

BEFORE THE
ARKANSAS PUBLIC SERVICE COMMISSION

IN THE MATTER OF SOUTHWESTERN)	
ELECTRIC POWER COMPANY'S)	
PETITION FOR A DECLARATORY)	
ORDER FINDING THAT INSTALLATION)	DOCKET NO. 12-008-U
OF ENVIRONMENTAL CONTROLS AT)	
THE FLINT CREEK POWER PLANT IS)	
IN THE PUBLIC INTEREST)	

SECOND SUPPLEMENTAL DIRECT TESTIMONY OF

SANDRA S. BENNETT

ON BEHALF OF

SOUTHWESTERN ELECTRIC POWER COMPANY

IN RESPONSE TO COMMISSION ORDER NO. 8

OCTOBER 29, 2012

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INTRODUCTION

Q. PLEASE STATE YOUR NAME, BUSINESS ADDRESS, AND POSITION IN THE COMPANY?

A. My name is Sandra S. Bennett and my position with Southwestern Electric Power Company (SWEPCO or the Company) is Vice President, Regulatory and Finance. My business address is 428 Travis Street, Shreveport, Louisiana 71156.

Q. ARE YOU THE SAME SANDRA S. BENNETT THAT FILED DIRECT, REBUTTAL, SUR SUR-REBUTTAL AND SUPPLEMENTAL DIRECT TESTIMONY IN THIS DOCKET?

A. Yes.

TESTIMONY PURPOSE

Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

A. Subsequent to the Flint Creek retrofit hearing, the APSC issued Order No. 8 on October 12, 2012 requesting that SWEPCO and AECC file additional information. On October 22, SWEPCO filed a portion of the information requested by the Commission as Supplemental Direct Testimony, except where the Company had requested and received permission to file the full projected retail bill impacts for several scenarios on October 29. This filing updates and addresses all the retail bill scenarios, including those filed earlier, as I describe in this testimony.

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Retail Rate Impact Scenarios

3 Q. PLEASE SUMMARIZE THE RESULTS IN TABLE 1 BELOW.

4 A. SWEPCO is presenting the residential retail rate impact, per 1,000 kWh, of three
5 Scenarios: A) SWEPCO Direct testimony; B) Staff Direct Testimony; and C)
6 SWEPCO Rebuttal Testimony. The data underlying the table, available as the
7 base and fuel components, is provided in the Exhibits of SWEPCO witness Ms.
8 Shawna Jones' Second Supplemental Direct Testimony. Ms. Jones also provides
9 in her Exhibits the rate impacts of the other requested rate classes -- commercial,
10 industrial, and municipalities.

11 As I discussed in my Supplemental Direct Testimony, in order to provide
12 the Commission the full range of impacts, SWEPCO has provided the
13 Commission both a short-term (Year 2017) and a long-term (20 Year Cumulative)
14 view from which to make their decision.

15 Q. WHY ARE THE NUMBERS IN SCENARIO "A" DIFFERENT FROM THOSE
16 FILED IN THIS TABLE ON OCTOBER 22, 2012?

17 A. As I discussed in my Supplemental Direct testimony, SWEPCO had not yet
18 completed the fairly complex analyses required to project the rate impact of all
19 three scenarios, each with four to five options to be modeled. As SWEPCO
20 witnesses Mr. Scott Weaver and Ms. Jones worked through that process this
21 week, it became apparent that the basis under which SWEPCO calculated the first
22 set of numbers (filed on October 22) could not provide the comparison of relative
23 economics requested by the Commission. In the first version of Scenario A, filed

1 on October 22, Ms. Jones used SWEPCO's current base and fuel rates, and added
2 incremental base cost for the different capital requirements of each option.
3 However, Ms. Jones' rate impact calculations do not have the robust ability of Mr.
4 Weaver's *Strategist* modeling, to show the impact of the changes in fuel types and
5 the pricing for fuel, SO₂, carbon, wind, and other variables that were modeled for
6 each option. These variables represent important distinctions among the options,
7 outside of only capital cost impacts. It became apparent as SWEPCO reviewed
8 the data, that one consistent modeling tool should be used to provide the
9 Commission a fair comparison of all the options and scenarios (thirteen options
10 done for each of two periods, for a total of twenty-six). The *Strategist* model as
11 used by Mr. Weaver to model all scenarios and options throughout the duration of
12 this filing provides for all the assumptions and variables necessary to prepare a
13 comparative table, and Ms. Jones has used the *Strategist* model output to calculate
14 all the numbers in Table 1 below, rather than calculating the data independently.

15 Q. WHAT CAUSES THE DIFFERENCE BETWEEN *STRATEGIST* AND MS.
16 JONES' ORIGINAL CALCULATIONS?

17 A. Simply, the *Strategist* model projects fuel prices, fuel usage, capital requirements,
18 and other variables. *Strategist* also takes into account activities occurring at other
19 SWEPCO plants, and thus provides the most realistic and sophisticated projection
20 at a given date. Ms. Jones' rate model prepares more of a "snapshot" of a given
21 rate scenario, but cannot project fuel or most other variables; it is not a
22 "modeling" tool but a rate calculation tool. This is by design.

1 For example, in Table 1 of my Supplemental testimony filed on October
2 22, the first impact, in box I.A.1, showed the rate impact from SWEPCO Direct,
3 using the Retrofit Option, to be \$80.18 per 1,000 kWh. In the revised Table 1
4 below, that number has increased to \$98.23. The difference between Ms. Jones
5 original calculation of \$80, and the *Strategist* modeling number of \$98, is
6 primarily the increase in fuel cost that *Strategist* projects will occur in the five
7 years between now and 2017, the first year of operation of the retrofitted Flint
8 Creek. Ms. Jones' calculations do not account for projected changes in fuel costs
9 from now until commercial operations, while *Strategist* does. SWEPCO believes
10 that the *Strategist* modeling results in a more realistic and consistent result for
11 comparison of all thirteen options for the two periods -- Year 1 and for the
12 Cumulative 20 Year. Provided below is the completed Table 1, showing in all
13 cases the output of the *Strategist* modeling as used in Direct, Rebuttal and Sur
14 Sur-Rebuttal by SWEPCO Witness Scott Weaver, and used by Ms. Jones to
15 calculate the residential retail bill impacts shown:

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TABLE 1

Flint Creek – Residential Bill Impact / 1,000 kWh for SWEPCO & Staff Scenarios
Year 1 = Annual Impact; Year 20 = Cumulative Annual Impact

Source: Exhibits SGJ-1 SUPP2, SGJ-2 SUPP2 & SGJ-3 SUPP2
USING STRATEGIST MODELING OUTPUT

		1	2	3	4	5
	Scenario	Retrofit Flint Creek	Convert Flint Creek to Gas	New NGCC at Flint Creek	New NGCC at Greenfield site (A only); B,C purchase existing plant	15-year PPA plus wind
I.	YEAR 1 IMPACT					
	Rate per 1,000/kWh					
A	SWEPCO Direct	\$98.23	\$98.72	\$99.48	\$ 100.41	n/a
B	Staff Direct	\$97.48	\$96.57 Includes wind	\$96.88 Includes wind	\$95.26 Includes wind	n/a
C	SWEPCO Rebuttal	\$98.29	\$99.18 Includes wind	\$99.15 Includes wind	\$99.50 Includes wind	\$98.36 Includes wind
II.	YEAR 20 CUMULATIVE					
	Rate per 1,000/kWh					
A	SWEPCO Direct	\$ 11,195	\$ 11,441	\$ 11,403	\$ 11,610	n/a
B	Staff Direct	\$12,821	\$12,627 Includes wind	\$12,637 Includes wind	\$12,276 Includes wind	n/a
C	SWEPCO Rebuttal	\$11,247	\$11,504 Includes wind	\$11,392 Includes wind	\$11,276 Includes wind	\$11,403 Includes wind

- 1 Q. DOES THIS CONCLUDE YOUR TESTIMONY?
- 2 A. Yes, it does. The Company is happy to further assist the Commissioner’s with
- 3 any questions or additional analysis that may be necessary.