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PUBLIC UTILITY COMMISSION
FLINT CREEK

APPLICATION OF SOUTHWESTERN) BEFORE THE PUBLIC UTILITY
ELECTRIC POWER COMPANY FOR) COMMISSION OF TEXAS
AUTHORITY TO CHANGE RATES)
) REFERRED TO THE STATE OFFICE
) OF ADMINISTRATIVE HEARINGS

**SIERRA CLUB'S
STATEMENT OF POSITION**

Sierra Club files this statement of position under 16 TAC § 22.124. Sierra Club takes the positions set out in the pre-filed testimony of its expert witness, Devi Glick, and as stated here:

- 1) **Flint Creek O&M and capital expenses.** Southwestern Electric Power Company (“SWEPCO”) has not met its burden of proof for approval of its proposed test year spending at the Flint Creek power plant. Based on the Company’s own data, Sierra Club witness Glick shows that SWEPCO incurred \$153 million in net losses relative to the value of capacity and market energy at the Flint Creek plant over the past six years (2015-2020). Further, SWEPCO is projected to incur \$161 million in net losses relative to the value of capacity and market energy by continuing to invest in and operate Flint Creek over the next decade (2021-2030). SWEPCO has not demonstrated the prudence of continuing to invest in and operate Flint Creek.
- 2) **Flint Creek CCR/ELG costs.** SWEPCO’s decision to incur avoidable Coal Combustion Residuals Rule and Effluent Limitations Guidelines (“CCR/ELG”) costs at Flint Creek, rather than retire the plant in 2028, was imprudent. Much of the \$26.8 million that SWEPCO has decided to invest in retrofitting Flint Creek to comply with ELG and CCR

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requirements has been and will be imprudently incurred if the Company continues with the project. In fact, the Company could operate Flint Creek until 2028 without incurring approximately \$17.8 million of these retrofit costs. The analysis that SWEPCO performed to justify the CCR/ELG retrofit projects at Flint Creek was flawed, relied on a simplified and inaccurate modeling methodology that did not evaluate an optimized resource mix, used overly conservative solar operational assumptions, omitted consideration of critical resource options, among other deficiencies. Furthermore, the Company improperly included transmission costs in this analysis, when the load pocket in northwest Arkansas must be addressed regardless. The Commission should not permit SWEPCO to place into rate base and charge to Texas customers any costs incurred at Flint Creek for CCR/ELG project costs.

- 3) **Welsh gas conversion.** SWEPCO has not conducted any analysis demonstrating the prudence of retrofitting Welsh to operate on gas. The Commission should require an analysis as part of the next rate case, or at least prior to any decision on whether to convert the plant to operate on gas.
- 4) **Dolet Hills O&M and capital expenses.** Based, in part, on the testimony of Cities Advocating Reasonable Deregulation (“CARD”) witness Scott Norwood and East Texas Electrical Cooperative witness Steven Hunt, Sierra Club takes the position that SWEPCO’s application does not properly adjust the test year expense for Dolet Hills to reflect the scheduled retirement of the plant in December 2021. By ignoring the retirement of Dolet Hills, SWEPCO’s requested revenue requirement is unreasonably inflated because there will be no significant operations and maintenance costs after the plant has been retired at the end of this year. Further, having accelerated the planned

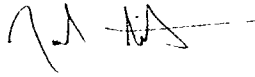
retirement of Dolet Hills from 2046 to 2021, SWEPCO should have reduced capital and O&M spending at the plant to reflect its shortened useful life. A prudent utility would reduce spending to avoid expenses that are not necessary to maintain a unit through a reduced useful life. SWEPCO has not met its burden of proof to demonstrate the prudence of its proposed test year spending at Dolet Hills.

- 5) **Pirkey O&M and capital expenses.** During the pendency of this case, SWEPCO announced that it was shortening the useful life of the Pirkey power plant from 2045 to 2023, but the Company has made no demonstration that it evaluated whether the proposed O&M and capital spending aligns with the remaining three-year useful life of this plant. A prudent utility would reduce spending to avoid expenses that are not necessary to maintain a unit through a reduced useful life. SWEPCO has not met its burden of proof to demonstrate the prudence of its proposed test year spending at Pirkey.
- 6) **Dolet Hills Depreciation Rates.** Sierra Club takes no position on the various parties' proposed depreciation rates or schedules for Dolet Hills. Sierra Club does, however, oppose the inclusion of capital or O&M expenses in any Dolet Hills depreciation expense rider to the extent that SWEPCO cannot meet its burden to show that that the Company has reduced the level of capital and O&M spending at Dolet Hills to the amount that is necessary to operate the plant through December 2021 only. Moreover, Sierra Club agrees with other intervenor witnesses that SWEPCO should not be allowed to earn a return on its investment in a plant that is no longer used and useful. To the extent any party suggests that SWEPCO operate the plant beyond December 2021, Sierra Club notes that there is no evidence in the record that the continued operation of the plant would be prudent or in the public interest.

Sierra Club also concurs with some of the recommendations of Staff and intervenor witnesses regarding other revenue requirement issues and reserves the right to participate on all issues at the hearing and to take positions based on the evidence adduced. SWEPCO is the party with the burden of proving that its costs and decisions are prudent. Sierra Club takes the position that SWEPCO should be held to its burden of proof.

Dated this 14th day of May, 2021.

Respectfully submitted,

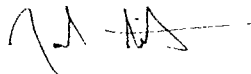


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Counsel for Sierra Club

CERTIFICATE OF SERVICE

I, Joshua Smith, certify that a copy of the foregoing Sierra Club submission was served upon all parties of record in this proceeding on May 14, 2021, by First-class U.S. mail, hand delivery, and/or e-mail, as permitted by the presiding officer.



Joshua Smith
Sierra Club Environmental Law Program