

2017 JUL 31 AM 11: 26

BEFORE THE

LA PUBLIC SERVICE
COMMISSION

LOUISIANA PUBLIC SERVICE COMMISSION

**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**

I. INTRODUCTION

Southwestern Electric Power Company (“SWEPCO”) and (“Applicant”) hereby respectfully requests that the Louisiana Public Service Commission’s (“LPSC” or “Commission”) approve SWEPCO’s acquisition of the Wind Catcher Facility (“Wind Facility”) and construction of the related generation tie line (“Gen-Tie”) (collectively, “Project”) pursuant to the requirements of the Commission’s September 20, 1983 General Order (“1983 Order” or “Certification Order”) governing certification of generation assets to serve ratepayers. SWEPCO also respectfully requests Commission approval of SWEPCO’s acquisition of the Wind Facility in accordance with the March 18, 1994 General Order (“1994 Order”) of the Commission, governing LPSC approval of, or non-opposition to, changes in ownership or control, as in the public interest and for the benefit of ratepayers.

The Wind Facility is a 2,000 MW¹ nameplate wind resource being constructed in the Oklahoma Panhandle, one of the best wind resource locations in North America. The proposed Transaction is for SWEPCO, with its corporate headquarters in Shreveport,

¹ SWEPCO’s share is 1,400 MW nameplate.

Louisiana, and its sister company Public Service Company of Oklahoma (“PSO”) located in Tulsa, Oklahoma to acquire 2,000 MW nameplate wind resources. The wind resources would be acquired by purchasing States Edge Wind I, LLC (the “Transaction”) as set forth in the Membership Interests Purchase Agreement (“MIPA”) with States Edge Wind 1 Holdings, LLC, a subsidiary of Invenergy Wind Development, North America (“Invenergy”). The Wind Project also involves the construction of a 350 to 380 mile dedicated 765 kV Gen-Tie that allows the delivery of energy directly to the AEP load zone and significantly reduces costly congestion for the life of the project and for the benefit of ratepayers.

The Project is in the public interest and provides substantial benefits in excess of its costs for Louisiana ratepayers. The Project secures fuel savings, as there are no fuel costs, contributes to a diversified fuel mix, and provides dedicated deliverability for the wind resource. The Wind Facility is in one of the best wind resource locations in the country, and will provide a long term and reliable supply of energy. The project meets qualifications so as to receive the full value federal Production Tax Credits (“PTCs”), which will benefit Louisiana ratepayers. Depending upon market prices, the Project, over its projected life, could save SWEPCO customers approximately \$5 billion in nominal dollars under the base case and approximately \$1.9 billion net present value, net of its costs over the life of the project compared to the base case.

The Applicant also respectfully requests the expedited approval of the Transaction as there is a limited period of time to evaluate and acquire certain new wind resources for the benefit of Louisiana ratepayers as the resources will not be available for an extended period of time and due to the pending reduction of federal PTCs. In order to secure the

Project and the substantial benefit to ratepayers, SWEPCO will need to obtain approvals in Louisiana, Arkansas, and Texas and PSO will need to obtain approvals in Oklahoma by the end of April 2018 and therefore requests that the Commission immediately begin its review.

A. BACKGROUND

In light of the time sensitive nature of the opportunity to acquire these wind resources for the benefit of Louisiana ratepayers, and after engaging in diligent market evaluations, on July 11, 2017 SWEPCO filed a request for an exception from the Request for Proposals (“RFP”) requirement in the General Order of April 10, 2002 and the General Order of October 29, 2008 (known as the Amended Market Based Mechanism Order or “MBM Order”), found in Docket No. R-26172. In its Application requesting the exception, SWEPCO confirmed its market expertise and evaluation of the market and that upon approval of the exception that SWEPCO would immediately file for Certification of the acquisition of certain new wind resources pursuant to the 1983 and 1994 General Orders.

SWEPCO’s MBM exception request was docketed as S-34594 and was publicly noticed in the Commission’s Official Bulletin dated July 14, 2017. SWEPCO also filed the direct testimony of Thomas P. Brice, on July 14, 2017 further setting forth the need for the exception from the MBM Order and supporting the Project. SWEPCO discussed the need and benefits of the Project with the Commission and Staff, and on July 26, 2017 the Commission voted unanimously to approve the exception for the RFP requirement of the MBM Order subject to Certification. SWEPCO now files this Application for Certification, in accordance with the Commission’s 1983 and 1994 Orders.

American Electric Power Service Corporation (AEPSC) as well as SWEPCO and American Electric Power (AEP) (collectively the “Companies”) have conducted market studies and have substantial experience in evaluating and purchasing wind resources. The proposed Project is estimated to result in savings to SWEPCO ratepayers net of its cost in the base case of approximately \$5 billion in nominal dollars and which on a net present value basis, could total approximately \$1.9 billion over the life of the project in the base case as further discussed by the attached supporting testimony and exhibits of SWEPCO witnesses Mr. Paul Chodak, a former President of SWEPCO and now the Executive Vice President – Utilities for AEP, Mr. Thomas P. Brice, SWEPCO’s Vice President of Finance and Regulatory Affairs and Mr. Kelly D. Pearce, the Director – Contracts and Analysis for AEPSC.

B. SUMMARY OF THE WIND PROJECT AND TRANSACTION

The project includes two components, the acquisition of the Wind Facility itself and the construction of the Gen-Tie to ensure deliverability of the low-cost energy to customers, thus reducing both congestion and curtailment costs. The Wind Facility consists of approximately 800 2.5 MW General Electric (GE) wind turbines in an area covering approximately 300,000 acres located in Texas and Cimarron Counties in the Oklahoma Panhandle under lease to Invenergy for wind energy development. The site is one of the best wind resources in North America, with 2,000 MW of nameplate capacity. The Project is expected to deliver 1,900 MW to the AEP Zone in the Tulsa area and approximately 8.7 million MWH annually. Invenergy started construction in 2016 and has targeted completion by the fourth quarter of 2020, providing eligibility for 100% of the PTCs available for the facility.

SWEPCO and PSO have entered into the Membership Interests Purchase Agreement (MIPA) on July 26, 2017. The MIPA contains details associated with the construction and purchase of the nameplate 2,000 MW of the Wind Facility. The MIPA is structured as a turn-key fixed price arrangement whereby Invenergy manages all phases of construction and delivers the project at completion to SWEPCO and PSO. Under this arrangement, Invenergy also pays all construction financing costs. The MIPA specifies and details all of the terms, conditions, rights, obligations, representations, warranties, covenants, and considerations between SWEPCO and Invenergy regarding the Transaction, as further described in the attached testimony of Mr. Jay Godfrey and Mr. Michael Bright.

In connection with the Wind Facility, SWEPCO and PSO would construct a 350 to 380 mile 765 kV Gen-Tie to deliver the wind energy to the AEP Zone near Tulsa. SWEPCO will own 70% of the Project, including both the Wind Facility and Gen-Tie, resulting in approximately 1,330 MW delivered for the benefit of SWEPCO customers. SWEPCO's estimated share of the energy could be approximately 6.1 million MWH annually.

In addition to the wind generation itself, the Gen-Tie is an essential part of the Project to ensure deliverability of the energy to customers and reduce congestion and curtailment costs. The line is expected to be an Extra-High Voltage (EHV) 765-kV line running approximately 350 to 380 miles from the Wind Facility site in the Oklahoma Panhandle to the AEP Load Zone in the Tulsa area. The current SPP planning process will not allow the integration of the project in the Oklahoma Panhandle in time for customers to receive 100% of PTC benefits without significant congestion cost, resulting

in the need for a dedicated generation tie line to ensure that SWEPCO and PSO customers receive the benefits of the Wind Facility generation. As discussed in the testimony of SWEPCO witness Mr. Brian Weber, AEPSC will contract with Quanta Services to provide EPC construction of the Gen-Tie on a timeline consistent with the Project in-service date. The dedicated Gen-Tie, together with the energy supply provided by the Wind Facility, will provide a long-term, low-cost energy supply for SWEPCO customers, with a much reduced risk of curtailment or congestion costs.

C. SUMMARY OF COMPLIANCE WITH THE 1983 AND 1994 ORDERS

This proposed Wind Facility meets or exceeds the criteria set forth in the Commission's General Orders dated September 20, 1983 and March 18, 1994 and is in the public interest. While the acquisition of the Wind Facility from Invenergy satisfies the eighteen (18) factors of the 1994 General Order, the construction of the Gen-Tie does not require approval pursuant the 1994 General Order as it is not a separate company being acquired by SWEPCO. Furthermore, both the acquisition of the Wind Facility and the construction of the Gen-Tie fully satisfy the 1983 Certification Order as being prudent and in the public interest. There is precedent for a transaction of this nature, as 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. On December 14, 2011, in docket U-32095 the Commission unanimously approved SWEPCO's application for the purchase of 31 MW of renewable resources. More recently, on June 7, 2016 in docket U-32814 the Commission unanimously approved SWEPCO's application for certification of an additional 357 MW of renewable wind resources, which are currently serving SWEPCO ratepayers.

Furthermore, in February 2016, the Commission unanimously voted to recognize that SWEPCO's Integrated Resource Plan ("IRP") complied with the Commission's IRP process in accordance with the Commission's General Order dated April 20, 2012. SWEPCO's IRP identified the lowest cost resources to fulfill upcoming supply needs, and specifically identified a need for an additional 1,200 MW of wind renewable resources during the term of the IRP process, as well as, additional solar renewable resources. The subject Wind Facility would satisfy the requirements identified in the IRP and with transmission being secured so as to serve SWEPCO customers.

The acquisition of the Wind Facility serves public convenience and necessity and is in the public interest as it lowers SWEPCO's fuel costs and improves fuel diversity with a renewable resource that will lower costs to SWEPCO's Louisiana ratepayers. In support of the Application, SWEPCO presents testimony and exhibits from several experienced witnesses, including: Mr. Paul Chodak, Mr. Thomas Brice, Mr. Jay Godfrey, Mr. Michael Bright, Mr. John Aaron, Mr. Robert Braddish, Mr. Kelly Pearce, Ms. Renee Hawkins, Mr. Brian Weber and Mr. Karl Blezacker, as well as testimony from consultants the Brattle Group (Mr. Johannes P. Pfeifenberger). The testimony includes the specific data utilized by SWEPCO showing the need and benefits of the Project, and includes an itemized projection of total costs, as well as the scheduled completion date with time schedules and specific target dates, all in compliance with the 1983 Certification Order. Accordingly, the Applicant respectfully represents the following:

II. THE APPLICANT

A. SWEPCO

SWEPCO is a vertically-integrated electric public utility that has provided service to Louisiana ratepayers for over 100 years, as well as service to Arkansas and Texas ratepayers. SWEPCO's principal place of business and mailing address is 428 Travis Street, Shreveport, Louisiana 71101.

As a public utility within the meaning of La. R.S. 45:1161, SWEPCO is subject to the jurisdiction of and regulation by the LPSC, as to rates and service. Pursuant to Section I of this Commission's General Order dated March 18, 1994, SWEPCO hereby furnishes this Commission with notice of the Applicant's intent and plan with regard to its proposed Transaction and request for Certification.

B. OTHER INTERESTED PARTIES

States Edge Wind I Holdings LLC, is a subsidiary of Invenergy Wind Development North America, LLC (Invenergy). Invenergy, the wind developer who is constructing the Wind Facility to be acquired by SWEPCO, is an experienced developer of wind projects, and is North America's largest independent, privately held renewable energy provider that develops, owns, and operates renewable energy facilities world-wide. Invenergy has developed 77 wind projects across North America, Latin America, Japan, and Europe, totaling over 10,000 MW and currently owns and operates almost 4,000 MW of wind generation in North America. Invenergy has also developed and/or constructed and sold renewable energy projects to various other utilities including Black Hills Energy, Detroit Edison, Dominion Energy, Liberty Utilities, MidAmerican Energy / Berkshire Hathaway, Oklahoma Gas & Electric and Xcel Energy. Additionally, SWEPCO affiliate,

Appalachian Power Company announced on July 5, 2017 that it was purchasing two wind projects totaling 225 MW from Invenergy; subject to approvals from their respective commissions in West Virginia and Virginia.

III. SWEPCO'S INTEGRATED RESOURCE PLAN (IRP)

In February 2016, the Commission unanimously voted to recognize that SWEPCO's Integrated Resource Plan ("IRP") complied with the Commission's IRP process in accordance with the Commission's General Order dated April 20, 2012 in Docket I-33013. SWEPCO's IRP sets forth a preferred portfolio to acquire at least 1,200 MW of wind renewable resources, as well as additional solar renewable resources. Throughout the SWEPCO IRP process in 2015 and 2016, the Company worked closely with Commission Staff, Consultants, and other stakeholders and identified the lowest cost resources to fulfill upcoming supply needs, and specifically identified a need for an additional 1,200 MW of wind renewable resources during the term of the IRP process.

SWEPCO's most recent IRP determined wind energy to be economically beneficial to the Company's customers if added to the Company's existing and diversified supply portfolio. The subject Wind Facility would satisfy the need identified in the IRP and with the Gen-Tie being secured so as to serve SWEPCO customers.

IV. SWEPCO'S DUE DILIGENCE AND MARKET TESTING

SWEPCO, as a member of the Southwest Power Pool ("SPP") and with its affiliate American Electric Power Service Corporation ("AEPSC") has substantial experience in evaluating, assessing and procuring wind resources and is very knowledgeable of the

market for these resources. SWEPCO and AEPSC have leveraged this knowledge, information and experience to confirm that this Wind Facility compares very favorably to the market including generic wind resources. SWEPCO ran market comparisons to evaluate this Wind Facility in connection with ongoing due diligence, and these market comparisons are discussed in detail by SWEPCO witnesses Mr. Pearce and Mr. Pfeifenberger, and further compare very favorably wind resources purchased by SWEPCO and unanimously approved by this Commission in 2016 in docket U-32814. The Companies also went through a modeling analysis to confirm that the Wind Facility would provide significant projected customer benefits when compared to alternative market purchases. The Companies demonstrate through this analysis that the Wind Facility, in conjunction with Gen-Tie, will deliver savings and low-cost energy to their customers over the life of the project.

SWEPCO also engaged the assistance of outside consultant, the Brattle Group to fully assess and compare the costs and benefits of this Project, in light of the current market conditions. In connection with the certification filing, Mr. Pfeifenberger's testimony details the market analysis and evaluations performed to fully test the market. SWEPCO will address the extent of its market comparison and evaluation with Commission and Staff, so as to fully comply with the 1983 Certification Order.

V. SWEPCO'S COMPLIANCE WITH THE EIGHTEEN FACTORS

SWEPCO's acquisition of the Wind Facility meets and satisfies each of the eighteen factors to be considered by the Commission in accordance with the General Order of March 18, 1994 as follows:

1. Whether the transfer is in the public interest.

The Commission approval for the acquisition of the Wind Facility sought is in the public interest. The proposed Wind Facility acquisition is expected to produce significant cost savings to ratepayers which could total approximately \$1.9 billion on a net present value basis when comparing to the base case. It provides SWEPCO customers with a long-term, low-cost energy supply with no fuel costs and no increase in overall projected fuel costs.

Furthermore, acquisition of the subject Wind Facility would satisfy the needs for renewable resources identified in SWEPCO's IRP approved by the Commission in February 2016. This Project provides substantial potential savings to Louisiana ratepayers, but will not be available unless the project is certified by April 2018. These lower rates will benefit ratepayers and the local economy, and is in the public interest.

2. The Purchaser is ready, willing and able to continue providing safe, reliable and adequate service to the utilities ratepayers.

SWEPCO has been serving Louisiana ratepayers for over 100 years and is committed to continuing to provide safe, reliable and reasonably priced electric service to its customers. The acquisition of the Wind Facility will further improve its ability to provide service to its customers by lowering total costs and improving generation/fuel diversity with a renewable resource that will lower fuel costs to SWEPCO's Louisiana ratepayers. The Wind Facility also results in a more diversified fuel mix of wind, natural gas and solid fuels, including Louisiana lignite. SWEPCO also has implemented and complied with the Service Quality Improvement Program for years, as set forth in Order U-23029-B, which addresses employees, service and related issues.

SWEPCO has a long history and proven track record of successful and safe project management and construction of large scale complex utility projects, ranging from construction of power plants to environmental retrofit upgrades. Recent examples of power plant construction for SWEPCO include the construction of the J. Lamar Stall Combined Cycle power plant in downtown Shreveport, Louisiana in 2010 and the John W. Turk ultra super-critical clean coal plant in Arkansas, completed in 2012. SWEPCO is also experienced in acquiring wind resources for the benefits of its ratepayers, with the LPSC having unanimously approved 400 MW of wind resources in 2011 and 2016 respectively. SWEPCO and AEPSC will leverage this considerable experience and expertise in large scale construction projects so that the Project can proceed for the benefit of ratepayers.

3. Whether the transfer will maintain or improve the financial condition of the resulting public utility.

SWEPCO will not be responsible for financing the Wind Facility, as the developer will carry this financing burden until the closing date of the Transaction. If the Project is approved by its regulators as requested, SWEPCO expects to maintain its overall financial condition and integrity as further discussed in the testimony of Ms. Renee Hawkins, while it constructs the dedicated Gen-Tie. While there is short-term pressure on SWEPCO's credit metrics during construction and upon completion of construction of the Gen-Tie and initiation of recovery of the prudent investment, this Project is supportive of credit ratings. In fact, Moody's recently published a report enclosed as Exhibit RVH-1 to Ms. Hawkins testimony indicating that rate-based wind projects are positive for credit quality. The Moody's article states in pertinent part: "Wind in rate base creates a 'win-win-win' situation for utilities, regulators and customers, characterized

by higher rate base and earnings for utilities, lower utility rates and a cleaner portfolio for customers and regulators.” As SWEPCO’s Louisiana ratepayers benefit from lower fuel costs from the acquisition, SWEPCO will seek to recover its prudently incurred costs from the acquisition of the Wind Facility and the dedicated Gen-Tie through its Formula Rate Plan (FRP) or in base rates as further discussed in this application.

4. Whether the proposed transfer will maintain or improve the quality of service to public utility ratepayers.

SWEPCO will continue to provide safe and reliable service as discussed above. There are no fuel costs for the Wind Facility and the acquisition will lower overall fuel costs and improve fuel diversity, providing further benefits to SWEPCO customers.

5. Whether the transfer will provide net benefits to ratepayers in both the short term and long term and provide a ratemaking method that will ensure, to the fullest extent possible, that ratepayers will receive the forecasted short and long term benefits.

The Project is beneficial to ratepayers in both the short term and long term. By acting quickly to capture the PTC benefits, the Company will secure the advantages of a lower fuel cost wind resource for the benefit of Louisiana ratepayers. Furthermore, in the long term, by owning the Project, SWEPCO will continue to provide the benefits of lower fuel costs to its customers for years to come, while also improving fuel diversity with a clean energy resource.

SWEPCO has carefully evaluated both the short term and long term benefits of the Project as discussed in Mr. Pearce’s testimony. The value of the PTCs grow, as do the customer benefits, until 2030. While benefits continue beyond 2030, SWEPCO proposes to retain some of the value of the PTCs beginning in 2024 as a regulatory liability, so that

beginning in 2031 when the PTCs end, SWEPCO will flow these retained PTCs back to customers.

SWEPCO's proposed rate treatments will provide for Louisiana ratepayers to receive the benefits of the Project in both the short term and long term as discussed in the testimony of Mr. Thomas Brice. For the benefit of Louisiana ratepayers, SWEPCO is proposing that the off system sales sharing mechanism be revised to provide that 90% of the off-system sales margins be returned to customers rather than amounts currently authorized, as further described by Mr. Brice. The prudent costs of the Project will be recovered through SWEPCO's Fuel Adjustment Clause as discussed by Mr. Brice, until its inclusion in rate base in a future FRP or a base rate case, which will be subject to Commission review and approval. SWEPCO's proposed depreciation rates for the Project, as discussed by Mr. Aaron and Mr. Brice, will also provide benefits to ratepayers in both the short term and long term.

6. Whether the transfer will adversely affect competition.

The transaction to acquire the Wind Facility will not adversely affect competition. Neither States Edge I Holdings, LLC nor Invenergy Wind Development, North America ("Invenergy") are affiliates of SWEPCO, AEP or AEPSC. SWEPCO also ran market comparisons to carefully evaluate this Wind Facility in connection with its due diligence, and the analysis confirms that the Wind Facility would provide significant estimated customer benefits when compared to market purchases. As reported in 2016 by the Department of Energy, there are approximately 2 million residential customers taking electric service in Louisiana, of which SWEPCO currently serves approximately 240,000. The Transaction will not change the number of Louisiana ratepayers receiving service

from SWEPCO, and the LPSC will retain its jurisdiction over service in the service territories of SWEPCO in Louisiana; thus, assuring that post-transaction distribution rates will be just, reasonable and non-discriminatory.

7. Whether the transfer will maintain or improve the quality of management of the resulting public utility doing business in the State.

SWEPCO will continue its long tradition of high quality management and service to customers after this acquisition. To provide for diligent oversight of the Wind Facility upon completion, the Company has negotiated an Operation and Maintenance Agreement (O&M Agreement) with Invenergy Services, LLC that covers both on-site O&M support and remote operation/monitoring for the Wind Facility, and is contained within the MIPA. Invenergy Services has extensive experience in the operation and maintenance of wind farms and an established remote operations department with experienced staff. The term of the O&M Agreement is for a five year period. Prior to the conclusion of the five year period, the SWEPCO Manager and the Company will complete an evaluation of the O&M Services being contracted for to determine if there is an opportunity to self-perform these services.

The Company will also have an on-site presence to diligently oversee the operation of the Wind Facility with a full-time manager based at the location. The manager will be responsible for the overall O&M of the Wind Facility and directly manage and provide oversight to Invenergy Services, the third party O&M contractor. In addition, the Company plans to hire seven full-time employees for wind technician and safety positions. Thus, the combined entity can benefit from the best management practices and experience of all management. This project will not adversely affect public utility employees.

8. Whether the transfer would be fair and reasonable to the affected public utility employees.

SWEPCO will acquire States Edge Wind I LLC, which will be merged with SWEPCO, so as to acquire the subject Wind Facility in accordance with the MIPA discussed herein. This LLC is not a Louisiana public utility, but rather is a subsidiary of Invenergy, with services for operations and maintenance on the wind facilities being provided by Invenergy as described in the testimony of Mr. Jay Godfrey, Mr. Michael Bright, and Mr. Thomas Brice. Pursuant to the terms of the MIPA, as described above, Invenergy will be contracted for five years to provide day to day services of the Wind Facility, while reporting to the SWEPCO Project Manager. As established in this Application and supporting testimony, the acquisition of the Wind Facility, in accordance with the MIPA, is fair, reasonable and in the public interest.

9. Whether the transfer would be fair and reasonable to the majority of all affected public utility shareholders.

The Transaction is fair and reasonable to SWEPCO shareholders. If the approval is granted, including the requested rate treatments, SWEPCO will be able to recover its reasonable costs and a reasonable return on its investment in accordance with Louisiana law and Commission practice. From SWEPCO's perspective, the Transaction achieves an appropriate and fair balance between customers and shareholder's economic interests without adversely affecting credit metrics. After Commission approval of the Transaction, SWEPCO's financial condition will be maintained, shareholders will continue to be treated equitably, and SWEPCO will have the financial ability to operate the acquired facilities and maintain or upgrade the quality of the physical system; subject to the approval of the necessary and appropriate cost recovery discussed herein.

10. Whether the transfer will be beneficial on an overall basis to the State and local economies and to the communities in the area served by the public utility.

The Transaction will be beneficial on an overall basis to the State, local economies and communities served by SWEPCO, as they will receive the benefits of lower fuel costs and a diversified fuel mix incorporating renewable resources. Lower rates also have the potential to attract and spur industrial, commercial and residential economic growth. Finally, SWEPCO's ability to meet increasing load and service demands benefits the State and local economies.

11. Whether the transfer will preserve the jurisdiction of the Commission and the ability of the Commission to effectively regulate and audit public utility's operations in the State.

The Commission will continue to exercise jurisdiction over rates charged by SWEPCO, as an electric public utility that serves ratepayers in Louisiana. That will not change with this Transaction to acquire the Wind Facility. Through its regulatory authority over SWEPCO, the Commission will retain its ability to regulate and audit operations of generation assets acquired by SWEPCO.

12. Whether conditions are necessary to prevent adverse consequences which may result from the transfer.

For the reasons discussed herein above, the Transaction to acquire the Wind Facility will not result in adverse consequences SWEPCO. There is no need for the Commission to impose any conditions on its approval of, or non-opposition to the Transaction. As stated above and in the supporting testimony, SWEPCO seeks certain ratemaking approvals and the timely recovery of costs associated with the Transaction, which are discussed hereinabove and in the testimony of Mr. Thomas Brice. As discussed

previously, the Commission retains jurisdiction to ensure proper regulatory and ratemaking treatment in the future without any additional conditions.

13. The History of compliance or non-compliance of the proposed acquiring entity or principals or affiliates have had with regulatory authorities in this State or other jurisdiction.

SWEPCO has a long history of cooperation with the Louisiana Public Service Commission and other regulators during acquisitions. Evidence of this compliance includes SWEPCO's acquisition of Valley Electric Membership Cooperative, which was unanimously approved by the Commission in Order U-31351 dated December 10, 2010. SWEPCO also has an eighteen (18) year history of compliance with the Commission's Service Quality Improvement Program (SQIP), since the SQIP was first established in 1999 to ensure reliability and service for SWEPCO customers. It is SWEPCO's continuing practice to comply with the applicable regulatory rules and regulations. SWEPCO will continue its commitment to compliance and cooperation with this Commission and other regulatory authorities in Louisiana and the other jurisdictions in which it serves.

14. Whether the acquiring entity, persons, or corporations have the financial ability to operate the public utility and maintain or upgrade the quality of the physical system.

SWEPCO has the financial ability to operate and maintain, and if necessary, upgrade the quality of the Wind Facility as described above and set forth in the MIPA, subject to regulatory approval. SWEPCO has considerable experience in securing other wind assets for the benefit of ratepayers, including the nearly 400 MW nameplate rated wind assets that have been unanimously approved by the Louisiana Commission in 2011 and 2016. Further, as set forth in the MIPA, Invenergy will manage the operations and maintenance

of the Wind Facility for a period of five years, while reporting to the SWEPCO Project Manager. Given SWEPCO's considerable experience with wind assets and because SWEPCO is a company with a proven track record of success and ready access to capital markets as well as the support AEPSC, SWEPCO has the ability to meet future needs.

15. Whether any repairs and/or improvements are required and the ability of the acquiring entity to make those repairs and/or improvements.

As an experienced and reliable electric service provider, SWEPCO performed due diligence on the Wind Facility and is capable of making the necessary repairs and/or improvements effectively and efficiently in accordance with the MIPA. As further described by Mr. Godfrey, AEPSC completed due diligence on the Wind Facility prior to the execution of the MIPA. Included in SWEPCO's due diligence was a review of the technology, site layout, permitting, environmental and wildlife impacts and a site visit. SWEPCO has a long history and proven track record of successful and safe project management in connection with construction of large scale complex utility projects, as well as a long tradition of safe and efficient operation of generation units to provide a low cost and reliable supply of electricity to serve its ratepayers. The Company carefully reviewed the Wind Facility and the results of its due diligence support SWEPCO's decision to purchase the Wind Facility for the benefit of ratepayers.

16. The ability of the acquiring entity to obtain all necessary health, safety and other permits.

SWEPCO is experienced in obtaining the necessary health, safety and other permits for many similar projects including various generation and transmission facilities. SWEPCO, as an electric public utility serving Louisiana ratepayers for over 100 years,

has the knowledge, experience and resources to evaluate and obtain the necessary permits.

17. The manner of financing the transfer and any impact that may have on encumbering the assets of the entity and the potential impact on rates.

SWEPCO will not carry the financing burden of the Wind Facility; rather SWEPCO will make payment at Closing as set forth in the MIPA. SWEPCO will provide financing for the construction of the Gen-Tie, as set forth in the testimony of Ms. Renee Hawkins. For financing the Gen-Tie, SWEPCO intends to utilize a combination of short and long-term debt and equity contributions from its parent, AEP, to fund the Project with an approximate capital structure that is consistent with SWEPCO's current capital structure. This method of financing will not encumber any of the assets of SWEPCO or adversely affect the rates of its customers.

18. Whether there are any conditions which should be attached to the proposed acquisition.

For all of the reasons discussed above, it is not necessary for the Commission to attach any other conditions to the Transaction, except for the necessary regulatory approval.

VI. CONCLUSION

The proposed transaction to acquire the Wind Facility is in the public interest and is projected to provide benefits well in excess of its costs for Louisiana ratepayers including fuel savings, as there are no fuel costs, improved fuel diversity, and a dedicated 765 kV Gen-Tie that allows the energy to be delivered directly to the AEP load zone and significantly reduces costly congestion for the life of the Project. The Project provides

substantial potential savings to Louisiana ratepayers but will not be available for Louisiana ratepayers unless the Project is certified by April 2018.

This proposed Project is estimated to result in savings to SWEPCO ratepayers net of its cost in the base case of approximately \$5 billion in nominal dollars and on a net present value basis, of approximately \$1.9 billion over the life of the project, in the base case. There is a relatively limited period of time for SWEPCO to take advantage of the potential acquisition of the Wind Facility for the benefit of Louisiana ratepayers, as the resources will not be available for an extended period of time and due to the pending reduction of PTCs, which benefit Louisiana ratepayers.

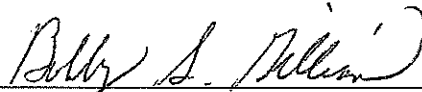
This Project, for which SWEPCO is seeking certification, compares favorably to previous wind resources unanimously approved by this Commission in 2011 and 2016 as prudent and in the public interest. Furthermore, the subject Wind Facility would satisfy the need for 1,200 MW of wind renewable resources identified in SWEPCO's IRP approved by the Commission in February 2016 and with the Gen-Tie being secured so as to serve SWEPCO ratepayers. As set forth in this Application and in the supporting testimony, this Transaction to acquire the Wind Facility and construct the dedicated Gen-Tie fully satisfies the requirements for Certification in accordance with the 1983 General Order, and meets all eighteen (18) requirements in accordance with the 1994 General Order pertaining to the acquisition of the Wind Facility.

WHEREFORE, pursuant to the provisions of the 1983 Certification Order and the 1994 General Order, SWEPCO respectfully requests expedited approval of the transaction to acquire the Project, and that the Commission issue a Certification Order by April 2018 authorizing SWEPCO's cost recovery and rate treatments as requested and

confirming that the acquisition of the Wind Facility and construction of the dedicated Gen-Tie is prudent and in the public interest.

Respectfully submitted,

WILKINSON CARMODY & GILLIAM



Bobby S. Gilliam, Bar Roll No. 6227

Jonathan P. McCartney, Bar Roll No. 31508

400 Travis Street
Post Office Box 1707
Shreveport, Louisiana 71166
Phone: (318) 221-4196
Fax: (318) 221-3705

**COUNSEL FOR SOUTHWESTERN
ELECTRIC POWER COMPANY**