttal testimony, I address requirements for reporting Network Load in SPP.
17 In doing so, I will address certain assertions made by Texas Industrial Energy
18 Consumers (“TIEC”) witness Jeffry Pollock and Eastman Chemical Company
19 (“Eastman”) witness Ali Al-Jabir.

¹ See Direct Testimony of Charles Locke, Public Utility Commission of Texas Docket No. 48400; *see also* Rebuttal Testimony of Charles Locke, Public Utility Commission of Texas Docket No. 49831.

1 III. NETWORK LOAD REPORTING REQUIREMENTS

2 Q. WHAT IS NETWORK LOAD?

3 A. In the SPP Tariff, Network Load is defined as:

4 The load that a Network Customer designates for Network
5 Integration Transmission Service under Part III of the Tariff.
6 The Network Customer's Network Load shall include all load
7 served by the output of any Network Resources designated by
8 the Network Customer. A Network Customer may elect to
9 designate less than its total load as Network Load but may not
10 designate only part of the load at a discrete Point of Delivery.
11 Where an Eligible Customer has elected not to designate a
12 particular load at discrete points of delivery as Network Load,
13 the Eligible Customer is responsible for making separate
14 arrangements under Part II of the Tariff for any Point-To-Point
15 Transmission Service that may be necessary for such non-
16 designated load.²

17 Q. WHAT IS SPP NETWORK INTEGRATION TRANSMISSION SERVICE?

18 A. Network Integration Transmission Service ("NITS") is described in Section 28.3 of the
19 SPP Tariff as the provision of "firm transmission service over the [SPP] Transmission
20 System to the Network Customer for the delivery of capacity and energy from its
21 designated Network Resources to service its Network Loads on a basis that is
22 comparable to the Transmission Owner(s)' use of the Transmission System to reliably
23 serve Native Load Customers."³

24 Q. DOES SWEPKO TAKE SPP NITS TO SERVE ITS NETWORK LOAD?

25 A. Yes.

² See SPP Tariff at Part I, Section 1 "N – Definitions".

³ See SPP Tariff at Section 28.3.

1 Q. HOW IS NETWORK LOAD CALCULATED?

2 A. In Order No. 888,⁴ the FERC set forth its baseline rule regarding calculation of Network
3 Load. FERC stated that “[b]ecause network service is load based, it is reasonable to
4 allocate costs on the basis of load for purposes of pricing network service.”⁵ FERC
5 reaffirmed use of an average twelve-month coincident peak (“12 CP”) allocation
6 method,⁶ which is consistent with the fact that utilities plan their transmission systems
7 to meet peak demands.

8 Consistent with Order No. 888, SPP utilizes the 12 CP load data provided by
9 Network Customers to bill for Network Service under Schedule 9 in most pricing zones
10 under the SPP Tariff. In zones 1 and 11, however, the coincident peak for each month
11 is used rather than the 12-month average. The same load reporting principles apply to
12 Network Load reporting in all pricing zones, regardless of whether the billing is based
13 on the coincident peak for each month or the 12 CP. The SPP Tariff and Membership
14 Agreement require that members shall submit data to SPP necessary for SPP to
15 determine the member’s coincident loads necessary for network billing purposes.⁷

⁴ See *Promoting Wholesale Competition Through Open Access Non-Discriminatory Transmission Services by Public Utilities; Recovery of Stranded Costs by Public Utilities and Transmitting Utilities*, Order No. 888, FERC Stats. & Regs. ¶ 31,036 (1996), *order on reh’g*, Order No. 888-A, FERC Stats. & Regs. ¶ 31,048 at 30,258-260, *order on reh’g*, Order No. 888-B, 81 FERC ¶ 61,248 (1997), *order on reh’g*, Order No. 888-C, 82 FERC ¶ 61,046, (1998), *aff’d in relevant part sub nom Transmission Access Policy Study Group v. FERC*, 225 F.3d 667 (D.C. Cir. 2000), *aff’d sub nom New York v. FERC*, 535 U.S. 1 (2002).

⁵ See Order No. 888 at 31,736.

⁶ *Id.*

⁷ See generally Membership Agreement at § 3.5 (obligating the member to “provide such information necessary for SPP to perform its obligations...for [operational] purposes). See also SPP Tariff at § 34.4 (defining a Network Customer’s Monthly Network Load as “its hourly load (60 minute, clock-hour)” and further providing that the monthly Network Load is the Network Customer’s “hourly load coincident with the monthly peak of the Zone where the Network Customer load is physically located”).

1 Additionally, SPP's standard NITS Agreement obligates the Network Customer
2 (whether member or non-member) to submit complete, valid, and accurate information
3 to allow SPP to provide service.⁸ Neither FERC precedent nor the SPP Tariff requires
4 or authorizes SPP to verify the adequacy of the data submitted by Network Customers
5 or imposes a penalty for failure to provide sufficient data.

6 Q. DOES THE SPP TARIFF REQUIRE BEHIND-THE-METER ("BTM")
7 GENERATION TO BE INCLUDED IN THE CALCULATION OF NETWORK
8 LOAD?

9 A. Yes. The SPP Tariff's treatment of Network Load and BTM generation implements the
10 rules set forth by FERC in Order Nos. 888 and 890. The SPP Tariff provides no
11 exception to exclude or "net" BTM generation from Network Load calculations. Nor
12 in the SPP Tariff is there any differentiation between retail and wholesale BTM
13 generation. Therefore, all Network Customers should be including loads served by
14 BTM generation in their Network Load calculations.

15 Q. CAN A SPP NETWORK CUSTOMER ELECT TO EXCLUDE LOAD SERVED BY
16 BTM GENERATION FROM THE CALCULATION OF ITS NETWORK LOAD?

17 A. Yes, but only in the circumstances and manner defined by FERC. A SPP Network
18 Customer may elect to exclude from its Network Load, the load served by BTM
19 generation, by un-designating the entire load at that discrete point of delivery; however,
20 the Network Customer would then be required to utilize SPP point-to-point
21 transmission service to serve the load at that discrete point of delivery.

⁸ See SPP Tariff at Attachment F, Section 9.0.

1 Q. WHAT IS THE FERC POLICY ON THE INCLUSION OF BTM GENERATION IN
2 NETWORK LOAD?

3 A. Generally, FERC policy under Order Nos. 888 and 890 requires generation, including
4 BTM generation that serves Network Load, to be included in the Network Customer's
5 load ratio share of costs.⁹ Regarding the inclusion of BTM generation in Network Load
6 calculations, FERC stated:

7 "If a customer wishes to exclude a particular load at discrete
8 points of delivery from its load ratio share of the allocated cost - - -
9 of the transmission provider's integrated system, it may do so.
10 Customers that elect to do so, however, must seek alternative
11 transmission service for any such load that has not been
12 designated as network load for network service. *This option is*
13 *also available to customers with load served by 'behind the*
14 *meter' generation that seek to eliminate the load from their*
15 *network load ratio calculation* (emphasis added)."¹⁰

16 Similarly, Order No. 890, which affirmed the decision in Order No. 888, prohibits the
17 netting of BTM generation from a Network Customer's Network Load calculations:

18 "The Commission is not persuaded to require transmission
19 providers to allow netting of behind the meter generation against
20 transmission service charges to the extent customers do not rely
21 on the transmission system to meet their energy needs....The
22 existing *pro forma* [Open Access Transmission Tariff] already
23 permits transmission customers to exclude the entirety of a
24 discrete load from network service and serve such load with the
25 customer's behind the meter generation and through any needed
26 point-to-point service, thereby reducing the network customer's
27 load ratio share."¹¹

⁹ See Order No. 888 at 31,736, 31,743.

¹⁰ *Id.*

¹¹ See *Preventing Undue Discrimination and Preference in Transmission Service*, Order No. 890, FERC Stats. & Regs. ¶ 31,241, at P 1619, *order on reh'g*, Order No. 890-A, FERC Stats. & Regs. ¶ 31,261 (2007), *order on reh'g and clarification*, Order No. 890-B, 123 FERC ¶ 61,299 (2008), *order on reh'g*, Order No. 890-C, 126 FERC ¶ 61,228, *order on clarification*, Order No. 890-D, 129 FERC ¶ 61,126 (2009).

1 Q. HAS FERC APPLIED THESE GENERAL POLICIES ADDRESSING THE
2 INCLUSION IN NETWORK LOAD OF BTM GENERATION IN ANY SPECIFIC
3 CASES?

4 A. Yes, FERC has applied these policies elsewhere. One such example is a case preceding
5 Order No. 888, in which FERC required the Florida Municipal Power Agency
6 (“FMPPA”) to report all of its BTM generation for network integration transmission
7 service billing by Florida Power & Light Company (“Florida Power”) regardless of
8 whether the BTM-generated power entered the Florida Power transmission system.
9 Unless the load supplied by BTM generation is isolated from the remainder of load
10 served on an integrated network basis, it cannot be excluded from such network service.
11 FERC stated:

12 “FMPPA argues that Florida Power’s local resources should be
13 treated differently because all are connected to the grid, while
14 FMPPA’s generating units can meet local loads without first
15 entering the Florida Power grid. This is not a meaningful
16 distinction...If FMPPA has a load and resources that it does not
17 want to integrate, it can isolate the load and resource from
18 Florida Power’s transmission system and eliminate it from the
19 request for full integration.”¹²

20 Q. WHAT ENTITY HAS THE DUTY TO ENSURE THAT A NETWORK CUSTOMER
21 IS REPORTING ITS NETWORK LOAD CORRECTLY?

22 A. FERC has been clear that it is the Network Customer’s duty to ensure its reporting of
23 Network Load is consistent with precedent and compliant with the requirements of the
24 applicable tariff. In *Ameren Services Company vs. Prairieland Energy, Inc.*, another
25 case applying the Network Load reporting principles in Order Nos. 888 and 890, FERC

¹² *Florida Mun. Power Agency v. Florida Power & Light Co.*, 67 FERC ¶ 61167, 61482 n. 77 (May 1994).

1 found that the transmission customer had the responsibility to designate the necessary
2 BTM generation when taking network service, and by failing to do so it under-
3 calculated its Network Load in violation of the tariff.¹³ FERC noted that the
4 “[transmission customer did not] seek alternative transmission service so as to obviate
5 the need to report its BTM generation, as required by the tariff.”¹⁴ FERC concluded
6 that the transmission customer violated its service agreement and the tariff, and was
7 responsible for paying for its network service based on gross load rather than net load.¹⁵

8 Q. HAS FERC APPROVED ANY ALTERNATIVE PROPOSALS FOR THE NETTING
9 OF BTM GENERATION IN THE CALCULATION OF NETWORK LOAD?

10 A. Yes. FERC has stated that it would review alternative proposals for the treatment of
11 BTM generation *on a case-by-case basis* (emphasis added).¹⁶ For example, FERC
12 approved a proposal by PJM Interconnection (“PJM”)¹⁷ to allow netting of BTM
13 generation in the calculation of Network Load where the generating units are located
14 with load at a single electrical location (same site) such that no transmission or
15 distribution facilities are used to deliver energy from the generation unit to the load.¹⁸
16 This effectively limited the specific application of PJM’s exception to retail load served

¹³ See *Ameren Services Co.*, 131 FERC ¶ 61,125 (2010) (“Ameren”).

¹⁴ Ameren at PP 27-28.

¹⁵ *Id.*

¹⁶ See Order No. 890 at P 1619. See also Order No. 890-A at P 970.

¹⁷ PJM Interconnection is a regional transmission organization that coordinates the movement of wholesale electricity in all or parts of Delaware, Illinois, Indiana, Kentucky, Maryland, Michigan, New Jersey, North Carolina, Ohio, Pennsylvania, Tennessee, Virginia, West Virginia and the District of Columbia.

¹⁸ See *PJM Interconnection, Inc.*, 107 FERC ¶ 61,113 (2004) (“PJM 2004 Order”).

1 by BTM generation. PJM subsequently has expanded participation in its BTM netting
2 program to include a limited amount of municipal, electric cooperative, and other
3 utilities who take network service on the PJM system.¹⁹ The California Independent
4 System Operator's Open Access Transmission Tariff ("CAISO Tariff") provides
5 another example of an alternative approach for treatment of BTM generation, which
6 has been approved by FERC. Appendix A of the CAISO Tariff provides that the
7 Regional Access Charge and the Local Access Charge, which are used to recover the
8 revenue requirements of transmission owners in California, are assessed to entities with
9 "Gross Load." In turn, the Gross Load is defined as specifically *including* behind-the-
10 meter energy generation in excess of onsite demand and specifically *excluding* "Load
11 of an individual retail customer served by its own onsite Generating Unit or energy
12 storage device" and "Onsite Load served by a qualifying small power production
13 facility or qualifying cogeneration facility."²⁰ These explicit netting provisions
14 provide for an exception to FERC's general policy that Network Load should be
15 reported inclusive of BTM generation. Because the netting of load served by retail
16 BTM generation and Qualifying Facilities is not established under FERC's general
17 policy, the CAISO Tariff contains these explicit netting provisions. As with PJM's
18 netting exceptions, it would not be necessary to codify these exceptions in the CAISO
19 Tariff if they were already established under FERC policy. If FERC's general policy
20 had been to exclude retail BTM generation from Network Load, there would have been

¹⁹ See generally PJM Interconnection, Inc., 113 FERC ¶ 61,279 (2005) ("PJM 2005 Order").

²⁰ See Appendix A of the CAISO Tariff: Definition of "Gross Load," available at <http://www.caiso.com/rules/Pages/Regulatory/Default.aspx>

1 no need for PJM or CAISO to request the exception for retail. The fact that requests to
2 FERC were deemed needed by PJM and CAISO, and that FERC accepted them on such
3 basis, is inconsistent with the general policy of including retail BTM generation under
4 Order Nos. 888 and 890 and the granting by FERC of case-by-case exceptions.

5 Q. HAS SPP SOUGHT APPROVAL FROM FERC OF AN ALTERNATIVE
6 PROPOSAL FOR THE TREATMENT OF BTM GENERATION USED IN THE
7 CALCULATION OF NETWORK LOAD?

8 A. No.

9 Q. HAS SPP CONSIDERED SEEKING APPROVAL FROM FERC OF AN
10 ALTERNATIVE PROPOSAL FOR THE TREATMENT OF BTM GENERATION
11 USED IN THE CALCULATION OF NETWORK LOAD?

12 A. Yes. In 2017, SPP and its stakeholders developed an alternative proposal in Revision
13 Request (“RR”) ²¹ 241. In RR 241, SPP’s stakeholders proposed revisions to Section
14 34.4 of the SPP Tariff to provide an exception to the reporting requirement for
15 generation behind a retail meter less than 1 MW. However, RR 241 was not approved
16 through the SPP stakeholder process²² and consequently was never submitted to FERC
17 for approval. In 2017 and 2019, SPP staff conducted two stakeholder surveys on this

²¹ Revision Request is a SPP process to make any additions, deletions, or changes to the SPP Tariff, Marketplace Protocols, Operating Criteria, Planning Criteria, Business Practices, Integrated Transmission Planning Manual, Revision Request Process, Reliability Coordinator and Balancing Authority Data Specifications, SPP Communications Protocols, and any attachments and exhibits to these documents.

²² See MOPC Agenda and Background Materials, dated October 17-18, 2017 at Agenda Item 10 posted at: <https://www.spp.org/documents/55018/mopc%20minutes%20and%20attachments%2020171017-18.pdf>.

The MOPC consists of a representative officer or employee from each SPP Member and reports to the SPP Board of Directors. Its responsibilities include recommending modifications to the SPP Tariff. See Southwest Power Pool, Inc., Bylaws, First Revised Volume No. 4 at Section 6.1.

1 topic. Based on results of the two surveys and subsequent stakeholder discussions, SPP
2 staff is now considering development of another proposal to bring before stakeholders
3 in order to seek FERC approval of a set of exceptions to FERC's general policy
4 requiring inclusion of BTM generation in Network Load. If exceptions to FERC's
5 general policy are adopted by the SPP stakeholders and subsequently approved by
6 FERC, it would be appropriate for Network Customers to adjust their reported Network
7 Loads accordingly at that time.

8 IV. MESSRS. POLLOCK AND AL-JABIR'S TESTIMONIES

9 Q. HAVE YOU REVIEWED THE DIRECT TESTIMONIES OF MESSRS. POLLOCK
10 AND AL-JABIR FILED ON BEHALF OF TIEC AND EASTMAN,
11 RESPECTIVELY?

12 A. Yes.

13 Q. PLEASE SUMMARIZE MESSRS. POLLOCK'S AND AL-JABIR'S TESTIMONIES
14 REGARDING THE REPORTING OF BTM GENERATION.

15 A. Messrs. Pollock and Al-Jabir state that including retail BTM generation in the monthly
16 peak demand for purposes of Schedule 11 of the SPP Tariff is not required under the
17 SPP Tariff.²³ They further insist that SWEPCO should immediately discontinue the
18 practice of including load served by retail BTM generation in its reporting of monthly
19 peak demands to SPP.²⁴

²³ See, e.g., Direct Testimony of Jeffrey Pollock at 25:14-18; see also, e.g., Direct Testimony of Ali Al-Jabir at 28:8-21.

²⁴ *Id.*

1 Q. DO YOU AGREE WITH MESSRS. POLLOCK AND AL-JABIR?

2 A. No. FERC policy under Order Nos. 888 and 890, as well as the SPP Tariff, require that
3 Network Customer load, including load that may be served by BTM generation, be
4 included in the calculation of Network Load. There is no differentiation between retail
5 and wholesale BTM generation in these requirements.

6 Q. MESSRS. POLLOCK AND AL-JABIR ASSERT THAT IF A RETAIL BTM
7 GENERATOR PROVIDES ITS OWN ELECTRICITY AT THE SAME TIME AS
8 THE MONTHLY COINCIDENT PEAK USED TO CALCULATE THE CHARGE
9 FOR NETWORK LOAD, THEN THIS BTM GENERATION SHOULD NOT BE
10 INCLUDED IN THE CALCULATION OF NETWORK LOAD.²⁵ DO YOU AGREE
11 WITH THIS ASSERTION?

12 A. No. If Network Customers are allowed to adjust the calculation of Network Load based
13 on the amount of electricity produced by BTM generation at the same hour as the
14 monthly coincident peak, this could result in inequity to the remaining Network
15 Customers in SWEPCO's Zone and to other customers in the SPP region. As explained
16 in FERC Order No. 888-A,²⁶ the netting of BTM generation from Network Load would
17 allow the customer of that BTM generator to reduce, if not eliminate, its load-ratio cost
18 responsibility for network service. Because network and native load customers bear
19 transmission system costs on a load-ratio basis, any cost responsibility evaded by a
20 Network Customer in this manner would be borne by the remaining Network
21 Customers and native load. While this customer could lower its reported coincident

²⁵ Direct Testimony of Jeffry Pollock at 16:1-17; Direct Testimony of Ali Al-Jabir at 12:13 – 13:8.

²⁶ Order No. 888-A, p. 247-248.

1 peak use of the transmission system through generation in a handful of peak hours, it
2 could be making substantial use of the transmission system during all other hours of
3 the month. This would not be consistent with principles of cost causation and would
4 defeat the purpose of coincident peak load billing as established by FERC, which is to
5 provide that entities depending on the transmission system for reliable service bear a
6 proportionate share of the cost of that system. Similar to distribution system costs,
7 transmission system costs are largely based on the need to meet high electrical demands
8 and are not necessarily reduced by the fact that a retail customer happens to self-supply
9 energy in certain peak hours. Therefore, the system capacity costs should be recovered
10 from the load of the customers for which the system is designed and constructed. Just
11 as a utility should recover its distribution system capacity costs from the retail and
12 wholesale customers that benefit from distribution, the utility that constructs and
13 maintains the transmission system should recover the resulting costs from the retail and
14 wholesale customers that benefit from transmission. Again, such capacity costs cannot
15 be eliminated because a customer sometimes generates its own energy during a peak
16 hour in the month, particularly where the transmission provider has no long-term, firm
17 commitment and dispatch rights over that retail BTM generation. The system capacity
18 must be available to meet the demands of retail customers with BTM generation, just
19 as it must meet the demands of wholesale customers with BTM generation, whenever
20 such generation is not running.

21 Q. DOES MR. POLLOCK OR MR. AL-JABIR CITE ANY LANGUAGE IN THE SPP
22 TARIFF OR IN ORDERS NOS. 888 or 890 EXPLICITLY SUPPORTING THE
23 POSITION THAT, AS A GENERAL POLICY, WHOLESALE BTM GENERATION

1 IS TO BE INCLUDED IN NETWORK LOAD, BUT RETAIL BTM GENERATION
2 IS NOT TO BE INCLUDED?

3 A. No. Neither witness provides direct support from either the SPP Tariff or Order Nos.
4 888 or 890. Their positions appear to be based partly on their interpretation of the term
5 “Network Customer,” an entity that they assume has no system capacity responsibility
6 for the load supplied during the peak hour by the BTM generation of a retail customer.
7 However, this interpretation is not stated in Order Nos. 888 or 890 and they cite no
8 direct support for it from other FERC orders or the SPP Tariff. This position is further
9 undermined by the fact that the Network Customer’s network resources under the SPP
10 Tariff are designated in the transmission planning process to serve Network Load in its
11 entirety and the transmission system is expected to meet that load regardless of whether
12 or not a BTM generator happens to be operating in any given hour.

13 Q. MR. AL-JABIR DISCUSSES HOW RETAIL BTM GENERATION IS TREATED IN
14 OTHER RTO/ISOS INCLUDING PJM, MISO, AND CAISO. IS THAT RELEVANT
15 HERE?

16 A. The provisions of other RTO/ISO tariffs are not relevant to the treatment of BTM
17 generation in the SPP region. As I have noted with the examples of PJM and CAISO,
18 FERC has approved exceptions for some RTO/ISOs to permit netting of certain types
19 of BTM generation under FERC’s long-standing policy to handle such exceptions on a
20 case-by-case basis. However, those exceptions do not apply under the SPP Tariff.
21 While some RTO/ISOs have received approval from FERC for alternatives to FERC’s
22 policy on BTM generation, it does not change the requirement in the SPP Tariff that
23 all Network Customers should be including loads served by BTM generation in their

1 Network Load calculations. As a Network Customer under the SPP Tariff, it is
2 SWEPCO's duty to ensure its reporting of Network Load is compliant with the
3 requirements of the SPP Tariff.

4 Q. DO THE ASSERTIONS THAT MESSRS. POLLOCK AND AL-JABIR MAKE
5 REGARDING THE TREATMENT OF NETWORK LOAD IN THE
6 MIDCONTINENT INDEPENDENT SYSTEM OPERATOR ("MISO") REGION
7 HOLD UP UNDER CLOSE EXAMINATION?

8 A. No. To support their position, Mr. Pollock and Mr. Al-Jabir both refer to a case in
9 which FERC addressed a complaint by Occidental Chemical Corporation against
10 MISO regarding the "MISO QF Integration Plan." This complaint, under FERC
11 Docket No. EL13-41-000, was lodged in the particular context of Entergy's integration
12 into MISO, and specifically concerned MISO's plans to handle Qualifying Facilities.
13 Therefore, FERC's orders in that case have limited applicability, which does not
14 encompass either the SPP Tariff or the establishment of national policy regarding BTM
15 generation. Furthermore, FERC's orders in that case focused on rules for market
16 integration and market price determination for Qualifying Facilities in MISO's Entergy
17 footprint and did not specifically address rules for transmission service or establishment
18 of transmission charges. For example, in the initial order denying complaint issued on
19 April 21, 2016, and in the order denying rehearing issued on September 22, 2016, there
20 was no mention of transmission service charges, coincident peak/coincident load, or
21 network service. Furthermore, there was only one mention of transmission service,
22 which was a reference to grandfathered agreements, and only one mention of billing,
23 which was a reference to market settlements. However, the orders had many pages of

1 discussion regarding power market rules and market pricing for Qualifying Facilities.
2 Therefore, Mr. Pollock's and Mr. Al-Jabir's reliance on this case is misplaced due to
3 both its narrow applicability and its lack of discussion of network transmission service
4 charges for BTM generation.

5 Q. DO YOU HAVE OTHER COMMENTS REGARDING THE TESTIMONY OF
6 EITHER MR. POLLOCK OR MR. AL-JABIR REGARDING MISO'S TREATMENT
7 OF BTM GENERATION?

8 A. Yes. As previously stated, the tariff provisions of other RTO/ISOs do not apply in the
9 SPP region. However, I would like to address Mr. Pollock's and Mr. Al-Jabir's
10 references to the recent MISO stakeholder discussions of the BTM generation issue.
11 Such discussions occurred in MISO's Planning Advisory Committee ("PAC") roughly
12 from 2017 to 2019. The very fact that those discussions occurred, such that MISO and
13 its stakeholders were attempting to craft a policy to provide for region-wide exceptions
14 to the rule for reporting Network Load on a gross basis (i.e., without netting BTM
15 generation) and that those discussions included various proposals for treating retail
16 generation and Qualifying Facilities, demonstrates that there is not an established
17 national policy to allow the netting of retail generation and Qualifying Facilities as
18 asserted by Mr. Pollock and Mr. Al-Jabir. In a footnote of Mr. Al-Jabir's testimony,
19 he quotes from a presentation made by the MISO staff to the PAC on October 16, 2019,
20 which Mr. Al-Jabir implies is supportive of his position that netting of retail BTM
21 generation is accepted practice. However, the minutes of that very same October 2019
22 PAC meeting contains the following statement from MISO staff: "Currently, the case
23 for uniform deviation from 'gross rule' is not sufficiently developed: one approach

1 does not fit all customer circumstances.” In other words, the MISO staff acknowledged
2 the existence of a rule to report Network Load on a gross basis, without netting BTM
3 generation. There are other statements from MISO staff in the PAC meeting materials
4 that are consistent with this rule. In a September 27, 2017 presentation by the MISO
5 staff to the PAC, under a section entitled “Overarching Principles and Next Steps,” the
6 following statements were made:

- 7 • “All load that the Transmission System could be required to serve at the time
8 of the system peak(s) should be included in NITS (unless other Transmission
9 Service is acquired).
- 10 • “If BTMG is down and Transmission System will provide for that Load, it
11 should be included.”
- 12 • “Curtable/Interruptible retail load should not be included.”

13 With the exception of curtailed load, which FERC specifically exempted in a 2002 case
14 under its general policy for gross load reporting,²⁷ note that this statement did not
15 differentiate between categories of BTM generation, such as retail and wholesale. In a
16 February 13, 2019 presentation to the PAC regarding potential options for crafting an
17 explicit tariff exception for BTM generation, the MISO staff made the following
18 statement in describing Option 2: “Retain *existing requirements* to report for NITS
19 billing all Load gross of (any known) retail or wholesale behind the meter generation
20 (will necessarily net load for which certain retail btmg of customers is
21 unknown).”[emphasis added] In other words, to the extent the amount of BTM

²⁷ *Occidental Chem. Corp. v. PJM Interconnection, L.L.C. and Delmarva Power & Light Co.*, 101 FERC ¶ 61,005 at P15 (2002).

1 generation is known, whether wholesale or retail, it should be included in Network
2 Load. As I previously indicated, neither the MISO Open Access Transmission Tariff
3 (“MISO Tariff”) nor the public statements of the MISO staff govern how SPP is to
4 handle Network Load reporting, including aspects related to BTM generation.
5 However, the above points have been made to demonstrate that the MISO Tariff and
6 its application do not support the position represented by Mr. Pollock and Mr. Al-Jabir,
7 which is that all retail BTM generation should be allowed to net against Network Load.

8 Q. DO MESSRS. POLLOCK AND AL-JABIR MAKE AN APPROPRIATE
9 DISTINCTION BETWEEN WHOLESALE BTM GENERATION AND RETAIL
10 BTM GENERATION BASED ON OPERATIONAL CONSIDERATIONS?

11 A. No. Their rationale for including wholesale BTM generation but excluding retail BTM
12 generation does not hold up under close examination. For example, Mr. Pollock states
13 that retail BTM generation is not “being delivered over SWEPCO’s transmission and
14 distribution system.”²⁸ However, a parallel statement could be made about a wholesale
15 BTM generator that is located on the distribution wires owned by a local distribution
16 utility and that has such low generating capacity that it does not produce enough to
17 reverse the flow of power at the network service delivery point. Such cases potentially
18 exist in numerous places within the SPP region. With respect to use of the host
19 transmission owner’s facilities, there is no clear operational distinction between retail
20 load and wholesale load in this type of situation. Thus, Mr. Pollock’s test does not
21 clearly differentiate between retail and wholesale BTM generation. FERC policy under

²⁸ See Direct Testimony of Jeffry Pollock at 16:22 – 17:2.

1 Order Nos. 888 and 890 requires the inclusion of BTM generation as a general policy
2 and Mr. Pollock does not provide sufficient basis to treat retail and wholesale loads
3 differently.

4 Q. ARE THERE OTHER OPERATIONAL DISTINCTIONS THAT MR. POLLOCK OR
5 MR. AL-JABIR ATTEMPT TO MAKE TO SUPPORT DIFFERENT TREATMENT
6 OF WHOLESALE AND RETAIL BTM GENERATION FOR LOAD REPORTING
7 PURPOSES?

8 A. Yes. In attempting to explain why wholesale and retail BTM generation should be
9 treated differently from the standpoint of Network Load reporting, Mr. Al-Jabir makes
10 an argument that retail BTM generation is not responsive to wholesale market prices in
11 the same manner as wholesale BTM generation. While Mr. Al-Jabir's characterization
12 of the tie between wholesale market prices and the frequency of dispatch of BTM
13 generation may be true in many cases, it is not fully accurate for either all retail BTM
14 generation or all wholesale BTM generation. Therefore, he is not drawing a true
15 retail/wholesale distinction but rather a distinction based on the operating
16 characteristics of the specific generation. Furthermore, even in those cases in which
17 the retail BTM generator carries its customer load in most hours, due to lack of
18 sensitivity to power market prices or for other reasons, it is not clear why that load
19 should be able to fully escape transmission cost responsibility by generating across
20 system peak hours while still utilizing and depending on the transmission system in
21 other hours. Furthermore, Mr. Al-Jabir's explanation based on sensitivity to power
22 market prices is not rooted in either FERC policy or the provisions of the SPP Tariff.

23 Q. PLEASE CONTINUE.

1 A. Mr. Al-Jabir also points to diversity of load on the electric system as a basis for holding
2 that retail BTM generation should not be included in Network Load. While he is correct
3 in pointing to a degree of load diversity that affects demands on the transmission
4 system, he overstates the effect and also fails to explain why such considerations are
5 relevant to the reporting of retail BTM generation but not to the reporting of wholesale
6 BTM generation. Mr. Al-Jabir states that if a utility planned its transmission system to
7 serve the gross load served by retail BTM generation, the utility would have to assume
8 that “it needs to simultaneously serve the [non-coincident peak] demands of all retail
9 BTMG customers.” This is a material overstatement because customer non-coincident
10 peak loads, and particularly industrial customer loads that are not weather-sensitive,
11 often do not occur at the time of the monthly system peak. Moreover, even when a
12 customer’s monthly peak load happens to occur during the system peak of a shoulder
13 month such as April or October, the level of that customer load is typically far below
14 the customer’s non-coincident peak for the year. Therefore, including the output of
15 BTM generation in reported transmission system load does not result in over-planning
16 the system as if to meet the non-coincident peaks of customers with BTM generation.
17 Furthermore, Mr. Al-Jabir does not explain why it is unacceptable to include the output
18 of retail BTM generation due to load diversity considerations but acceptable to include
19 the output of wholesale BTM generation even though it also has load diversity. In fact,
20 reporting Network Load on the basis of average monthly coincident peak demand,
21 without netting BTM generation, does incorporate an amount of load diversity on the
22 transmission system. For decades, FERC has found this approach to be an appropriate
23 basis for assessing network transmission service charges.

1 Q. MR. POLLOCK POINTS TO REVISION REQUEST 241 AS EVIDENCE THAT
2 INCLUDING LOAD SERVED BY RETAIL BTM GENERATION IS NOT
3 REQUIRED UNDER THE SPP TARIFF.²⁹ DO YOU AGREE?

4 A. No. The SPP Tariff requirement that the reporting of Network Load must include BTM
5 generation implements the rules set forth by FERC in Order Nos. 888 and 890. RR 241
6 proposed to add an exception to the reporting requirement for Network Load.
7 Specifically, RR 241 proposed to exclude from Network Load any generation behind a
8 retail meter of less than one MW, because the SPP Tariff provided no exception to
9 exclude or “net” BTM generation from Network Load calculations. RR 241 was not
10 approved through the SPP stakeholder process and, therefore, was not filed at FERC
11 for approval. In Order Nos. 890 and 890-A, FERC stated that it would review requests
12 for exceptions to its general policy on a case-by-case basis. Such exceptions would
13 serve to reduce, not increase, the load ratio share of the affected entity. However, Mr.
14 Pollock misconstrues the SPP stakeholder discussion as having considered a proposal
15 to increase load ratio shares of those entities with retail BTM generation. If his
16 interpretation of the stakeholder proposal were accurate, this proposal would not have
17 fallen within the bounds of what FERC allows for case-by-case consideration. Mr.
18 Pollock’s explanation of the SPP stakeholder proposal is incorrect.

19 Q. MESSRS. POLLOCK AND AL-JABIR REFERENCE TWO SURVEYS
20 CONDUCTED BY SPP RELATED TO THE REPORTING OF BTM GENERATION
21 IN NETWORK CUSTOMERS’ LOAD. PLEASE DESCRIBE THE SURVEYS

²⁹ Direct Testimony of Jeffry Pollock at 21:1 – 22:5.

1 THAT SPP HAS CONDUCTED RELATED TO THE REPORTING OF BTM
2 GENERATION IN NETWORK LOAD.

3 A. SPP has conducted two surveys related to the reporting of BTM generation in Network
4 Load. The first, in 2017, was conducted for SPP to gain an understanding of the load
5 reporting practices of its Network Customers. The purpose of the second survey,
6 conducted in 2019, was to gauge SPP stakeholder interest in changes to the existing
7 Network Load reporting requirements.

8 Q. DO YOU AGREE WITH MR. POLLOCK’S CHARACTERIZATION OF THE 2019
9 SPP SURVEY?

10 A. No. In Mr. Pollock’s testimony, he cites to the results of the 2019 SPP survey as support
11 for his statement that the survey revealed “that a majority of the responding SPP
12 Network Customers believed that some or all load served by retail BTMG was not
13 included in the meaning of Network Customer’s Monthly Network Load.”³⁰ This is a
14 mischaracterization of the purpose of the 2019 survey. As I explained above, the
15 purpose of the 2019 survey was to gauge SPP stakeholder interest in changes to the
16 Network Load reporting requirements, in view of potentially developing an exceptions
17 policy to file with FERC. The purpose was not to give guidance as to what the current
18 requirements are for each Network Customer’s report of Network Load.

19 Q. MR. AL-JABIR CLAIMS THAT MANY SPP MEMBERS STATED IN THE 2017
20 SPP SURVEY THAT THEY ARE NOT INCLUDING RETAIL BTM GENERATION
21 IN THEIR REPORTING OF THEIR NETWORK LOAD.³¹ PLEASE RESPOND.

³⁰ Direct Testimony of Jeffry Pollock at 18:7-9.

³¹ Direct Testimony of Ali Al-Jabir at 13:20-22.

1 A. As explained above, SPP conducted a survey in 2017 to gain an understanding of the
2 load reporting practices of its Network Customers. As a result of this survey, SPP
3 provided educational information to its stakeholders clarifying that FERC policy and
4 the SPP Tariff provide no exception to exclude or “net” BTM generation from Network
5 Load calculations.

6 Q. HAVE ANY NETWORK CUSTOMERS ADJUSTED THEIR NETWORK LOAD
7 REPORTING PRACTICES BASED ON THE EDUCATIONAL INFORMATION
8 PROVIDED TO STAKEHOLDERS AS A RESULT OF THE 2017 SPP SURVEY?

9 A. Yes. Several entities made adjustments to their load reporting practices.

10 Q. WHAT AUTHORITY DOES SPP HAVE TO ENFORCE CORRECT REPORTING
11 OF NETWORK LOAD BY NETWORK CUSTOMERS?

12 A. The SPP Tariff provides no authority for SPP to verify data submitted by Network
13 Customers or impose a penalty for failure to provide accurate data. FERC has been
14 clear that it is the Network Customer’s duty to ensure its reporting of Network Load is
15 consistent with precedent and compliant with the requirements of the applicable tariff.

16 V. CONCLUSION

17 Q. MESSRS. POLLOCK AND AL-JABIR ATTEMPT TO DISTINGUISH BETWEEN
18 REPORTING RETAIL AND WHOLESALE BTM GENERATION IN NETWORK
19 LOAD. DO YOU AGREE WITH THIS DISTINCTION?

20 A. No. FERC Order Nos. 888 and 890 do not distinguish between retail and wholesale
21 loads for purposes of reporting Network Load. Similarly, the SPP Tariff makes no
22 distinction between retail and wholesale BTM generation.

1 Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?

2 A. Yes, it does.