
Frequently Asked Questions SWEPCO Wind Energy Proposal

[SWEPCO.com/CleanEnergy](https://www.swepcoco.com/CleanEnergy)

Q. What is SWEPCO's 810-MW wind project?

A. SWEPCO will add 810 megawatts (MW) of wind energy by 2022, supporting the company's long-term plan of significantly increasing our use of more environmentally friendly energy sources, such as wind and solar. Along with the environmental benefits, this additional wind energy will save customers money for years to come, helping families, businesses and the local economy. The energy from three new facilities in north central Oklahoma will serve SWEPCO customers in Louisiana and Arkansas.

Q. What is SWEPCO's long-term plan for more clean energy?

A. More than one-third of the energy required by customers will be generated from wind and solar sources over the next 20 years. Here's how SWEPCO's energy source mix will change under this plan: Wind energy increases from today's 9% to 26%, and solar is introduced and grows to 10%; natural gas grows from 7% to 19%; and coal drops from 83% to 44%.

Q. How does SWEPCO's proposal move the company toward its long-term goal?

A. The 810 MW project will move wind to 21% of our energy source mix. It also will help customers meet their own renewable energy and sustainability goals.

Q. How will the proposal help customers meet their own sustainability and renewable energy goals?

A. Customers including Walmart, Tyson Foods, UPS, Target, cities, universities and others are asking for more clean energy to meet their own sustainability and renewable energy goals. Many companies looking to locate new facilities or expand are also seeking more renewable energy. The project will add 810 MW of renewable energy to SWEPCO's resource mix. Customers will be able to purchase Renewable Energy Credits (RECs) through a new SWEPCO tariff (with proceeds from REC sales flowing back into fuel savings for the benefit of Arkansas and Louisiana customers).

Q. How will the project help communities with economic development?

A. The project will improve economic development by making communities more attractive to businesses that want more renewable energy and lower energy costs.

Q. How will SWEPCO receive the 810 MW of wind energy?

A. SWEPCO will acquire three wind generation facilities in north central Oklahoma – known as the North Central Energy Facilities – in conjunction with its sister company, Public Service of Oklahoma (PSO). The facilities were identified through a competitive bidding process as providing the greatest benefit to customers. The facilities will interconnect to the PSO/SWEPCO transmission grid.

Q. Where are the facilities located and when will they be completed?

A. The three facilities are:

- Traverse (999 MW) – north of Weatherford, OK – completion in 2021
- Maverick (287 MW) – southwest of Enid, OK – completion in 2021
- Sundance (199 MW) – northwest of Cleo Springs, OK – completion in 2020

Q. Why Oklahoma?

A. The three wind facilities are in north central Oklahoma, close to the PSO/SWEPCO transmission system, where they tap into some of the best wind resources in the country. The facilities will interconnect to the regional power grid in which SWEPCO operates, bringing more renewable energy to Arkansas and Louisiana customers.

Q. Who is developing the projects?

A. Invenergy is developing the projects. SWEPCO and PSO will purchase the projects from Invenergy at completion.

Q. What regulatory approvals were received?

A. For SWEPCO, regulators approved the project in Louisiana and Arkansas, but not in Texas. For PSO, the project was approved in Oklahoma. For SWEPCO and PSO, the project was approved by the Federal Energy Regulatory Commission.

- Louisiana – The Louisiana Public Service Commission granted final approval May 27, 2019, of a settlement agreement reached by all parties in March and filed in April.
- Arkansas – The Arkansas Public Service Commission granted final approval May 5, 2020 of a modified settlement agreement. All parties accepted the modified terms on May 8.
- Texas – The Public Utility Commission of Texas denied SWEPCO’s application July 2, 2020.
- Oklahoma – PSO received final Oklahoma Corporation Commission approval Feb. 20, 2020, of a settlement agreement in its plan to add 675 megawatts of wind energy, or 45.5% of the 1,485 MW project.
- The Federal Energy Regulatory Commission (FERC) has approved the acquisition of the wind facilities by SWEPCO and PSO.

Q. How much of SWEPCO’s 810 megawatts will be allocated to each state?

A. Following regulatory approvals in Louisiana, Arkansas and the Federal Energy Commission, the estimated allocation by jurisdiction will be:

- Louisiana – 464 MW
- Arkansas – 268 MW
- Wholesale customers (FERC) – 78 MW

Texas did not approve the project. SWEPCO’s proposal was scalable to align with regulatory approvals by state, subject to commercial limitations. Two states that approve the project would have the ability to increase the number of megawatts allocated to them if one state does not approve the proposal.

Q. What happened to the planned allocation of energy by state after Texas denied SWEPCO’s application?

A. SWEPCO’s original 810 MW proposal included 309 MW allocated to Texas, 155 MW for Arkansas and 268 MW for Louisiana. The Arkansas and Louisiana Commissions approved options to increase their allocations if another state did not approve the proposal. With these options approved and the PUCT denial, an estimated 464 MW will be allocated to Louisiana and an estimated 268 MW to Arkansas,

while wholesale customers in SWEPCO's territory will benefit from 78 MW, for a SWEPCO total of 810 MW.

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Q. What is the total customer savings from this addition of 810 megawatts of wind energy?

A. SWEPCO projects that customers will save \$2 billion over the 30-year expected life of the facilities.

Q. What are the anticipated savings by state?

A. Over the 30-year life of the new wind facilities, the anticipated savings by state are:

- Arkansas: \$713 million (based on the estimated 268 MW)
- Louisiana: \$1.24 billion (based on the estimated 464 MW)
- Texas: State regulators did not approve the project

Q. Are there customer guarantees to help assure savings?

A. Yes. SWEPCO's proposal – approved by regulators in Arkansas and Louisiana – includes a cost cap, a minimum energy production guarantee, and a Production Tax Credit (PTC) guarantee (100% for one project and 80% for others).

Q. What are the SWEPCO and PSO shares of the project?

A. The 1,485 MW project total is split by SWEPCO with 54.5% (810 MW) and PSO with 45.5% (675 MW).

Q. Why is this project necessary?

A. SWEPCO's most recent Integrated Resource Plan (IRP) shows that customers will benefit from significant increases in wind and solar energy over the next 20 years.

Q. What is the Integrated Resource Plan (IRP)?

A. Arkansas and Louisiana have IRP processes, and SWEPCO's plans are on file in each state. An IRP is a 20-year plan that explains how a utility anticipates meeting the projected capacity and energy requirements of its customers in a reliable and economic manner. Many stakeholders take part in the IRP process. As a long-range plan, it is subject to change, but it serves to inform the Commissions and interested parties about the anticipated costs and other considerations of various resource options, as well as SWEPCO's preferred plan.

Q. What about solar?

A. The same resource plan that resulted in the issuance of this wind RFP also calls for the addition of solar resources. SWEPCO is evaluating options to add approximately 1,300 MW of solar energy by 2032.

As part of the Louisiana wind project settlement agreement approved by the LPSC on May 27, 2020, SWEPCO also plans to issue a request for proposals for up to 200 MW of solar generation resources to be located in the company's service territory with construction beginning in the next three years, pursuant to regulatory requirements and review.

Q. Are there any tax incentives for this project?

A. Yes. The facilities qualify for Production Tax Credits (PTCs), which are federal tax credits available for wind projects completed in certain timeframes. A substantial part of the savings for customers comes from PTCs. The Sundance facility (199 MW) will qualify for 100% of the PTC. The Traverse (999 MW) and Maverick (287 MW) facilities will each qualify for 80% of the PTC.

Q. What is the value of the Production Tax Credit (PTC) to the projects?

A. The PTC will provide approximately \$750 million in customer cost savings.

Q. Will Renewable Energy Credits (RECs) be available to customers?

A. Yes. SWEPCO proposes to create renewable energy tariffs to make the RECs available to customers who wish to purchase them. This will help customers meet their own renewable energy and sustainability goals. The project will produce one REC for each megawatt-hour of energy generated. Proceeds from the sale of RECs will flow back into fuel cost savings for all Arkansas and SWEPCO customers.

Q. What was the response to the Request for Proposals (RFP)?

A. SWEPCO issued its RFP in January 2019 for up to 1,200 MW of new or existing wind energy projects that could be placed in service by the end of 2021. PSO issued a similar proposal for up to 1,000 MW. There was a robust response from the market with 35 bids totaling approximately 5,900 MW and 19 different projects (15 in Oklahoma, 4 in Texas). After careful evaluation, three projects totaling 1,485 MW were selected as providing the most benefits for customers.

Q. How much wind power serves SWEPCO customers today?

A. SWEPCO has 469 MW of wind power through power purchase agreements (PPAs) with facilities in Texas, Oklahoma and Kansas. The 469 MW are about 9% of SWEPCO's energy mix today.

Q. Why are you seeking to own the wind assets instead of signing purchase power agreements?

A. These wind facilities will provide low-cost energy with minimal risk associated with future environmental regulations. Customers also will benefit from any production beyond the levels assumed in the project evaluation, as they do with other company-owned generating facilities. And, we expect wind facilities to continue generating low-cost energy for our customers beyond the term of typical purchase power agreements (PPAs).

Q. How is this current project different than the 2017 Wind Catcher project?

A. The current project results from a competitive bidding process, includes multiple wind generating facilities, does not include an extended generation tie line and has different provisions for regulatory approval.

Q. Does the current project involve an extended generation tie line like Wind Catcher?

A. No. The selected wind projects will connect to the regional transmission grid near their locations.

Q. Where can I find out more information?

A. Visit our website at SWEPCO.com/CleanEnergy