SWEPCO 2024 Arkansas IRP

Stakeholder: Sierra Club

Stakeholder Meeting 2A - Pre-Meeting Suggestions

Comment 1: SWEPCO should model early retirement and replacement of Flint Creek in multiple IRP portfolios to determine if this option would save ratepayers money under a range of scenarios.

SWEPCO Response to Comment 1a - Flint Creek Alternatives

As described in SWEPCO's response to stakeholders issued August 16th, 2024, assumed retirement for Flint Creek prior to 2038 is being considered only in the Enhanced Environmental Regulation (EER) Scenario. Flint Creek alternatives that comply with the final EPA 111(d) rule include a co-firing with 40% gas alternative, a 100% gas conversion alternative, and a retirement by 2032 alternative. These alternatives will be considered for economic selection during the evaluation of the EER Scenario. The evaluation of the co-firing with 40% gas alternative and the 100% gas conversion alternative include the necessary costs to build a gas supply pipeline.

SWEPCO Response to Comment 1b - Disposition Analysis

Sierra Club further requests testing of early retirement of Flint Creek to determine if such, "would be economically beneficial to ratepayers." Existing resource retirement decisions are based on multiple factors including, but not limited to, the costs of replacement resources, any potential reliability impact of the retirement, and the local economic impact of the unit retirement. In contrast, the IRP process evaluates incremental variable production costs and fixed costs associated with serving the forecasted capacity and energy needs of customers from existing, incremental and replacement resources with an assumption of existing resource retirement dates. The IRP process evaluates incremental variable production costs and fixed costs rather than a comprehensive assessment of all considerations of a retirement decision. Sierra Club essentially requests a full resource disposition analysis of Flint Creek to fully assess the request to test whether an early retirement of Flint Creek would be economically beneficial to ratepayers. This type of analysis is not within the scope of the IRP.

SWEPCO Response to Comment 1c – Fundamental Objectives of the IRP Process

SWEPCO disagrees with Sierra Club's conclusion that the Company is challenged to make an informed decision about early retirement of a resource unless it models that in an IRP. As stated above, the IRP process evaluates incremental variable production costs and fixed costs rather than a comprehensive assessment of all considerations of a retirement decision. For example, the Flint Creek plant is an integral part of the Company's fleet from both a capacity and energy standpoint, as well as part of SPPs reliability standards for meeting the needs in the Northwest Arkansas Load Pocket and all SWEPCO's customers. These multiple considerations would be necessary components of a resource disposition study and as stated above, is not within the scope of the IRP. SWEPCO declines to perform the requested analysis.

SWEPCO Response to Comment 1d - Committed Resource Additions and Retirements

Moreover, SWEPCO disagrees with Sierra Club's characterization that the IRP has a shortcoming. The Arkansas IRP process is governed by the Arkansas Public Service Commission's *Resource Planning Guidelines for Electric Utilities.* SWEPCO's IRP is compliant with those guidelines. Feedback from the

Louisiana Public Service Commission's Staff on the IRP process in that jurisdiction is not instructive for SWEPCO in Arkansas. Per Guideline 4.3, Identifying and Characterizing Supply and Demand Resources, "The utility should assess existing resources based on their cost effectiveness and considering the utility's planning objectives…Identified resources should be investigated to determine costs, effectiveness, and other attributes such as potential future emission control or allowance costs to the extent they are monetizable."

Further, as stated in the Company's response to the LPSC IRP feedback, the IRP process considers resources to fill the company needs that includes SPP committed additions and retirements. The Company has not committed to retire either Flint Creek or Turk, and therefore, the above referenced alternatives are only considered in the EER scenario for compliance with the applicable environmental rules.

Comment 2: SWEPCO should include all likely environmental costs for Flint Creek in its modeling.

SWEPCO Response to Comment 2a - Appropriate Environmental Costs

Until the parties challenging the 111(d) final rule have fully exhausted legal challenges through and including the US Supreme Court, the Company intends to continue to model scenarios both with and without the impacts of the rules. SWEPCO will include all appropriate environmental costs in its modeling that are consistent with the applicable scenario being modeled. As described in SWEPCO's response to stakeholders, specifically Question 4a, issued August 16th, 2024, the Base, High and Low Candidate Portfolios will exclude operating restrictions on plants included in the final EPA 111(d) rules. The EER Scenario will include the EPA's Section 111(d) rules and their impacts and costs.

SWEPCO Response to Comment 2b - Good Neighbor Plan

SWEPCO disagrees with the position that exclusion of the Good Neighbor Plan presents a misleading view. With the regulation currently stayed, there is no obligation to take action to comply with the Good Neighbor Plan, and until the various legal challenges are concluded, it is premature to guess what, if anything, the Rule may ultimately require of SWEPCO. The Company will monitor court proceedings on this rule and will consider such costs in future IRP development efforts if the Rule is upheld.

SWEPCO Response to Comment 2c - ELG Rule

Regarding the April 2024 ELG rule update, SWPECO is including applicable environmental compliance costs for this rule in the EER Scenario. Sierra Club's referenced estimates are general and not specifically applicable to SWEPCO's operations. Further, it appears that Sierra Club does not accurately interpret the compliance obligations applicable to SWEPCO's units.

Comment 3: SWEPCO should not delay addressing the Northwest Arkansas load pocket and should incorporate transmission planning into its IRPs.

SWEPCO Response to Comment 3a – Transmission Planning

Sierra Club requests transmission planning in this IRP. The APSC's Guidelines governing the IRP process in Arkansas states the following regarding transmission planning:

> Guideline 4.7: The transmission plan necessarily results from a *separate planning process and is a separate plan;* however it should be integrated into the overall resource planning process, such that the analysis of generation options and demand

> response options can be synthesized and optimized. *Transmission planning will be done by an independent entity and is regional in scope*. (emphasis added)

Further, SWEPCO disagrees with the assumption that the Northwest Arkansas Load Pocket presents a reliability issue. Currently, the Northwest Arkansas Load Pocket is reliably served, including by the operation of Flint Creek. Reliability in the Northwest Arkansas Load Pocket is addressed in SPP's planning, and currently, all the SPP reliability requirements are met with the Flint Creek unit operating as it has for customers. Furthermore, as discussed at the General Staff's Load Pocket Working Group meeting held in June 2024, the SPP will not model transmission solutions until ten years prior to a plant's planned retirement, which is 2038 for Flint Creek. For the Company's IRP EER Scenario, if Flint Creek is not economically selected as a co-fired gas unit or as a 100% natural gas conversion unit, and is selected to retire by 2032, then a Northwest Arkansas Load Pocket transmission solution adds a new transmission line to serve the Northwest Arkansas Load Pocket. This transmission solution assumes replacement generation is not located in the Northwest Arkansas Load Pocket.

If the transmission alternative is selected to serve the Northwest Arkansas Load Pocket in the EER scenario, additional consideration would be required for the Commission to concur. The cost of this line is in addition to the cost of the new generation that SWEPCO would need to add in SPP to replace the capacity lost by the retirement of Flint Creek. This capacity would be needed to comply with SPP's capacity margin requirements.

Please also see the response to Modeling Request 4 included in SWEPCO's response to stakeholders issued August 16th, 2024, for additional details on SPP's Integrated Transmission Planning (ITP).

Comment 4: SWEPCO's assumptions about solar, wind, and battery storage costs and availability bias the model towards building conventional resources.

SWEPCO Response to Comment 4a – SWEPCO's Methodology

SWEPCO disagrees with the concern Sierra Club articulates about its methodology for modeling new resource costs and first year availability. The Company's estimates for renewable resources uses as a starting point the EIA's 2023 Annual Energy Outlook and this information is informed and adjusted by market intelligence received by the Company from proposals received in its RFP processes. The Company has not only gained experience but also real-life market involvement in recent years in multiple rounds of RFPs, including one in 2024. As such, SWEPCO has extensive knowledge which has informed the modeled new resource construction costs and when they are first available, including the time it takes to navigate through the RFP and regulatory approval process. As such, the Company stands by its cost and first available date assumptions.

SWEPCO Response to Comment 4b – SWEPCO Resource Costs Compared to Industry Sources

Refer to the response to 4a. The Company has extensive current RFP data supporting the cost of resources which are available to SWEPCO in the market. Regarding SWEPCO's resource cost projections, the Sierra Club comments do not accurately represent SWPECO's 2024 IRP resource cost trajectories in Figure 1, Figure 2, and Figure 3. SWEPCO's technology costs have been presented to Stakeholders in nominal dollars (current monetary values). In its resource planning efforts, SWEPCO shows costs as nominal dollars rather than real dollars (adjusted for inflation), which can be beneficial for several reasons, including improved clarity, consistency with budgeting, indicating current market conditions, and ease of calculation. Moreover, this approach has been consistently applied across all the resource types being model by the Company.

SWEPCO Response to Comment 4c –Resource Build Limits and First Year

The Company is taking a measured approach to the Battery Energy Storage Systems (BESS) resources. While BESS resources are not energy generators, they do provide potential benefits to serve customers during times of peak loads and potential transition to dispatchable resources when renewable resources might not be generating. The Company considered the cumulative total for all BESS resources (4, 6, 8, 10, 100-hr) of 1,700 MWs. As the Company presented in the Stakeholder 2A meeting on September 30th, 2024, for the Base, High and Low Scenarios, these cumulative limits were not reached and therefore did not limit the model as Sierra Club suggests.

SWEPCO Response to Comment 4d – 10% Energy Community Bonus (ECB)

In response to concerns on tax credit valuation, SWEPCO reiterates its position to exclude bonus credits in its IRP. As described in SWEPCO's response to stakeholders issued August 16th, 2024, site-specific factors, such as applicability of the ECB, are not included in the Company's IRP analysis. Site specific factors are evaluated once potential resource locations are identified. Further, it is SWEPCO's experience that if projects responding to an RFP are eligible for the ECB, it has traditionally been a very small percentage such that any broad assumption for the availability in the IRP process may overly influence the selection of resources well above what might be realized in an RFP process. The final quantity and costs of actual resources will be identified through the RFP process, and SWEPCO will recognize and seek to secure any potential value to customers from the ECB, and these efforts are not impacted by inclusion or omission of the ECB in the IRP process. In addition, including the value of the ECB in the economic analysis of bids will depend on the developer making a contractually binding commitment that a project will qualify for the applicable bonus.