

Arkansas Rate Review

What is SWEPCO proposing?

On Feb. 28, 2019, SWEPCO submitted a request to the Arkansas Public Service Commission (APSC) for a net annual increase of \$45.6 million in the company's non-fuel base rates, plus \$12 million for increased vegetation management.

Why is SWEPCO requesting an increase?

Since its last rate review in 2009, SWEPCO's cost to serve Arkansas customers has included significant capital investments in generation, transmission and distribution facilities, along with increased operations and maintenance expenses.

What are base rates?

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 pass-through to customers with no profit to the company.

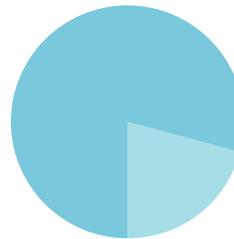
How will this affect customers' bills?

If approved as proposed, the combined \$57.6 million request will result in an overall bill increase of approximately \$22.60 per month, or 24 percent, for an Arkansas residential customer using 1,000 kilowatt-hours per month. Increases for individual customers will vary by rate class and usage. New rates likely would go into effect in January 2020.

What's next?

The APSC will conduct its public regulatory review process over the coming months. If approved, new rates likely would take effect in January 2020.

What's in the request?



\$57.6 MM Net Annual Increase

\$45.6 MM: Investments in generation, transmission & distribution facilities since 2009, plus increased operations and maintenance costs to provide reliable and safe service to Arkansas customers.

\$12 MM: Proposal for an expanded vegetation management program to reduce tree-related outages in Arkansas, especially during storms, and to restore power more quickly when outages occur.

What existing costs would move into base rates?

SWEPCO is requesting that costs currently recovered through separate charges on customers' bills, known as riders, be moved into base rates. These existing costs include:

- Power plant environmental retrofits to meet recent federal mandates and continue providing reliable power to customers (Flint Creek at Gentry, AR; Welsh Units 1 and 3 at Pittsburg, TX; Pirkey at Hallsville, TX; and Dolet Hills at Mansfield, LA) *
- Construction of a high-efficiency, combined cycle natural gas plant to serve SWEPCO customers (Stall Plant at Shreveport, LA) *
- Costs related to energy efficiency programs.

* The Texas and Louisiana plants also serve customers in Arkansas, just as Arkansas plants also serve Texas and Louisiana customers.