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May 25, 2018

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Via Federal Express

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2018 MAY 29 11:10:23
LA PUBLIC SERVICE COMMISSION

In Re: U-34619 *Application of Southwestern Electric Power Company (SWEPCO) for Expedited Certification and Approval of the Acquisition of Certain Renewable Resources and the Construction of a Generation Tie Pursuant to the 1983 and/or 1994 General Order*

Dear Terri:

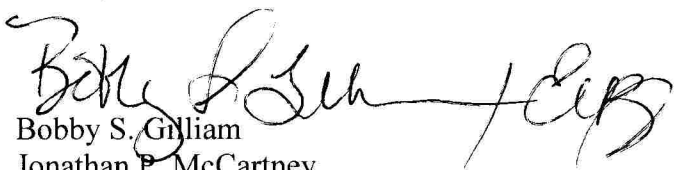
Enclosed for filing on behalf of Southwestern Electric Power Company in the above captioned docket is the Motion for Rehearing.

Please provide us with a stamped copy once filed with the Commission.
We thank you and appreciate your continued cooperation.

With best regards,

Yours very truly,

WILKINSON, CARMODY & GILLIAM

By: 
Bobby S. Gilliam
Jonathan P. McCartney

JPM/mml
Enclosure(s)

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2018 MAY 29 AM 10:23

LA PUBLIC SERVICE COMMISSION

BEFORE THE

LOUISIANA PUBLIC SERVICE COMMISSION

SOUTHWESTERN ELECTRIC
POWER COMPANY,

DOCKET NUMBER U-34619

EX PARTE

In re: Application of Southwestern Electric Power Company (SWEPCO) for Expedited Certification and Approval of the Acquisition of Certain Renewable Resources and the Construction of a Generation Tie Pursuant to the 1983 and/or 1994 General Orders

**MOTION BY SOUTHWESTERN ELECTRIC POWER COMPANY
FOR REHEARING OF VOTE TO DELAY APPROVAL OF
UNCONTESTED STIPULATED SETTLEMENT**

Southwestern Electric Power Company ("SWEPCO" or the "Company") respectfully submits this Motion for Rehearing of the Louisiana Public Service Commission's ("LPSC" or the "Commission") May 16, 2018 Vote to Delay the Approval of the Uncontested Stipulated Settlement Agreement ("Stipulated Settlement"), pursuant to Rule 43 and 15 of the Commission Rules of Practice and Procedure. The Stipulated Settlement was entered into after extensive discovery, testimony and negotiations, by and between the Staff of the Commission ("Staff"), SWEPCO and the only Intervenor, Wal-Mart Stores Louisiana, LLC and Sam's East, Inc. ("Wal-Mart") (collectively, the "Parties"). There were no other intervenors, no opposition and no contradictory evidence. The testimony and evidence at the settlement hearing confirmed the base case benefits for Louisiana ratepayers of \$1.3 billion, with material guarantees of ratepayer protections. Staff witness Mr. Lane Sisung testified that: "the Commission should find that the

certification is in the public interest and meets the requirements of the 1983 and 1994 General Orders.”¹

Pursuant to Rules 15 and 43 of the Commission’s Rules of Practice and Procedure, and due to the procedural and substantive issues identified herein, SWEPCO respectfully requests that this Motion be placed on the Agenda for the June 20, 2018 Business and Executive (“B&E”), while reserving all rights to request reconsideration at an earlier date. SWEPCO requests that it be permitted, if necessary, to make oral argument and submit testimony in support of this motion and in support of the Uncontested Stipulated Settlement to approve the Wind Catcher Project application as clearly being in the public interest and providing benefits to Louisiana ratepayers. SWEPCO needs to promptly obtain approval as the Project has contractual and construction dates and deadlines, and with delays placing the Project at risk, all of which results in harm to ratepayers, including the loss of substantial energy savings to residential, commercial and industrial customers. SWEPCO respectfully requests that the Commission grant this motion for rehearing and that it reconsider and approve the unopposed and Uncontested Stipulated Settlement.

I. THE WIND CATCHER PROJECT

A. The Wind Catcher Project, The Benefits to Ratepayers and the Material Guarantees by the Company

The Wind Catcher Project consists of two separate, but integral, components: 1) the 2,000 megawatt (“MW”) nameplate² Wind Facility located in a prime wind corridor and 2) the construction of a 350 to 380 mile dedicated 765 kV Extra-High Voltage (“EHV”) generation tie

¹ Settlement Testimony of Staff, Lane Sisung, p.12, filed April 20, 2018, docket U-34619

² SWEPCO’s share is 1,400 nameplate

line (“Gen- Tie”) (collectively, the “Project”) to ensure the delivery of energy from the Wind Facility directly to the AEP load zone without congestion costs. The uncontested and unrebutted testimony from Company witnesses Paul Chodak and Thomas Brice³ confirm that the Project will deliver lower cost energy, with no fuel costs, to SWEPCO and Louisiana ratepayers and with ratepayers benefiting from production tax credits. Further, the Project provides substantial benefits and additional protections to Louisiana ratepayers in the form of a diversified fuel mix.

The Project also meets SWEPCO’s need to acquire an additional 1200 MW of Wind beginning in 2017 which was clearly identified in SWEPCO’s 2015 Integrated Resource Plan (IRP) which was unanimously approved by the Commission in compliance with the Commission IRP Rules.⁴ SWEPCO has a proven track record of success with acquiring nearly 400 MW of wind resources for the benefit of SWEPCO ratepayers in recent years. The Commission unanimously approved the purchase of 31 MW on December 14, 2011 in docket U-32095 and again unanimously approved the purchase of an additional 357 MW of wind resources on June 7, 2016 in docket U-32814, finding that both acquisitions benefited Louisiana ratepayers. SWEPCO used its wind expertise to compare market alternatives and also confirmed that the Wind Catcher Project compares very favorably to prior wind resources unanimously approved by the Commission.⁵

³ Settlement Testimony of SWEPCO, Thomas P. Brice, p.3-4, filed April 20, 2018, docket U-34619.

⁴ Settlement Testimony of SWEPCO, Thomas P. Brice, p.6, filed April 20, 2018, docket U-34619; Order I-33013 dated March 2, 2016, *In Re: Integrated Resource Plan (“IRP”) Process for Southwestern Electric Power Company (SWEPCO), pursuant to General Order dated April 20, 2012*; Staff’s Recommendation dated January 4, 2016, p.3, Docket I-33013;

⁵ *Application of SWEPCO for Expedited Certification and Approval of the Acquisition of Certain Renewable Resources and the Construction of a Generation Tie Pursuant to the 1983 and/or 1994 General Orders*, dated July 31, 2017, p.6-10, docket U-34619.

The Project will provide \$1.3 billion in benefits (nominal) for Louisiana customers with unprecedented guarantees provided by the Company as to costs, net capacity factor, look back provisions, tax credit eligibility, a Most Favored Nations clause, and with 100% of off system sales benefitting Louisiana ratepayers, as well as terms and protections set forth in the Uncontested Settlement supported by all parties. Staff, including Staff's experts, carefully reviewed and considered the Wind Catcher Project and the Uncontested Stipulated Settlement and concluded that the Settlement "should be approved as I believe it is in the public interest."⁶ Based upon the uncontroverted evidence, Staff's clear recommendation and the resulting benefits to ratepayers, SWEPCO respectfully requests that the Commission promptly grant rehearing and approve the Uncontested Stipulated Settlement.

B. The Extensive Discovery, Testimony, and the Unopposed and Uncontested Stipulated Settlement by and between Staff, Wal-Mart and SWEPCO

SWEPCO promptly filed the instant application, seeking certification and approval of the Wind Catcher Project on July 31, 2017. This application was filed immediately after the Commission unanimously voted on July 26, 2017 to grant SWEPCO an exception, with conditions, to the Commission's Market Based Mechanism General Order ("MBM" Order) in Docket No. S-34594.⁷ The docket was publicly noticed and opened for intervention and the only intervenor in the docket was Wal-Mart. There was no opposition whatsoever by any intervening third party, and there has been no opposition on the record to this day. In this proceeding, SWEPCO is requesting the Commission's expedited approval for the acquisition, along with its

⁶ Settlement Testimony of Staff, Lane Sisung, p.12, filed April 20, 2018, docket U-34619.

⁷ See LPSC Order No. S-34594 dated August 24, 2017 (*In re: Application for Exemption from the Request for Proposals ("RFP") Requirement in the Commission's Market Based Mechanisms General Order (R-26172) in Advance of Upcoming Request for Certification of Certain Renewable Resources.*)

sister company, Public Service Company of Oklahoma (“PSO”), of the Wind Catcher Facility and construction of the dedicated Gen-Tie, pursuant to the Commission’s September 20, 1983 General Order. SWEPCO is also seeking a determination that the Wind Catcher Project meets the requirements of the Commission’s March 18, 1994 General Order.

After the July 31, 2017 filing, Staff and SWEPCO engaged in extensive written and oral discovery, submitted many rounds of testimony, and engaged in negotiations as to all issues. After extensive negotiations, the Parties reached a Stipulated Settlement on April 12, 2018 on all issues. The Settlement Term Sheet provides extensive and unprecedented protections for Louisiana ratepayers, including for example: a Cost Cap; a Capacity Factor Guarantee; a Production Tax Credit Guarantee; all Off System Sales Margins being applied for the benefit of customers; and a 10 year Look Back Guarantee of Net Benefits. Significantly, the Stipulated Settlement also includes a broad Most Favored Nations clause⁸ which protects Louisiana ratepayers, and assures that they benefit from negotiations in any other states.

A Settlement Stipulation hearing was held on April 30, 2018, where SWEPCO, Staff and Intervenor Wal-Mart appeared and testified on behalf of and in support of the Uncontested Stipulated Settlement. Staff testified and confirmed that the Project met all requirements of the 1983 and 1994 Orders and that the Project is in the public interest and with Staff specifically addressing the unprecedented guarantees.⁹ Again, there was no opposition whatsoever. The testimony of Staff, Wal-Mart and SWEPCO¹⁰ confirmed and verified that the Project is in the

⁸ Joint Stipulation and Settlement Agreement dated April 12, 2018, docket U-34619, para. 8(g), p.9.

⁹ Settlement Testimony of Staff, Lane Sisung, p.12, filed April 20, 2018, docket U-34619

¹⁰ Settlement Testimony of SWEPCO, Thomas P. Brice, p.3-4, filed April 20, 2018, docket U-34619

public interest and fully supported approval of the Wind Catcher Project for the benefit of ratepayers.

C. There was No Opposition or Contradicting Evidence To the Stipulation and Settlement at the May 16, 2018 Open Meeting – SWEPCO, Staff and The Alliance for Affordable Energy appeared and supported the Settlement.

There was no opposition whatsoever by any party at the May 16, 2018 B&E. Staff witness Lane Sisung appeared at the May 16, 2018 B&E and testified in favor of the Stipulated Settlement confirming that the Project is in the public interest. The Alliance for Affordable Energy also appeared and spoke in favor of the Project. SWEPCO witnesses Paul Chodak and Tom Brice confirmed the \$1.3 billion in benefits for Louisiana ratepayers, confirmed the substantial protections for customers, and further emphasized the time sensitive nature of the Project and the risks of delay. The undisputed testimony in the record confirms that there is no benefit and substantial risk to Louisiana ratepayers waiting for Oklahoma or Texas. Commission Staff and the Company stipulated and agreed to the MFN, which allows the acceptance by Louisiana of any more favorable terms agreed to in other states.¹¹ Further, in the event of changes in terms by other jurisdictions, the Stipulated Settlement ensures that Staff and the Commission can review, adopt and approve modifications. Moreover, if another state rejects the Project, the Regulatory Approvals clause of the Settlement provides the Commission and Staff the opportunity to review in order to assure there is no harm to Louisiana ratepayers.¹² Despite these provisions negotiated by Staff and SWEPCO, and recognition of SWEPCO's undisputed testimony as to the risks resulting from delay, the Commission voted to delay certification until both Texas and Oklahoma take action. Respectfully, this delay is contrary to the interest of

¹¹ Joint Stipulation and Settlement Agreement dated April 12, 2018, docket U-34619, para. 8(g), p.9.

¹² Joint Stipulation and Settlement Agreement dated April 12, 2018, docket U-34619, para. 3(a), p.4.

Louisiana ratepayers and with the Uncontested Stipulated Settlement granting the Commission the necessary authority to formally review and adopt any more favorable terms agreed to by other states.

D. Texas ALJs Found SWEPCO “Entitled” to Certificate of Convenience and Necessity for the Wind Catcher Project

On May 18, 2018, the two Texas Administrative Law Judges (ALJs) issued a Proposal for Decision finding that the Project is in the public interest, that SWEPCO has shown the project will lower cost to customers, and that SWEPCO as a matter of law is “entitled” to a Certificate of Convenience and Necessity (CCN).¹³ These proceedings before Texas ALJs were contested by intervenors, and with the ALJs recommending the grant of the CCN and noting the substantial customer benefits.

In addition to the public interest finding, the Texas ALJs’ determined that the estimated project costs by SWEPCO “are reasonable”, and also noted the “reasonableness of the estimated Project net capacity factor”.¹⁴ The ALJs also noted that SWEPCO’s arguments concerning the Gen-Tie addressing congestion were “persuasive” and that the fixed price contracts and cost estimates are “credible and reasonable”.¹⁵ The Texas ALJs further found that SWEPCO’s “evaluation methodology was reasonable” and that the “evidence shows that the PTCs are likely to be available to SWEPCO”.¹⁶ Finally, the Texas ALJs concluded as a matter of law that “SWEPCO is entitled to approval of the Application” and that “SWEPCO has shown that the Project will result in the probable lowering of costs to ratepayers.”¹⁷

¹³ Proposal for Decision issued May 18, 2018, Texas Public Utility Commission, docket 47461, p.94.

¹⁴ Proposal for Decision issued May 18, 2018, Texas Public Utility Commission, docket 47461, p.8-9.

¹⁵ Proposal for Decision issued May 18, 2018, Texas Public Utility Commission, docket 47461, p.10-11, 18, 21.

¹⁶ Proposal for Decision issued May 18, 2018, Texas Public Utility Commission, docket 47461, p.22, 44

¹⁷ Proposal for Decision issued May 18, 2018, Texas Public Utility Commission, docket 47461, p.94.

The Arkansas Public Service Commission has also issued an Order approving the Project as being in the public interest and benefiting customers.¹⁸ Further, in Oklahoma, a sophisticated group of Industrial customers and Wal-Mart have all also entered into a Stipulated Settlement. In light of the recent developments in Texas supporting approval of the Project, which the Commission did not have the opportunity to consider at the May 16, 2018 B&E, SWEPCO respectfully requests to be granted rehearing.

SWEPCO respectfully submits that the Commission's decision to delay the vote to approve the Uncontested Stipulated Settlement of the Wind Catcher Project is unsupported by the record and contrary to the uncontroverted evidence and even the findings and conclusions of Staff. Respectfully, SWEPCO requests that the Commission should promptly grant rehearing and vote to approve the Uncontested Stipulated Settlement as being in the public interest.

II. LAW AND REQUESTED RELIEF

Rule 43 provides that an aggrieved party may file for rehearing within 10 days of the order, rule, or other action complained of. In this case, no Order or even minutes have yet been issued, but SWEPCO is proceeding to file to ensure that this important issue is reconsidered and with no opposition being filed to date. Pursuant to Rule 15, SWEPCO is setting forth the relief sought and is bringing this motion to request reconsideration at the earliest practicable time.

A. The Uncontested Settlement Agreement approved by Staff and SWEPCO and Undisputed testimony confirm the Project is in the Public Interest

The Uncontested Stipulated Settlement and the undisputed testimony of the Commission Staff Consultant and SWEPCO at the Stipulation hearing confirmed on the record that

¹⁸ Arkansas Public Service Commission dated May 8, 2018, docket 17-038-U.

SWEPCO's application, with the conditions included in the Settlement Term Sheet, fully complies and meets the Commission's March 18, 1994 and September 20, 1983 General Orders and is in the public interest.¹⁹ The testimony of SWEPCO and Wal-Mart witnesses at the Stipulation hearing further confirmed the substantial benefits of the Project for customers.²⁰ The uncontested testimony from Company witnesses Paul Chodak and Thomas Brice at the May 16, 2018 B&E again confirmed that the Project will reliably deliver lower cost energy for the benefit of SWEPCO customers, including customers throughout Northwest and Central Louisiana, and that the Project will provide \$1.3 billion in benefits (nominal) for Louisiana customers in the Base Case, or \$445 million Net Present Value (NPV). Here, there is not a single party, nor any evidence, which does not support the Settlement. The uncontroverted testimony at the April 30, 2018 Settlement Hearing and at the Open Session of May 16, 2018 confirms that the Stipulated Settlement is in the public interest.

B. This Opportunity is Time Sensitive and any Further Delay Risks Harm to SWEPCO's Louisiana Ratepayers

SWEPCO's undisputed testimony confirmed that delay by the Commission risks jeopardizing the Project due to the time sensitive nature of this opportunity and with time sensitive contractual commitments. Further, the undisputed testimony on the record from the May 16, 2018 B&E confirms that there is no benefit whatsoever to Louisiana waiting for Oklahoma or Texas, as the MFN provides substantial protections and the Term Sheet has extensive guarantees and provisions providing unprecedented protections for Louisiana

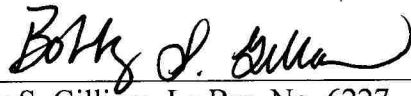
¹⁹ Settlement Testimony of Staff, Lane Sisung, p.12, filed April 20, 2018, in LPSC docket U-34619; Transcript of Settlement Hearing held April 30, 2018, Testimony of Staff, Lane Sisung, docket U-34619; Transcript of Settlement Hearing held April 30, 2018, Testimony of SWEPCO, Thomas P. Brice, docket U-34619

²⁰ Transcript of Settlement Hearing held April 30, 2018, Testimony of SWEPCO, Thomas P. Brice, docket U-34619; Transcript of Settlement Hearing held April 30, 2018, Testimony of Wal-Mart, Stephen Chriss, docket U-34619.

customers. The risk to Louisiana ratepayers results from continued delay which jeopardizes the Project, such that benefits would not be afforded to Louisiana customers. Furthermore, there is no Commission B&E meeting scheduled in the month of July 2018. Thus, in order to avoid unnecessary risk to ratepayers, and in accordance with Rule 15 of the Commission Rules of Practice and Procedure, the Commission should promptly hear this matter on or before the June 20, 2018 B&E.

WHEREFORE, Pursuant to Commission Rules 15 and 43, and due to the procedural and substantive issues identified above, the Company respectfully requests that this Motion for Rehearing be placed on the Agenda for the Commission's June 20, 2018 B&E, pursuant to Rule 15 of the Commission's Rules of Practice and Procedure; that the requested rehearing and reconsideration take place at the June 20, 2018 B&E or earlier; and that the Company be permitted to present testimony and oral argument in support of this Motion and in support of the Uncontested Stipulated Settlement on the Wind Catcher Project, for the benefit of Louisiana ratepayers.

Respectfully submitted,



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Jonathan P. McCartney, La Bar No. 31508
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Attorneys for Applicant,
SOUTHWESTERN ELECTRIC POWER
COMPANY

CERTIFICATE

I hereby certify that a copy of the above and foregoing Motion for Rehearing has been served upon all counsel of record by electronic mail and/or placing same in the United States mail, postage prepaid and properly addressed, this 25th day of May, 2018.


COUNSEL

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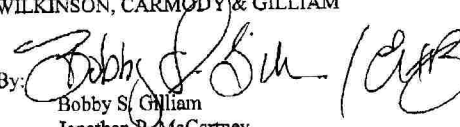
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I will follow-up this fax filing with the original document, requisite copies, and a check to cover the required fax filing fee.

With best regards,

Yours very truly,

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By: 
Bobby S. Gilliam
Jonathan P. McCartney

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(Swepeco)

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