

City of Fayetteville Staff Review Form

2021-0720

Legistar File ID

9/14/2021

City Council Meeting Date - Agenda Item Only
N/A for Non-Agenda Item

Peter Nierengarten

9/10/2021

SUSTAINABILITY/RESILIENCE (631)

Submitted By

Submitted Date

Division / Department

Action Recommendation:

Staff recommends intervening in Arkansas Public Service Commission docket: 21-070-U, in the matter of the application of Southwestern Electric Power Company for approval of a general change in rates and tariffs.

Budget Impact:

Account Number	Fund
Project Number	Project Title
Budgeted Item? <input type="checkbox"/>	Current Budget \$ -
	Funds Obligated \$ -
	Current Balance \$ -
Does item have a cost? <input type="checkbox"/>	Item Cost \$ -
Budget Adjustment Attached? <input type="checkbox"/>	Budget Adjustment \$ -
	Remaining Budget \$ -

V20210527

Purchase Order Number: _____

Previous Ordinance or Resolution # _____

Change Order Number: _____

Approval Date: _____

Original Contract Number: _____

Comments:



MEETING OF SEPTEMBER 14, 2021

TO: Mayor and City Council

THRU: Susan Norton, Chief of Staff

FROM: Peter Nierengarten, Environmental Director

DATE: September 7, 2021

SUBJECT: Southwestern Electric Power Company (SWEPCO) Rate Case Intervention

RECOMMENDATION:

Staff recommends intervening in Arkansas Public Service Commission docket: 21-070-U, in the matter of the application of Southwestern Electric Power Company for approval of a general change in rates and tariffs.

BACKGROUND:

Southwestern Electric Power Co. (SWEPCO) is one of two utilities providing electricity within the City of Fayetteville. In 2020, SWEPCO provide approximately 795 million kWh of electricity to residents, businesses and other institutions in Fayetteville, accounting for 74% of electricity consumed in the City.

On July 23, 2021, SWEPCO submitted a request to the Arkansas Public Service Commission to update its prices. The company seeks recovery of ongoing operation and maintenance ("O&M") and capital for its generation units associated with several utility distribution and generation upgrades, including:

- New wind power generation facilities in Oklahoma
- Upgrades to the Flint Cleek Coal Plant to comply with the U.S. EPA Coal Combustion Residual (CCR) and Effluent Limitations Guidelines (ELG) rules
- Transmission & distribution improvements to increase reliability of service to customers

If approved, new rates would likely go into effect by the middle of 2022. A Fayetteville residential customer using 1,000 kilowatt-hours per month would see a total bill of \$130.20, an overall bill increase of \$18.89 per month, or about 17%. Commercial, industrial and public customers would see an 8% rate increase.

DISCUSSION:

The Arkansas Public Service Commission allows any person or entity whose interest may be directly affected by Commission action to intervene as a party to any docket. A petition to intervene shall contain:

- The nature of the petitioner's interest in the proceeding

- A demonstration that the petitioner's interests are not adequately represented by any other party
- The specific objection to the applicant's proposal
- Any other reasonable information

Other affected entities who have submitted petitions to the Arkansas Public Service Commission to intervene in this rate case include the University of Arkansas System, Walmart Inc. and the Sierra Club. The deadline to submit intervene in this rate case is 4:30 pm on Tuesday, September 21, 2021.

BUDGET/STAFF IMPACT:

The proposed SWEPCO rate increase would have a direct budgetary impact of approximately \$80,000 per year for City of Fayetteville Government electricity costs and over \$10M per year in additional electricity cost for the residents, businesses and other institutions in Fayetteville.

Attachments:

SWEPCO News Release

SWEPCO REQUESTS NEW ARKANSAS RATES

July 23, 2021

SHREVEPORT, La., July 23, 2021 – Southwestern Electric Power Co. (SWEPCO), an American Electric Power (Nasdaq: AEP) company, today submitted a request to the Arkansas Public Service Commission (APSC) to update its prices. The company seeks to recover environmental and resiliency costs associated with providing customers cleaner and more reliable energy.

“We have made significant investments in wind-powered generation, specifically with the North Central Energy Facilities (NCEF) project,” said Malcolm Smoak, SWEPCO president and chief operating officer. “It’s a project that has environmental and economic benefits for SWEPCO’s customers, saving an estimated \$2 billion over the next 30 years.”

The APSC unanimously approved the NCEF project in May 2020.

With no fuel cost for wind, NCEF lowers SWEPCO’s overall fuel cost for power generation. This fuel savings and federal Production Tax Credits more than offset the cost of the new facilities, resulting in net long-term savings to customers.

One of three NCEF wind facilities is now in commercial operation. The second and third facilities will begin operations later this year and early 2022, respectively. Arkansas customers get 268 megawatts (MW) of SWEPCO’s total purchase of 810 MW.

The \$85 million request also includes recent investments in transmission and distribution facilities and reflects costs to operate and maintain equipment that delivers power to customers. It also establishes new tariffs for electric vehicles, lighting and other measures.

If approved, new rates would likely go into effect in the first billing cycle of June 2022. An Arkansas residential customer using 1,000 kilowatt-hours per month would see a total bill of \$130.20, an overall bill increase of \$18.89 per month, or about 17%. This total includes SWEPCO’s 2021 winter storm costs, which are about \$7.72 per month for a residential customer using 1,000 kilowatt-hours per month.

Base rates refer to the costs of building, maintaining and operating SWEPCO’s electric system, including power plants, transmission and distribution lines and facilities to serve customers. Base rates do not include the fuel portion of the customer’s bill, which pays for fuel and purchased power and is a direct pass-through to customers.

About Southwestern Electric Power Co. (SWEPCO)

SWEPCO, an American Electric Power (Nasdaq: AEP) company, serves more than 543,000 customers in northwest and central Louisiana, northeast Texas and the Texas Panhandle, and western Arkansas. SWEPCO’s headquarters are in Shreveport, La. News releases and other information about SWEPCO can be found at SWEPCO.com. Connect with us at [Facebook.com/SWEPCO](https://www.facebook.com/SWEPCO), [Twitter.com/SWEPCOnews](https://twitter.com/SWEPCOnews), [Instagram.com/swepco](https://www.instagram.com/swepco), [Youtube.com/SWEPCOtv](https://www.youtube.com/SWEPCOtv), [LinkedIn.com/company/swepco](https://www.linkedin.com/company/swepco) and SWEPCOconnections.com.

About American Electric Power (AEP)

American Electric Power, based in Columbus, Ohio, is powering a cleaner, brighter energy future for its customers and communities. AEP's approximately 16,800 employees operate and maintain the nation's largest electricity transmission system and more than 223,000 miles of distribution lines to safely deliver reliable and affordable power to 5.5 million regulated customers in 11 states. AEP also is one of the nation's largest electricity producers with approximately 30,000 megawatts of diverse generating capacity, including more than 5,600 megawatts of renewable energy. The company's plans include growing its renewable generation portfolio to approximately 50% of total capacity by 2030. AEP is on track to reach an 80% reduction in carbon dioxide emissions from 2000 levels by 2030 and has committed to achieving net zero by 2050. AEP is recognized consistently for its focus on sustainability, community engagement, and diversity, equity and inclusion. AEP's family of companies includes utilities AEP Ohio, AEP Texas, Appalachian Power (in Virginia and West Virginia), AEP Appalachian Power (in Tennessee), Indiana Michigan Power, Kentucky Power, Public Service Company of Oklahoma, and Southwestern Electric Power Company (in Arkansas, Louisiana, east Texas and the Texas Panhandle). AEP also owns AEP Energy, which provides innovative competitive energy solutions nationwide. For more information, visit aep.com.