

BEFORE THE  
ARKANSAS PUBLIC SERVICE COMMISSION

IN THE MATTER OF THE APPLICATION OF )  
THE SOUTHWESTERN ELECTRIC POWER )  
COMPANY FOR APPROVAL TO ACQUIRE ) DOCKET NO. 19-035-U  
WIND GENERATING FACILITIES PURSUANT )  
TO THE ARKANSAS CLEAN ENERGY )  
DEVELOPMENT ACT )

**JOINT UNANIMOUS SETTLEMENT AGREEMENT**

COME NOW the undersigned parties to the above entitled docket and present the following Joint Unanimous Settlement Agreement (Joint Settlement) for the Commission’s review and approval as their compromise and settlement of issues in this proceeding between the parties to this Joint Settlement (Settling Parties) as described below. The Settling Parties represent to the Commission that this Joint Settlement represents a fair, just and reasonable settlement of these issues as described below, that this agreement addresses the resolution of all legal and factual issues presented in this docket, that the terms and conditions of the Joint Settlement are in the public interest, and the Settling Parties urge the Commission to issue an Order in this docket adopting and approving this Joint Settlement.

It is hereby agreed by and between the Settling Parties as follows:

**TERMS OF THE JOINT UNANIMOUS SETTLEMENT AGREEMENT**

Each Settling Party remains a strong advocate for its positions in this case, and in the interest of settlement only, the Settling Parties agree to the following terms, effective with the final order of the Arkansas Public Service Commission (APSC or Commission):

**1. Approval of the Application.**

- (a) Except as described below, the Settling Parties request that the Commission approve the relief requested by the Company in its Application. The Company clarifies that its request for a finding that the purchase of the Selected Wind Facilities (SWFs) is in the public interest should not be construed as a request for finding a value for ratemaking purposes.
- (b) Southwestern Electric Power Company (SWEPCO or the Company) is authorized to acquire up to 810 MW from the Selected Wind Facilities, based on the receipt of all regulatory approvals by SWEPCO.

- (c) The Company is further authorized to acquire either 810 MW or a lesser amount of MW from the Selected Wind Facilities (SWF) if the Company does not receive certain regulatory approvals, as set forth in the Corrected and Substituted Direct Testimony of Thomas P. Brice, Page 27, line 12, to Page 28, line 5. The anticipated scenarios for “flex-up,” including those scenarios where the Arkansas jurisdictional share of the Selected Wind Facilities will flex-up in comparison to the Base Case, are set forth in the table in Attachment 1. The Arkansas share of the Selected Wind Facilities, estimated in Attachment 1 based on the jurisdictional allocators used in the Company’s direct testimony, will be determined in accordance with the Corrected and Substituted Direct Testimony of Thomas P. Brice, Page 27, line 12, to Page 28, line 5, and using the jurisdictional allocation methodology set forth below in Section 3(e).
- (d) The Arkansas retail jurisdictional MW associated with the flex-up scenarios (Scenarios E and F) in Attachment 1 are consistent with the Company’s most recent Integrated Resource Plan filed in December 2018 in Docket No. 07-011-U, in which the Company projected a need for 1,400 MW of wind generation by 2024 (of which the Arkansas retail jurisdictional share is 19.2834% or 270 MW). Attachment 2 sets forth Corrected and Substituted Direct Exhibit JOA-1, Summary of Net Customer Benefits, to the Corrected and Substituted Direct Testimony of John O. Aaron updated for Scenarios E and F.

## 2. **Guarantees.**

- (a) **Cost Cap.** SWEPCO commits to a total cost cap of 100% of filed capital costs, including AFUDC and contingency, as set forth in Attachment 1 for the Base Case and each other scenario. The Cost Cap will be reduced by the amount of any purchase price reduction realized by the Company under the terms and conditions of the Purchase and Sale Agreements (PSAs), plus a proportionate share of contingency, including any amount that reflects a reduction in the amount of MW acquired by SWEPCO if the Company does not receive certain regulatory approvals. Costs above the cap are not recoverable. There shall be no exceptions to the cap for force majeure or changes in applicable law.
- (b) **PTC Eligibility.** SWEPCO will provide a guarantee, for cost recovery purposes, that the SWFs will be eligible for the applicable value of the federal Production Tax Credits (PTCs) (80% for Traverse and Maverick and 100% for Sundance) for the actual output of the SWFs. SWEPCO will be excused from this guarantee to the extent changes in federal law pertaining to PTCs, including changes to the Internal Revenue Code, directly reduce the value of PTCs. Based on the combined effect of the PTC and Net Capacity Factor (NCF) Guarantees, customers will receive PTCs equal to the greater of actual or guaranteed MWh production upon completion of the SWFs.
- (c) **Net Capacity Factor (NCF).** SWEPCO guarantees a minimum net average capacity factor from the SWFs of P95 over the six five-year periods of the first thirty full

years of operations (with the first year of full operations starting January 1, 2022). The NCF guarantee will be measured in MWh and at P95 will equal the applicable Total SWEPCO MWh at P95 (as set forth in Attachment 1) for each five-year period at the applicable Total SWEPCO MW (as set forth in Attachment 1), adjusted ratably for the Company's share of any reduction in the final amount of MW installed by Invenergy and its subsidiaries pursuant to the PSAs for the SWFs. The MWh guarantee for the sixth five-year period (years 26-30) will be adjusted ratably downward if the Sundance facility is constructed but is no longer in operation after its 30<sup>th</sup> year of operations.

NCF will be measured across all facilities on a combined basis and will be evaluated in a filing to the Commission in this docket to be made no later than May 1 of the year following the 5-year performance period. Any make-whole payments resulting from a NCF production shortfall in any five-year period will flow back to customers through the Energy Cost Recovery Rider (Rider ECR) over the 12-month period following the performance evaluation covering each five-year performance period. (For example, any make-whole payment pertaining to years 1-5 will flow back to customers during the 12 months following the performance evaluation in year 6.) The calculation for determining amounts due to customers under this guarantee shall be as set out in Attachment 3 hereto. Hours impacted by force majeure will not be excluded from the calculation. Economic curtailments of the Selected Wind Facilities by the Southwest Power Pool (SPP) will also not be excluded from the NCF guarantee calculation. However, reliability curtailments and curtailments for environmental reasons will be excluded from the NCF guarantee calculation.

- (d) Most Favored Nations (MFN). The MFN guarantee will apply to the Cost Cap Guarantee, NCF Guarantee, PTC Eligibility Guarantee and any other term or condition adopted for the Company in Louisiana and Texas or for the Public Service Company of Oklahoma (PSO) in any of the state jurisdictions on behalf of which it or PSO acquires a share of the Selected Wind Facilities, whether through settlement or order issued by any such jurisdiction, to the extent such terms or conditions are more favorable to the Company's Arkansas customers. The respective terms of the Joint Settlement shall be deemed to be modified to incorporate those more favorable terms provided the term or condition is not unique to the SWEPCO jurisdiction or PSO (for example, the MFN will not apply to issues related to customer cost allocation, jurisdictional allocation and rate design). The Company will serve the Settling Parties with the orders and settlements described above promptly after they are issued and identify any provisions to which this MFN Guarantee applies.

### **3. Other Settlement Terms and Conditions.**

- (a) Deferred Tax Asset (DTA). The DTA balance will be used to reduce the accumulated deferred income tax (ADIT) component of the Company's cost of capital in any subsequent rate case or FRR filing. The WFA Rider will incorporate the rate of return from the Company's most recent general rate case proceeding.

- (b) Off-System Sales. Nothing in this Joint Settlement should be interpreted as altering the treatment of off-system sales approved by the Commission pursuant to the settlement filed in in Docket No. 19-008-U.
- (c) Wind Facility Asset (WFA) Rider.
  - (i) The Settling Parties agree to submit for determination by the Commission the threshold legal question of whether it is legally permissible for SWEPCO to utilize a temporary surcharge under the Arkansas Clean Energy Development Act, such as the WFA Rider, when the Company elected in its last general rate case in Docket No. 19-008-U to have its rates regulated under a formula rate review mechanism as authorized by Act 725.
  - (ii) If the Commission authorizes SWEPCO to concurrently use the WFA Rider and its approved Formula Rate Rider, then the Company is authorized to implement the WFA Rider as set forth in Attachment 4 until the date all of the facilities are included in base rate schedules (subject to final true-up).
  - (iii) If the Commission does not authorize SWEPCO to concurrently use the WFA Rider and its Formula Rate Rider, then the Company is authorized to implement the WFA Rider as set forth in Attachment 4, provided that:
    - (A) the Company takes the steps necessary to withdraw its election to have its rates regulated under the Formula Rate Review Act in Docket No. 19-008-U and terminate its Formula Rate Rider following the date of the Commission's order in this docket; and
    - (B) any formula rate rider proposed by the Company in its next general rate case filing will contain the same terms and conditions as the formula rate rider approved by the Commission pursuant to the settlement filed in Docket No. 19-008-U.
- (d) Gen-Tie. Nothing in this Joint Settlement should be interpreted as recommending or providing approval for (1) any future transmission lines that interconnect the Selected Wind Facilities to the SPP transmission system (i.e., gen-ties) that are not within the scope of the Company's Application, and (2) any future transmission-related upgrades or modifications to relieve any operational issues related to the deliverability of the Selected Wind Facilities that are not within the scope of the Company's Application, and this Joint Settlement shall not constitute nor be cited as precedent nor deemed an admission by any Settling Party in any future proceeding related to such facilities.
- (e) Jurisdictional Allocator. All of the costs of the SWFs to SWEPCO will be allocated among the Company's jurisdictions on behalf of which SWEPCO acquires a share of the SWFs based on energy using the Company's jurisdictional energy allocator

in effect at the time of the allocation. In the event of a flex-up scenario including Arkansas and another SWEPCO jurisdiction, Arkansas and the other approving retail jurisdiction will share ratably in the non-approving jurisdiction's share of the costs of the Selected Wind Facilities to SWEPCO.

- (f) Allocation to Customer Classes of Revenue Requirement Net of PTCs. For the purposes of only the WFA Rider, the Arkansas jurisdictional share of the revenue requirement of the SWFs, net of the production tax credits, will be allocated among the Company's Arkansas customer classes 85% on energy and 15% on demand using an average and excess 4 coincident peak allocation factor.
- (g) Renewable Energy Credits (RECs). The proceeds, net of transaction costs, from the sale of RECs associated with the SWFs will be provided to customers through Rider ECR. Within 90 days of the effective date of this Joint Settlement, the Company will file a tariff to provide customers with the option to purchase RECs available to the Company and derived from the Selected Wind Facilities.
- (h) Information Reporting for Arkansas.
  - (i) The Company will comply with the information disclosure requirements set forth in the WFA Rider.
  - (ii) The Company will keep the Commission updated on significant events and the status of SWF approval proceedings in other jurisdictions by filing updates in this Docket as needed.
  - (iii) The Company will promptly file copies of settlements reached in other state jurisdictions related to SWF approval and file amendments to this Joint Settlement to incorporate additional terms under the MFN Guarantee once those terms are agreed to by SWEPCO (or PSO) in other jurisdictions, with supporting testimony.
  - (iv) The Company shall report semi-annually to Staff and the Attorney General on the status of project construction and any anticipated delay in the Selected Wind Facilities commencing commercial operation.
  - (v) The Company shall notify the Settling Parties when the Selected Wind Facilities commence commercial operation.
  - (vi) In its next application to acquire a new wind generation asset, the Company will include in its testimony a discussion of the rationale for the selection of the types of wind generation assets included in the request for proposals (RFP), including a discussion of the rationale for excluding any type of wind asset from the RFP.

(i) Arkansas Procedural Requests

- (i) The Settling Parties agree to jointly file this Joint Settlement with supporting testimony. In that filing, the parties further agree to (1) request that the Commission waive the requirement for a hearing; (2) establish a briefing schedule, solely to address the threshold legal question necessary to implement the WFA Rider concurrent with the Company's formula rate rider, under which the Settling Parties will file simultaneous initial and reply briefs on February 18, 2020 and February 25, 2020, respectively; and (3) request that the Commission issue an order on or before May 8, 2020 on this Joint Settlement (including the threshold legal question briefed by the parties).
- (iii) The Settling Parties may each assert their positions in the briefs to be filed in this matter on the threshold legal question necessary to implement the WFA Rider concurrent with the Company's formula rate rider, but otherwise each party will support the terms and conditions of this Joint Settlement.

**4. Discovery and Motions.**

As between and among the Settling Parties, all pending requests for discovery, and all motions pending before either the Commission or the Administrative Law Judge are hereby withdrawn.

**5. General Reservations.**

The Settling Parties represent and agree that, except as specifically otherwise provided herein:

- (a) This Joint Settlement represents a negotiated settlement for the purpose of compromising and settling all issues which were raised relating to this proceeding.
- (b) Each of the undersigned counsel of record affirmatively represents that he or she has full authority to execute this Joint Settlement on behalf of their client(s).
- (c) None of the signatories hereto shall be prejudiced or bound by the terms of this Joint Settlement in the event the Commission does not approve this Joint Settlement nor shall any of the Settling Parties be prejudiced or bound by the terms of this Joint Settlement should any appeal of a Commission order adopting this Joint Settlement be filed with the courts.
- (d) Nothing contained herein shall constitute an admission by any Settling Party that any allegation or contention in these proceedings as to any of the foregoing matters is true or valid and shall not in any respect constitute a determination by the Commission as to the merits of any allegations or contentions made in this rate proceeding.

- (e) The Settling Parties agree that the provisions of this Joint Settlement are the result of extensive negotiations, and the terms and conditions of this Joint Settlement are interdependent. The Settling Parties agree that settling the issues in this Joint Settlement is in the public interest and, for that reason, they have entered into this Joint Settlement to settle among themselves the issues in this Joint Settlement. This Joint Settlement shall not constitute nor be cited as a precedent nor deemed an admission by any Settling Party in any other proceeding except as necessary to enforce its terms before the Commission or any state court of competent jurisdiction. The Commission's decision, if it enters an order consistent with this Joint Settlement, will be binding as to the matters decided regarding the issues described in this Joint Settlement, but the decision will not be binding with respect to similar issues that might arise in other proceedings. A Settling Party's support of this Joint Settlement may differ from its position or testimony in other dockets. To the extent there is a difference, the Settling Parties are not waiving their positions in other dockets. Because this is a settlement, the Settling Parties are under no obligation to take the same position as set out in this Joint Settlement in other dockets.

**6. Non- Severability.**

The Settling Parties agree that the agreements contained in this Joint Settlement have resulted from negotiations among the Settling Parties and are interrelated and interdependent. The Settling Parties hereto specifically state and recognize that this Joint Settlement represents a balancing of positions of each of the Settling Parties in consideration for the agreements and commitments made by the other Settling Parties in connection therewith. Therefore, in the event that the Commission does not approve and adopt the terms of this Joint Settlement in total and without modification or condition (provided, however, that the affected party or parties may consent to such modification or condition), this Joint Settlement shall be void and of no force and effect, and no Settling Party shall be bound by the agreements or provisions contained herein. The Settling Parties agree that neither this Joint Settlement nor any of the provisions hereof shall become effective unless and until the Commission shall have entered an Order approving the terms and provisions as agreed by the parties to this Joint Settlement and such Order becomes final and non-appealable.

WHEREFORE, the Settling Parties hereby submit this Joint Unanimous Settlement Agreement to the Commission as their negotiated settlement of this proceeding with respect to all issues which were raised with respect to this Application, and respectfully request the Commission to issue an Order approving this Joint Unanimous Settlement Agreement. The Settling Parties further request that the WFA Rider as set forth in Attachment 4 be approved and become effective as set forth in this Joint Settlement in accordance with the Commission's determination of the threshold legal question.

[Signatures appear on next page]

**SOUTHWESTERN ELECTRIC POWER COMPANY**

By: /s/ David Matthews  
David Matthews  
Stephen Cuffman  
Attorneys for SWEPCO

**ARKANSAS PUBLIC SERVICE COMMISSION  
GENERAL STAFF**

By: /s/ Bridgette Frazier  
Bridgette Frazier  
Staff Attorney

**ATTORNEY GENERAL OF ARKANSAS**

By: /s/ Michael Sappington  
Michael Sappington  
Assistant Attorney General

**WALMART, INC.**

By: /s/ Rick D. Chamberlain  
Rick D. Chamberlain, JD, CPA  
Wheeler & Chamberlain  
Attorney for Walmart, Inc.



**Attachment 1**

**Acquisition Scenarios for SWEPCO That Include Arkansas**

	Scenario A - Base Case, All states and FERC approve	Scenario B - PSO, Ark, Texas and FERC. No La	Scenario C - PSO, Ark, La and FERC. No Texas.	Scenario D - PSO, Arkansas and FERC. No Texas or La	Flex Up E -PSO, Ark,Texas and FERC. No La	Flex Up F - PSO, Ark, La and FERC. No Texas
Total SWEPCO MW	810	513	468	171	810	810
Total AR MW (Retail Only)*	155	155	155	155	245	268
Total SWEPCO Cost	\$1,088,846,127	\$673,099,509	\$614,517,782	\$220,722,488	\$1,088,846,127	\$1,088,846,127
Total SWEPCO MWh at P95	13,523,352	8,568,905	7,817,832	2,859,143	13,523,352	13,523,352

\* Estimated

**Attachment 2**

**Update to Corrected and Substituted Direct Exhibit JOA-1,  
*Summary of Net Customer Benefits***

SOUTHWESTERN ELECTRIC POWER COMPANY  
DOCKET NUMBER 19-035-U  
Base CaseCORRECTED AND SUBSTITUTED EXHIBIT JOA-1  
Summary of Net Customer Benefits (\$)   
Arkansas Retail Jurisdiction

Year	2021	2022	2023	2024	2025	2026	2027
Facilities' Revenue Requirement (inc. DTA CC)	1,641,914	21,866,973	23,965,843	25,674,932	26,134,211	26,997,839	27,552,036
Project Capacity (Benefit) / Cost	-	-	-	-	-	-	-
Project Energy Savings	(1,663,666)	(12,909,894)	(13,406,744)	(14,069,385)	(14,356,155)	(14,650,577)	(14,894,750)
Production Tax Credits	(2,953,518)	(17,440,895)	(18,111,699)	(18,161,320)	(18,782,503)	(18,782,503)	(19,453,306)
Net Customer (Benefit) / Cost	<u>(2,975,270)</u>	<u>(8,483,815)</u>	<u>(7,552,600)</u>	<u>(6,555,772)</u>	<u>(7,004,447)</u>	<u>(6,435,241)</u>	<u>(6,796,020)</u>

Year	2028	2029	2030	2031	2032	2033	2034
Facilities' Revenue Requirement (inc. DTA CC)	27,507,164	27,441,156	27,266,393	26,951,466	25,771,712	23,694,467	21,736,738
Project Capacity (Benefit) / Cost	-	-	-	-	-	-	-
Project Energy Savings	(21,759,927)	(21,351,024)	(22,141,265)	(22,813,159)	(23,697,007)	(24,418,216)	(25,383,573)
Production Tax Credits	(19,506,603)	(20,124,110)	(20,124,110)	(17,273,411)	-	-	-
Net Customer (Benefit) / Cost	<u>(13,759,365)</u>	<u>(14,033,978)</u>	<u>(14,998,982)</u>	<u>(13,135,104)</u>	<u>2,074,705</u>	<u>(723,749)</u>	<u>(3,646,835)</u>

Year	2035	2036	2037	2038	2039	2040	2041
Facilities' Revenue Requirement (inc. DTA CC)	20,708,277	20,337,424	19,974,803	19,616,806	19,303,822	18,992,094	18,683,757
Project Capacity (Benefit) / Cost	-	-	(174,882)	(10,405,140)	(10,597,170)	204,340	(10,711,610)
Project Energy Savings	(26,540,899)	(26,910,479)	(27,824,095)	(26,641,260)	(27,443,053)	(30,301,262)	(29,606,764)
Production Tax Credits	-	-	-	-	-	-	-
Net Customer (Benefit) / Cost	<u>(5,832,622)</u>	<u>(6,573,055)</u>	<u>(8,024,174)</u>	<u>(17,429,594)</u>	<u>(18,736,401)</u>	<u>(11,104,828)</u>	<u>(21,634,618)</u>

Year	2042	2043	2044	2045	2046	2047	2048
Facilities' Revenue Requirement (inc. DTA CC)	18,439,893	18,070,443	17,748,760	17,418,132	17,135,743	16,860,799	16,654,113
Project Capacity (Benefit) / Cost	(10,483,038)	490,187	188,242	75,675	118,438	(9,575,018)	(8,858,500)
Project Energy Savings	(30,856,753)	(32,949,758)	(34,452,735)	(36,123,496)	(37,090,951)	(37,305,116)	(38,583,416)
Production Tax Credits	-	-	-	-	-	-	-
Net Customer (Benefit) / Cost	<u>(22,899,897)</u>	<u>(14,389,127)</u>	<u>(16,515,733)</u>	<u>(18,629,690)</u>	<u>(19,836,769)</u>	<u>(30,019,335)</u>	<u>(30,787,803)</u>

Year	2049	2050	2051	Total
Facilities' Revenue Requirement (inc. DTA CC)	16,523,196	16,612,505	15,735,329	643,018,740
Project Capacity (Benefit) / Cost	570,656	423,503	(839,748)	(59,574,065)
Project Energy Savings	(39,782,066)	(40,237,946)	(35,214,655)	(805,380,044)
Production Tax Credits	-	-	-	(190,713,978)
Net Customer (Benefit) / Cost	<u>(22,688,213)</u>	<u>(23,201,938)</u>	<u>(20,319,073)</u>	<u>(412,649,346)</u>

SOUTHWESTERN ELECTRIC POWER COMPANY  
DOCKET NUMBER 19-035-U  
Flex Up No LACORRECTED AND SUBSTITUTED EXHIBIT JOA-1  
Summary of Net Customer Benefits (\$)   
Arkansas Retail Jurisdiction

Year	2021	2022	2023	2024	2025	2026	2027
Facilities' Revenue Requirement (inc. DTA CC)	2,591,715	34,516,714	37,829,769	40,527,553	41,252,519	42,615,753	43,490,552
Project Capacity (Benefit) / Cost	-	-	-	-	-	-	-
Project Energy Savings	(2,626,103)	(20,378,310)	(21,162,590)	(22,208,570)	(22,661,239)	(23,125,985)	(23,511,412)
Production Tax Credits	(4,662,092)	(27,530,237)	(28,589,093)	(28,667,419)	(29,647,948)	(29,647,948)	(30,706,803)
Net Customer (Benefit) / Cost	(4,696,480)	(13,391,833)	(11,921,914)	(10,348,437)	(11,056,668)	(10,158,180)	(10,727,664)

Year	2028	2029	2030	2031	2032	2033	2034
Facilities' Revenue Requirement (inc. DTA CC)	43,419,722	43,315,528	43,039,668	42,542,559	40,680,331	37,401,426	34,311,175
Project Capacity (Benefit) / Cost	-	-	-	-	-	-	-
Project Energy Savings	(34,348,117)	(33,702,663)	(34,950,061)	(36,010,648)	(37,405,804)	(38,544,236)	(40,068,055)
Production Tax Credits	(30,790,932)	(31,765,659)	(31,765,659)	(27,265,866)	-	-	-
Net Customer (Benefit) / Cost	(21,719,326)	(22,152,793)	(23,676,051)	(20,733,955)	3,274,527	(1,142,809)	(5,756,880)

Year	2035	2036	2037	2038	2039	2040	2041
Facilities' Revenue Requirement (inc. DTA CC)	32,687,763	32,102,376	31,529,982	30,964,889	30,470,848	29,978,790	29,492,083
Project Capacity (Benefit) / Cost	-	-	(276,052)	(16,424,549)	(16,727,668)	322,551	(16,908,313)
Project Energy Savings	(41,894,898)	(42,478,281)	(43,920,426)	(42,053,317)	(43,318,951)	(47,830,643)	(46,734,376)
Production Tax Credits	-	-	-	-	-	-	-
Net Customer (Benefit) / Cost	(9,207,135)	(10,375,905)	(12,666,496)	(27,512,977)	(29,575,771)	(17,529,303)	(34,150,606)

Year	2042	2043	2044	2045	2046	2047	2048
Facilities' Revenue Requirement (inc. DTA CC)	29,107,148	28,523,975	28,016,202	27,494,310	27,048,562	26,614,568	26,304,261
Project Capacity (Benefit) / Cost	(16,547,511)	773,762	297,141	119,454	186,955	(15,114,198)	(13,983,172)
Project Energy Savings	(48,707,487)	(52,011,303)	(54,383,757)	(57,021,060)	(58,548,189)	(58,886,251)	(60,904,051)
Production Tax Credits	-	-	-	-	-	-	-
Net Customer (Benefit) / Cost	(36,147,850)	(22,713,565)	(26,070,415)	(29,407,296)	(31,312,671)	(47,385,881)	(48,582,961)

Year	2049	2050	2051	Total
Facilities' Revenue Requirement (inc. DTA CC)	26,097,262	26,237,870	24,852,880	1,015,058,752
Project Capacity (Benefit) / Cost	900,783	668,501	(1,325,544)	(94,037,860)
Project Energy Savings	(62,796,124)	(63,515,732)	(55,586,450)	(1,271,295,089)
Production Tax Credits	-	-	-	(301,039,655)
Net Customer (Benefit) / Cost	(35,798,079)	(36,609,361)	(32,059,115)	(651,313,851)

SOUTHWESTERN ELECTRIC POWER COMPANY  
DOCKET NUMBER 19-035-U  
Flex Up No TXCORRECTED AND SUBSTITUTED EXHIBIT JOA-1  
Summary of Net Customer Benefits (\$)   
Arkansas Retail Jurisdiction

Year	2021	2022	2023	2024	2025	2026	2027
Facilities' Revenue Requirement (inc. DTA CC)	2,838,350	37,801,423	41,429,757	44,384,270	45,178,226	46,671,189	47,629,237
Project Capacity (Benefit) / Cost	-	-	-	-	-	-	-
Project Energy Savings	(2,875,932)	(22,316,962)	(23,175,853)	(24,321,340)	(24,817,073)	(25,326,032)	(25,748,126)
Production Tax Credits	(5,105,750)	(30,150,093)	(31,309,712)	(31,395,492)	(32,469,331)	(32,469,331)	(33,628,950)
Net Customer (Benefit) / Cost	<u>(5,143,332)</u>	<u>(14,665,632)</u>	<u>(13,055,808)</u>	<u>(11,332,563)</u>	<u>(12,108,178)</u>	<u>(11,124,174)</u>	<u>(11,747,839)</u>

Year	2028	2029	2030	2031	2032	2033	2034
Facilities' Revenue Requirement (inc. DTA CC)	47,551,666	47,437,558	47,135,445	46,591,030	44,551,588	40,960,652	37,576,324
Project Capacity (Benefit) / Cost	-	-	-	-	-	-	-
Project Energy Savings	(37,615,760)	(36,908,902)	(38,274,968)	(39,436,452)	(40,964,334)	(42,211,068)	(43,879,853)
Production Tax Credits	(33,721,084)	(34,788,569)	(34,788,569)	(29,860,563)	-	-	-
Net Customer (Benefit) / Cost	<u>(23,785,177)</u>	<u>(24,259,913)</u>	<u>(25,928,092)</u>	<u>(22,705,986)</u>	<u>3,587,254</u>	<u>(1,250,416)</u>	<u>(6,303,529)</u>

Year	2035	2036	2037	2038	2039	2040	2041
Facilities' Revenue Requirement (inc. DTA CC)	35,798,423	35,157,329	34,530,465	33,911,596	33,370,541	32,831,657	32,298,633
Project Capacity (Benefit) / Cost	-	-	(302,314)	(17,987,067)	(18,319,023)	353,236	(18,516,853)
Project Energy Savings	(45,880,489)	(46,519,371)	(48,098,713)	(46,053,980)	(47,440,017)	(52,380,920)	(51,180,362)
Production Tax Credits	-	-	-	-	-	-	-
Net Customer (Benefit) / Cost	<u>(10,082,066)</u>	<u>(11,362,041)</u>	<u>(13,870,561)</u>	<u>(30,129,451)</u>	<u>(32,388,499)</u>	<u>(19,196,028)</u>	<u>(37,398,582)</u>

Year	2042	2043	2044	2045	2046	2047	2048
Facilities' Revenue Requirement (inc. DTA CC)	31,877,067	31,238,398	30,682,303	30,110,746	29,622,581	29,147,286	28,807,450
Project Capacity (Benefit) / Cost	(18,121,727)	847,372	325,409	130,818	204,741	(16,552,058)	(15,313,434)
Project Energy Savings	(53,341,181)	(56,959,299)	(59,557,453)	(62,445,650)	(64,118,060)	(64,488,282)	(66,698,041)
Production Tax Credits	-	-	-	-	-	-	-
Net Customer (Benefit) / Cost	<u>(39,585,841)</u>	<u>(24,873,529)</u>	<u>(28,549,740)</u>	<u>(32,204,086)</u>	<u>(34,290,738)</u>	<u>(51,893,054)</u>	<u>(53,204,026)</u>

Year	2049	2050	2051	Total
Facilities' Revenue Requirement (inc. DTA CC)	28,580,752	28,734,741	27,217,950	1,111,654,633
Project Capacity (Benefit) / Cost	986,477	732,097	(1,451,648)	(102,983,973)
Project Energy Savings	(68,770,114)	(69,558,181)	(60,874,561)	(1,392,237,325)
Production Tax Credits	-	-	-	(329,687,445)
Net Customer (Benefit) / Cost	<u>(39,202,884)</u>	<u>(40,091,343)</u>	<u>(35,108,258)</u>	<u>(713,254,110)</u>

### **Attachment 3**

#### **Details for Determining the Net Capacity Factor Guarantee**

Following the fifth, tenth, fifteenth, twentieth, twenty-fifth and thirtieth full years of operations of the SWFs (with the first year of full operations starting January 1, 2022), the Company will sum the actual metered energy output from the SWFs for each hour of the previous five years across all facilities on a combined basis.

- If the Company's Share of that total energy equals or exceeds the Minimum Net Average Quantity, no other calculations are made and no net capacity factor guarantee payment is necessary.
- If the Company's Share of that total energy is less than the Minimum Net Average Quantity (such differential, the Company's Five-Year Energy Shortfall), then the dollar value of both the Energy and PTC components of the net capacity factor guarantee will be separately calculated and totaled to determine the total make-whole payment to customers.
  - Energy Component. The Company's Five-Year Energy Shortfall will be multiplied by a generation-weighted market price to determine the dollar value of the shortfall energy. The Company's Share of each SWF's hourly production will be multiplied by its interconnection point's day-ahead hourly LMP for each hour of the five-year period. The resulting total energy revenue for the SWFs will then be summed and combined. This combined total revenue will then be divided by the actual total hourly production for the 5-year period to arrive at a single generation-weighted average price applicable to that 5-year period. That price will be multiplied by the Company's Five-Year Energy Shortfall to compute the energy value portion of the NCF make-whole payment.
  - PTC Component. The Company's Share of each facility's shortfall amount of PTC's will be separately computed by first multiplying the Company's Share of each facility's shortfall energy over the 5-year period (based on the facility's percentage of the total output of the SWFs during that period) by 80% for Traverse and Maverick and by 100% for Sundance (such percentages adjusted for any reduction in the federal PTC). Sundance will be excluded from the PTC calculation for the 2031 year, to the extent its 10-year PTC period ends in 2030. These three amounts will be added together and the total will be the total shortfall in PTCs. Any shortfall amount will then be multiplied by the average of the five actual IRS PTC credit rates applicable during the 5-year period. This total will be grossed up by the average federal and state effective tax rate during the five-year period for the first ten Calendar Years that the facility is in commercial operation when it is producing PTCs, and not for subsequent periods. The grossed up total shall be the shortfall PTC value.

If the Company is making payments under both the PTC and NCF Guarantees, as set forth in Section 2(b), PTC make whole payments in total for any five-year period may not exceed the greater of actual or guaranteed MWh production based on the combined effect of PTC and the NCF Guarantees.

As used in this Attachment:

- “Company’s Share” means the Company’s applicable Total SWEPCO MW share (as set forth in Attachment 1) of the output of the SWFs, adjusted ratably for any reduction in the final amount of MW installed by Invenergy and its subsidiaries pursuant to the PSAs.
- “Minimum Net Average Quantity” means, for the Company, the applicable Total SWEPCO MWh at P95 (as set forth in Attachment 1) for each five-year period of full operation of the SWFs, adjusted ratably for any reduction in the final amount of MW installed by Invenergy pursuant to the PSAs and further adjusted downward for the sixth five-year period (years 26-30) if the Sundance facility is constructed but is no longer in operation after its 30<sup>th</sup> year of operations.

**Attachment 4**

**WFA Rider**



## ARKANSAS PUBLIC SERVICE COMMISSION

Original	Sheet No. R-47.1	Sheet 1 of 6
Replacing:	Sheet No:	
Name of Company: SOUTHWESTERN ELECTRIC POWER COMPANY		
Kind of Service: Electric	Class of Service: All	
Part III. Rate Schedule No. 47		
Title: Wind Facility Asset Rider		

PSC File Mark Only

### PURPOSE

The North Central Wind Energy (NCWE) project consists of the three selected wind facility projects totaling 1485 MW in total installed nameplate capacity that are currently under construction in North Central Oklahoma. The terms of this cost recovery tariff are applicable only to the NCWE project.

This Wind Facility Asset (WFA) Rider is designed to adjust monthly billings to recover costs associated with the NCWE facilities as approved by the Arkansas Public Service Commission (APSC) in Docket No. 19-035-U. The WFA Rider recovers the return on and of the NCWE facilities and operation and maintenance expenditures after the NCWE facilities commence commercial operation (revenue requirement), net of the Production Tax Credits. The WFA Rider will remain in effect until all the NCWE facilities are included in base rate schedules through a general base rate proceeding, at which time the WFA Rider will terminate in its entirety and be removed from available rate schedules, subject to any final true-up.

This schedule is applicable to and becomes part of each APSC jurisdictional rate schedule. This schedule is applicable to energy consumption of retail customers and to facilities, premises and loads of such retail customers.

The NCWE Factors will include the Arkansas jurisdictional portion of the facilities once they are placed in commercial operation. The Arkansas jurisdictional portion will be determined using the most recently approved energy allocation factors for SWEPCO Arkansas. The NCWE Factors will be calculated in accordance with the following methodology and will be applied on a kW basis for Lighting and Power and Large Industrial classes and on a per kWh basis for all other classes.

### NCWE FACTORS

The NCWE Factors shall be set forth in Attachment A to this WFA Rider.

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## ARKANSAS PUBLIC SERVICE COMMISSION

Original	Sheet No. R-47.2	Sheet 2 of 6
Replacing:	Sheet No:	
Name of Company: SOUTHWESTERN ELECTRIC POWER COMPANY		
Kind of Service: Electric	Class of Service: All	
Part III. Rate Schedule No. 47		
Title: Wind Facility Asset Rider		

PSC File Mark Only

### ANNUAL REDETERMINATION

The initial period for the NCWE Factors shall be the forecasted initial 12 months of operation after the commercial operation date of the NCWE wind project.

A True-up Adjustment shall be calculated and reflected in the following year's NCWE Factor calculation. The True-up Adjustment shall be defined as the difference between the actual NCWE costs for the prior year including any refund compensation and the revenue received from the NCWE Factors.

NCWE Factors shall be filed by the Company with the Commission on or before October 1 of each year and shall be accompanied by a set of work papers sufficient to fully document the calculations of the NCWE Factors including any potential True-up Adjustment.

The annual update shall include a report of the following:

- Supporting work papers for all rate calculations in Excel format with all formulas intact;
- Variance report of estimated revenue requirement, PTC's and fuel savings proposed in this docket compared to actuals;
- Informational reporting of off-system sales directly attributed to the NCWE Facilities, including the annual NCF experienced by the NCWE Facilities;
- Informational reporting of additional revenues related to renewable energy credits attributed to the NCWE Facilities;
- Narrative of maintenance issues causing O&M or capital variances;
- Narrative of any congestion restraints or Southwest Power Pool issues;
- Narrative of any issues with project capacity factors or market energy pricing; and
- Calculation of the Net Capacity Factor.

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## ARKANSAS PUBLIC SERVICE COMMISSION

Original	Sheet No. R-47.3	Sheet 3 of 6
Replacing:	Sheet No:	
Name of Company: SOUTHWESTERN ELECTRIC POWER COMPANY		
Kind of Service: Electric	Class of Service: All	
Part III. Rate Schedule No. 47		
Title: Wind Facility Asset Rider		

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The NCWE Factors shall be calculated as shown below:

$$\text{NCWE} = \frac{[(((\text{WFAP} - \text{ADEP}) * \text{ROR} + \text{DEPX} + \text{O\&M}) * \text{CAF}) - (\text{PTC} * \text{CAF}) + \text{TU}] / \text{Class kWh sales or kW, as appropriate.}}{}$$

WFAP = Average project plant in service balance for the forecasted calendar year for the Arkansas Jurisdiction based on the most current SWEPCO jurisdictional energy allocation factor.

ADEP = Average accumulated depreciation balance for the forecasted calendar year for the Arkansas jurisdiction based on the depreciation rates in effect for the Arkansas Jurisdiction based on the most current SWEPCO jurisdictional energy allocation factor.

DEPX = Depreciation expense for the forecast period based on the depreciation rates in effect for the Arkansas Jurisdiction based on the most current SWEPCO jurisdictional energy allocation factor.

O&M = Operations and Maintenance expense including Ad Valorem taxes for the forecasted period for the Arkansas Jurisdiction based on the most current SWEPCO jurisdictional energy allocation factor .

ROR = Return on plant in service at the pre-tax rate of return of 6.05%, as approved by the Commission in Docket No. 19-008-U.

PTC = Federal Production Tax Credits for the Arkansas Jurisdiction for the forecasted period.

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# ARKANSAS PUBLIC SERVICE COMMISSION

Original	Sheet No. R-47.4	Sheet 4 of 6
Replacing:	Sheet No:	
Name of Company: SOUTHWESTERN ELECTRIC POWER COMPANY		
Kind of Service: Electric	Class of Service: All	
Part III. Rate Schedule No. 47		
Title: Wind Facility Asset Rider		

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CAF = Class Allocation Factor for each major rate class blended 85% energy and 15% average and excess 4 coincident peak from the Company's cost allocation study provided in the most recent rate case, Docket No. 19-008-U. The allocators are as follows:

<u>Major Rate Class</u>	<u>Class Allocators</u>
Residential	31.6242%
General Service	10.3040%
Lighting and Power	46.7023%
Large Industrial	9.9102%
Municipal	0.5185%
Lighting	0.9408%

TU = The true-up amount to correct for any variance between the actual NCWE costs including any refund compensation for the prior year and the revenue received from the NCWE Factors. The calculation will be done on an annual basis, and will determine the true-up for the following year.

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## ARKANSAS PUBLIC SERVICE COMMISSION

Original	Sheet No. R-47.5	Sheet 5 of 6
Replacing:	Sheet No:	
Name of Company: SOUTHWESTERN ELECTRIC POWER COMPANY		
Kind of Service: Electric	Class of Service: All	
Part III. Rate Schedule No. 47		
Title: Wind Facility Asset Rider		

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### STAFF AND COMMISSION REVIEW

Staff shall review the filed NCWE Factors to verify that the formula has been correctly applied and shall notify the Company of any necessary corrections. After the Staff completes its review of the rate calculation, the Company shall make appropriate changes to correct undisputed issues identified by the Staff in its review. Any disputed issues arising out of the Staff review are to be resolved by the Commission after notice and hearing. The requested NCWE Factors will become effective, upon Commission approval, with the first billing cycle of January of each year.

### TERM

The NCWE Factors will remain in effect for 12 months and will expire unless a request for updated NCWE Factors is filed by the Company or until updated NCWE Factors are approved by order of the Commission or until the NCWE wind facilities are included in retail base rate schedules of the Company

If this WFA Rider is terminated by a future order of the Commission, the NCWE Factors shall continue to be in effect until such costs are recovered through another mechanism or until the implementation of new base rate schedules reflecting such costs.

Collections under the WFA Rider are subject to refund, with interest, after notice and hearing to determine prudence.

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# ARKANSAS PUBLIC SERVICE COMMISSION

Original	Sheet No. R-47.6	Sheet 6 of 6
Replacing:	Sheet No:	
Name of Company: SOUTHWESTERN ELECTRIC POWER COMPANY		
Kind of Service: Electric	Class of Service: All	
Part III. Rate Schedule No. 47		
Title: Wind Facility Asset Rider		

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## ATTACHMENT A

### NCWE FACTORS

All base retail rates and applicable riders on file with the APSC will be increased or decreased by the factors listed below.

<u>Major Rate Class</u>	<u>Applicable Factors</u>
Residential	\$0.0000 per kWh
General Service	\$0.0000 per kWh
Light and Power	\$0.0000 per kW
Large Industrial	\$0.0000 per kW
Municipal	\$0.0000 per kWh
Lighting	\$0.0000 per kWh

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