

**UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION**

Citizens Sunrise Transmission LLC) Docket No. ER25-____-000

PREPARED DIRECT TESTIMONY OF JOHN SIMPSEN

1 I. INTRODUCTION AND QUALIFICATIONS

2 Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

**3 A. My name is John Simpsen. I am a Lead Consultant in the Transmission
4 Strategy Practice at MCR Performance Solutions (“MCR”), 155 N. Pfingsten
5 Road, Suite 155, Deerfield, IL 60015.**

**6 Q. PLEASE SUMMARIZE YOUR EDUCATIONAL AND PROFESSIONAL
7 BACKGROUND.**

**8 A. I graduated from the University of Oklahoma in 2005 with Bachelor of
9 Science degree in Industrial Engineering. I earned a Master of Business
10 Administration in Finance from the University of Oklahoma in 2015. I lead
11 projects for MCR clients in various Regional Transmission Organizations
12 (“RTO”) including the California Independent System Operator (“CAISO”),
13 the Midcontinent Independent System Operator (“MISO”), the Southwest
14 Power Pool (“SPP”), and the Electric Reliability Council of Texas
15 (“ERCOT”) as well as clients that are not in an RTO. I have developed or
16 supported expert testimony, provided analytics, and assisted our clients in
17 intervention support for transmission rate filings at the Federal Energy
18 Regulatory Commission (“FERC” or “Commission”) under the Federal**

1 Power Act Section 205. These filings have included requesting: 1)
2 implementation of transmission formula rates; 2) implementation of
3 transmission rate incentives; and 3) reclassification of distribution assets to
4 transmission accounts. I have led multiple preparations and/or reviews of
5 existing formula rate updates for transmission owners in RTOs. I have also
6 conducted several reviews of public power and generation and transmission
7 (“G&T”) cooperative accounting structures and cost reporting approaches to
8 ensure they are in conformance with the Commission’s Uniform System of
9 Account. Further, I have developed and testified to transmission cost of
10 service (“TCOS”) and wholesale transmission service (“WTS”) filings at the
11 Public Utility Commission of Texas (“PUCT”). I have developed analytical
12 financial tools and have led client projects to determine the cost allocation
13 economics and risks of proposed investments in major cost-shared
14 transmission projects. I have authored or co-authored white papers on topics
15 such as transmission investment and rate impacts in RTOs, transmission
16 incentives, and cost allocation methodologies.

17 Q. HAVE YOU TESTIFIED AS AN EXPERT WITNESS REGARDING
18 UTILITY RATES AND TARIFFS?

19 A. Yes, I have submitted direct testimony in Federal Power Act Section 205
20 filings in support to establish Annual Transmission Revenue Requirements
21 (“ATRR”), formula transmission rates and transmission rate incentives in the
22 following FERC dockets:

23
24

- ER17-1761 on behalf of Mountrail-Williams Electric Cooperative.

1 Additionally, I have supported direct testimony of my colleagues and clients
2 and prepared accompanying analytics and exhibits in the following FERC
3 dockets:

- 4 • ER15-1976-000 on behalf of East River Electric Power Cooperative.
- 5 • ER15-2115-000 on behalf of Northwest Iowa Power Cooperative.
- 6 • ER15-2115-000 on behalf of Northwest Iowa Power Cooperative.
- 7 • ER16-204 on behalf of Tri-State Generation and Transmission
8 Association.
- 9 • ER16-209-000 on behalf of Central Power Electric Cooperative.
- 10 • ER16-1774-000 on behalf of Western Farmers Electric Cooperative.
- 11 • ER17-1610-000 on behalf of Mountrail-Williams Electric Cooperative.
- 12 • ER24-260 on behalf of Dairyland Power Cooperative.

13 Additionally, I have submitted direct testimony in support of applications to
14 change wholesale transmission rates and interim update of wholesale
15 transmission rates in the following PUCT dockets:

- 16 • Docket No. 49900 on behalf of San Miguel Electric Cooperative.
- 17 • Docket No. 49943 on behalf of Lyntegar Electric Cooperative.
- 18 • Docket No. 50036 on behalf of Lamar County Electric Cooperative.
- 19 • Docket No. 50189 on behalf of Bandera Electric Cooperative.
- 20 • Docket No. 50201 on behalf of Southwest Texas Electric Cooperative.
- 21 • Docket No. 50218 on behalf of Fannin County Electric Cooperative.

- 1 • Docket No. 50278 on behalf of Bluebonnet Electric Cooperative.
- 2 • Docket No. 50732 on behalf of San Bernard Electric Cooperative.
- 3 • Docket No. 51420 on behalf of Bandera Electric Cooperative.
- 4 • Docket No. 51464 on behalf of Grayson-Collin Electric Cooperative.
- 5 • Docket No. 52353 on behalf of Rayburn Country Electric
- 6 Cooperative.
- 7 • Docket No. 52741 on behalf of Bluebonnet Electric Cooperative.
- 8 • Docket No. 52828 on behalf of Golden Spread Electric Cooperative.

9

10 Q. ON WHOSE BEHALF ARE YOU TESTIFYING?

11 A. I am testifying on behalf of Citizens Sunrise Transmission, LLC (“Citizens
12 Sunrise Transmission” or “CST”)

13

14 Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

15 A. The purpose of my testimony in this filing is to explain and support Citizens
16 Sunrise Transmission’s operating cost true-up to be effective January 1,
17 2025, in accordance with the CST Transmission Owner Tariff (“TO Tariff”),
18 Appendix III.

19

20 **II. BACKGROUND**

21 Q. PLEASE EXPLAIN THE CST TO TARIFF AND WHEN IT BECAME
22 EFFECTIVE.

1 A. On July 3, 2012, the Transfer Capability Lease Agreement between Citizens
2 Sunrise Transmission and SDG&E was closed which effectuated the Citizens
3 Sunrise transfer capability entitlement in the Border East Line of the Sunrise
4 Powerlink Project. For the Citizens Sunrise transfer capability entitlement
5 in the Border East Line, the effective date of commercial operation and
6 turnover of operational control to the CAISO was July 3, 2012. The
7 Commission, in Docket ER12-686-001, accepted the CST TO Tariff,
8 including Appendix III which contained the CST Transmission Revenue
9 Requirement (“TRR”) and the formulaic terms of the tariff, effective July 3,
10 2013 (Letter Order dated October 26, 2012). In a Letter Order December 23,
11 2020 in Docket ER21-220-000, the Commission accepted, effective January
12 1, 2021, tariff revisions that effectuated a change in the rate year from one
13 beginning June 1 each year to one beginning January 1 each year and also
14 revised Appendix III to incorporate new Formula Rate Protocols.

15

16 Q. WHAT IS THE CST OPERATING COST TRUE-UP?

17 A. The operating cost true-up is specified in the Citizens Sunrise Transmission
18 TO Tariff, Appendix III. The true-up procedure is specified in paragraphs
19 four through eight of Appendix III, as follows:

20

21 4. The costs included in the Transmission Operating Cost Revenue
22 Requirement associated with Citizens Sunrise Transmission’s share
23 of the Sunrise Powerlink Project are those directly attributable to
24 Citizens Sunrise Transmission’s Transfer Capability on the Project, as
25 recorded in FERC accounts 560-573, and 920-935 under the FERC
26 Uniform System of Accounts. The costs are in two parts; (1) those
27 costs billed to Citizens Sunrise Transmission by SDG&E, the operator
28 of the Project, and (2) those costs incurred directly by Citizens Sunrise
29 Transmission in managing and administering its Transfer Capability.

1 The Transmission Operating Cost Revenue Requirement is the sum of
2 those two parts, and is established each year as described in
3 paragraphs 5, 6, 7 and 8 below.
4

5 5. The costs billed to Citizens Sunrise Transmission by SDG&E are
6 those billed pursuant to the Transfer Capability Lease. The costs
7 included in this Transmission Operating Cost Revenue Requirement
8 are those costs specified under the provisions of Appendix X to the
9 SDG&E Transmission Owner Tariff.

10
11 6. Pursuant to Appendix X, SDG&E will submit to FERC on or before
12 October 31 of each year an informational filing showing the Citizens
13 Border East Line Rate in effect for the period January 1 through
14 December 31 of the subsequent year. Citizens Sunrise Transmission
15 shall include in the Transmission Operating Cost Revenue
16 Requirement effective January 1 each year the Citizens Border East
17 Line Rate amount specified in the SDG&E informational filing each
18 year. Appendix X to the SDG&E Transmission Owner Tariff states
19 that in the event of a challenge to any of the costs reflected in rates
20 derived in Appendix X, SDG&E shall bear the burden of
21 demonstrating that such costs and expenditures included for recovery
22 were prudently incurred, accurate and consistent with the formula.
23 Therefore, Citizens Sunrise Transmission shall not bear the burden of
24 demonstrating that such portion of its costs and expenditures included
25 for recovery that were specified in Appendix X to the SDG&E
26 Transmission Owner Tariff were prudently incurred, accurate and
27 consistent with the formula. However, Citizens Sunrise Transmission
28 will adjust its Transmission Operating Cost Revenue Requirement to
29 reflect any required changes to the Citizens Border East Line Rate
30 pursuant to a FERC Order and revised billing by SDG&E. The initial
31 Citizens Border East Line Rate for the period through May 31, 2013
32 is \$2,627,000 as specified in the SDG&E filing in FERC Docket
33 ER12-1417-000.
34

35 7. The costs incurred directly by Citizens Sunrise Transmission in
36 managing and administering its Transfer Capability are those
37 recorded by Citizens Sunrise Transmission in FERC accounts 561.4,
38 923, 924, 925, 928, and 930.2. Citizens Sunrise Transmission shall
39 include in the Transmission Operating Cost Revenue Requirement
40 effective January 1 each year the sum of the amounts recorded in the
41 above FERC accounts for the second calendar year prior to the

1 January 1 effective date, plus or minus a true-up adjustment equal to
2 the difference between the total amount recorded in the above FERC
3 accounts for the calendar year and the amount recovered through the
4 Transmission Operating Cost Revenue Requirement for that calendar
5 year. Interest will be calculated on the true-up adjustment in
6 accordance with FERC Regulation 35.19(a) for the period January
7 through December of the year immediately prior to the January 1
8 effective date, and such interest will be fully amortized over the
9 twelve month period commencing January 1. The initial amount of
10 costs incurred directly by Citizens Sunrise Transmission in managing
11 and administering its Transfer Capability is estimated for the period
12 through May 31, 2013 and shall be \$772,000 for the initial period
13 through May 31, 2013.
14

- 15 8. Citizens Sunrise Transmission shall submit to FERC on or before
16 October 31 of each year an Informational Filing showing Citizens
17 Sunrise Transmission's Transmission Operating Cost Revenue
18 Requirement to be in effect for the Period January 1 through
19 December 31 of the subsequent year (the "Informational Filing"). The
20 Informational Filing shall not subject the Formula set forth in this
21 Appendix III to modification. The Informational Filing shall only be
22 contestable with respect to the prudence of the Citizens Sunrise
23 Transmission costs and expenditures included for recovery, the
24 accuracy of the data and the consistency with the Formula of the
25 changes in data shown in the Informational Filing. In the event of a
26 challenge to any of the costs reflected in the Transmission Operating
27 Cost Revenue Requirement derived under this Appendix III, Citizens
28 Sunrise Transmission shall, except with respect to the SDG&E costs
29 and expenditures as provided in Appendix X to the SDG&E
30 Transmission Owner Tariff, bear the burden of demonstrating that
31 such costs and expenditures included for recovery were prudently
32 incurred, accurate and consistent with the Formula. Any revisions to
33 the Transmission Revenue Requirement resulting from a FERC Order
34 will be provided to the CAISO for its use in the calculation of the
35 refunds due under the Transmission Access Charge methodology in
36 accordance with the CAISO Tariff.

37
38 As described above, the true-up mechanism essentially trues up the operating
39 cost component of the TRR to reflect the actual operating costs of the second

1 prior calendar year. The tariff specifies that the new TRR is to be effective
2 on January 1 of each year.

3
4 **III. CALCULATION OF THE OPERATING COST TRUE-UP**
5 **ADJUSTMENT**

6 Q. PLEASE DESCRIBE THE CALCULATION OF OPERATING COST
7 TRUE-UP ADJUSTMENT.

8 A. The calculation of the operating cost true-up adjustment to be effective on
9 January 1, 2025 is shown on Exhibit CST-2 and Exhibit CST-3 attached to
10 this testimony. Exhibit CST-2 shows the calculations, while Exhibit CST-3
11 shows the actual operating cost data by FERC account upon which the
12 calculations are based. Referring to Exhibit CST-2, line 1 shows the annual
13 operating cost revenue requirement in effect for the calendar year 2023,
14 exclusive of the revenue requirement for operating costs billed to CST by
15 SDG&E and the prior year true-up adjustment. Thus, the line 1 operating
16 cost revenue requirement is for those costs incurred directly by CST, as
17 opposed to operating costs billed by SDG&E to CST for operation and
18 maintenance of the project, which will be discussed later. Line 2 shows the
19 actual costs for the calendar year 2023, as shown by FERC account on
20 Exhibit CST-3. Line 3 of Exhibit CST-2 is the difference between the
21 operating cost revenue requirement for calendar year 2023 and the actual
22 operating costs for calendar year 2023. Line 4 shows the interest for the
23 period January through December 2023, in accordance with the formula in
24 Appendix III. The interest is calculated in accordance with FERC
25 regulations, as specified in Appendix III. Line 5 shows the true-up
26 adjustment of \$138,056 including the interest component. That amount is

1 amortized by including it in the annualized operating costs to be in effect for
2 the period January 1, 2025 through December 31, 2025.

3

4 Q. HOW IS THE TRUE-UP ADJUSTMENT AMOUNT INCLUDED IN THE
5 OPERATING COSTS?

6 A. Referring to Exhibit CST-2, line 6 shows the actual operating costs for the
7 calendar year 2023. That amount is used as the estimate for the calendar year
8 2025, in accordance with the Appendix III formula. Line 7 shows the true-
9 up adjustment amount and line 8, which is the sum of lines 6 and 7, shows
10 the annual operating cost to be effective January 1, 2025.

11

12 Q. PLEASE EXPLAIN THE OPERATING COSTS BILLED TO CST BY
13 SDG&E.

14 A. Pursuant to Appendix X to the SDG&E Transmission Owner Tariff, SDG&E
15 bills CST for the CST share of net operating costs of the Sunrise Powerlink
16 project. The SDG&E Appendix X contains a formula by which the net
17 operating costs billed by SDG&E to CST are trued-up to actual costs each
18 year effective January 1 of each year. The net amount for the SDG&E
19 operating costs attributable to CST to be effective on January 1, 2025 is
20 \$3,787,803. A full explanation and support for the SDG&E net operating
21 cost billing amount is contained in the SDG&E filing made approximately
22 concurrent with this CST filing.

23

24 Q. WHAT IS THE CST OPERATING COST TRR TO BE EFFECTIVE
25 JANUARY 1, 2025?

26 A. The CST Operating Cost TRR to be effective January 1, 2025 is \$5,090,071
27 as shown on line 10 of Exhibit CST-2 as the sum of the operating costs

1 (excluding the SDG&E billed operating costs) and the net operating costs
2 billed to CST by SDG&E. That amount is also shown in paragraph 2 of
3 Appendix III to the CST TO Tariff, which is Attachment A in this filing in
4 clean version, and Attachment B in redline version.

5
6 Q. WHAT IS THE CST BASE TRR TO BE EFFECTIVE JANUARY 1, 2025?

7 A. Referring to Exhibit CST-2, the Base TRR to be effective January 1, 2025 is
8 the sum of the Operating Cost TRR shown on line 10 and the Capital Cost
9 TRR shown on line 11. The Base TRR is shown on line 12 as \$14,918,426.
10 That amount is also shown in paragraph 1 to Appendix III to the CST TO
11 Tariff, which is Attachment A in this filing in clean version, and Attachment
12 B in redline version.

13
14 Q. WHAT IS THE CST TRR TO BE EFFECTIVE JANUARY 1, 2025?

15 A. The CST TRR is the CST Base TRR plus the Transmission Revenue
16 Balancing Account Adjustment (“TRBAA”). On October XX, 2024, CST
17 filed with FERC in Docket ER25-XX-000 an update to the CST TRBAA to
18 be effective January 1, 2025, which is shown on Exhibit CST-2 at line 13.
19 Line 14 shows the TRR to be effective January 1, 2025 as \$14,956,045. That
20 amount is also shown in paragraph 1 to Appendix III to the CST TO Tariff,
21 which is Attachment A in this filing in clean version, and Attachment B in
22 the redline version (Redline version is marked against the Appendix III as
23 filed in Docket ER25-XX-000). The TRR in effect prior to this filing,
24 including the TRBAA effective January 1, 2024 was \$15,002,684. Thus, the
25 result of this filing is to decrease the CST TRR effective January 1, 2025 by
26 \$46,639 or 0.31%.

27

1 Q. DOES THIS COMPLETE YOUR DIRECT TESTIMONY?

2 A. Yes, it does.

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Citizens Sunrise Transmission LLC) Docket No. ER25-____-000

Verification of Direct Testimony

Pursuant to 18 C.F.R. § 385.2005(b)(3), I verify under penalty of perjury that the foregoing Prepared Direct Testimony is true and correct to the best of my knowledge, information and belief.

By : /s/ John J. C. Simpsen
John J. C. Simpsen