

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

**Citizens Sycamore-Penasquitos) Docket No. ER25-____-000
Transmission LLC)**

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.
5 Pfingsten 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
11 lead projects for MCR clients in various Regional Transmission
12 Organizations (“RTO”) including the California Independent System
13 Operator (“CAISO”), the Midcontinent Independent System Operator
14 (“MISO”), the New York Independent System Operator (“NYISO”), the
15 Southwest Power Pool (“SPP”) and the Electric Reliability Council of
16 Texas (“ERCOT”) as well as clients that are not in an RTO. I have
17 developed or supported expert testimony, provided analytics, and assisted
18 our clients in intervention support for transmission rate filings at the

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

19 Q. HAVE YOU TESTIFIED AS AN EXPERT WITNESS REGARDING
20 UTILITY RATES AND TARIFFS?

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

- 25 • ER17-1761-000 on behalf of Mountrail-Williams Electric Cooperative.

1 Additionally, I have supported direct testimony of my colleagues and
2 clients and prepared accompanying analytics and exhibits in the following
3 FERC 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 • ER16-204 on behalf of Tri-State Generation and Transmission
7 Association.
- 8 • ER16-209-000 on behalf of Central Power Electric Cooperative.
- 9 • ER16-1774-000 on behalf of Western Farmers 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
21 Cooperative.

- 1 • Docket No. 50218 on behalf of Fannin County Electric Cooperative.
- 2 • Docket No. 50278 on behalf of Bluebonnet Electric Cooperative.
- 3 • Docket No. 50732 on behalf of San Bernard Electric Cooperative.
- 4 • Docket No. 51420 on behalf of Bandera Electric Cooperative.
- 5 • Docket No. 51464 on behalf of Grayson-Collin Electric Cooperative.
- 6 • Docket No. 52353 on behalf of Rayburn Country Electric
- 7 Cooperative.
- 8 • Docket No. 52741 on behalf of Bluebonnet Electric Cooperative.
- 9 • Docket No. 52828 on behalf of Golden Spread Electric Cooperative.

10

11 Q. ON WHOSE BEHALF ARE YOU TESTIFYING?

12 A. I am testifying on behalf of Citizens Sycamore-Penasquitos Transmission,
13 LLC (“Citizens Sycamore” or “CSPT”)

14

15 Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

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

20

21 **II. BACKGROUND**

22 Q. PLEASE EXPLAIN THE CSPT TO TARIFF AND WHEN IT BECAME
23 EFFECTIVE.

1 A. On September 23, 2019, the Transfer Capability Lease Agreement between
2 Citizens Sycamore and SDG&E was closed which effectuated the Citizens
3 Sycamore transfer capability entitlement in the Sycamore-Penasquitos
4 Transmission Project. Thus, the effective date of turnover of operational
5 control to the CAISO was September 23, 2019. The Commission, in
6 Docket ER19-1442, accepted the CSPT TO Tariff, including Appendix III
7 which contains the CSPT Transmission Revenue Requirement (“TRR”) and
8 the formulaic terms of the tariff (Order dated August 30, 2018). On
9 September 23, 2019, Citizens Sycamore filed its compliance filing required
10 by the August 30, 2018 Order in ER18-1442. The effective date is
11 September 23, 2019.

12
13 Q. WHAT IS THE CSPT OPERATING COST TRUE-UP?

14 A. The operating cost true-up is specified in the Citizens Sycamore TO Tariff,
15 Appendix III. A proposed revised version of Appendix III to be effective
16 January 1, 2025 is included in this filing as Attachment A. A redline
17 version, marked against the Appendix III effective January 1, 2025, is
18 included as Attachment B. The true-up procedure is specified in
19 paragraphs 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 Sycamore’s share of the Sycamore to
23 Penasquitos Project are those directly attributable to Citizens Sycamore’s
24 Transfer Capability on the Project. The costs are in two parts; (1) those
25 costs billed to Citizens Sycamore by SDG&E, the operator of the Project,
26 and (2) those costs incurred directly by Citizens Sycamore in managing and

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

4
5 5. The costs billed to Citizens Sycamore by SDG&E are those billed pursuant
6 to the Transfer Capability Lease. The costs included in this Transmission
7 Operating Cost Revenue Requirement are those costs specified under the
8 provisions of Appendix XII to the SDG&E Transmission Owner Tariff.

9
10 6. Pursuant to Appendix XII, SDG&E will submit to FERC on or before
11 October 31 of each year an informational filing showing the Citizens
12 Sycamore Rate in effect for the period January 1 through December 31 of
13 the subsequent year. Citizens Sycamore shall include in the Transmission
14 Operating Cost Revenue Requirement effective January 1 each year the
15 Citizens Sycamore Rate amount specified in the SDG&E informational
16 filing each year. Appendix XII to the SDG&E Transmission Owner Tariff
17 provides that SDG&E shall bear the burden of demonstrating the justness
18 and reasonableness of the implementation of its appendix XII formula.
19 Therefore, Citizens Sycamore shall not bear the burden of demonstrating
20 that such portion of its costs and expenditures included for recovery that
21 were specified in Appendix XII to the SDG&E Transmission Owner Tariff
22 are just and reasonable. However, Citizens Sycamore will adjust its
23 Transmission Operating Cost Revenue Requirement to reflect any required
24 changes to the Citizens Sycamore Rate pursuant to a FERC Order and
25 revised billing by SDG&E. The initial Citizens Sycamore Rate for the
26 period through December 31, 2019 is \$799,000 per year as specified in the

1 SDG&E filing in FERC Docket ER19-1513-000. The amount shall be
2 extrapolated as necessary to be properly reflected in an annual
3 Transmission Revenue Requirement calculation.

- 4
- 5 7. The costs incurred directly by Citizens Sycamore in managing and
6 administering its Transfer Capability are those recorded by Citizens
7 Sycamore in FERC accounts 561.4, 923, 924, 925, 928, and 930.2.
8 Citizens Sycamore shall include in the Transmission Operating Cost
9 Revenue Requirement effective January 1 each year the sum of the amounts
10 recorded in the above FERC accounts for the second calendar year prior to
11 the January 1 effective date, plus or minus a true-up adjustment equal to the
12 difference between the total amount recorded in the above FERC accounts
13 for the calendar year (or part thereof for the initial period) and the amount
14 recovered through the Transmission Operating Cost Revenue Requirement
15 for that calendar year (or part thereof for the initial period). Interest will be
16 calculated on the true-up adjustment in accordance with FERC Regulation
17 35.19(a) for each month of the period January through December (or part
18 thereof for the initial period), and such interest will be fully amortized over
19 the twelve month period commencing in January. The initial amount of
20 costs incurred directly by Citizens Sycamore in managing and
21 administering its Transfer Capability is estimated and shall be \$185,210 per
22 year for the period through December 31, 2019. The amount shall be
23 extrapolated as necessary to be properly reflected in an annual
24 Transmission Revenue Requirement calculation.

25

1 8. Citizens Sycamore shall submit to FERC on or before October 31 of each
2 year an Informational Filing showing Citizens Sycamore's Operating Cost
3 Revenue Requirement to be in effect for the Period January 1 through
4 December 31 of the subsequent year (the "Informational Filing"). The
5 Informational Filing shall not subject the Formula set forth in this
6 Appendix III to modification. The Informational Filing shall only be
7 contestable with respect to the prudence of the Citizens Sycamore's costs
8 and expenditures included for recovery, the accuracy of the data and the
9 consistency with the Formula of the changes in data shown in the
10 Informational Filing. In the event of a challenge to any of the costs
11 reflected in the Transmission Operating Cost Revenue Requirement derived
12 under this Appendix III, Citizens Sycamore shall, except with respect to the
13 SDG&E costs and expenditures as provided in Appendix XII to the
14 SDG&E Transmission Owner Tariff, bear the burden of demonstrating that
15 such costs and expenditures included for recovery were prudently incurred,
16 accurate and consistent with the Formula. Any revisions to the
17 Transmission Revenue Requirement resulting from a FERC Order will be
18 provided to the CAISO for its use in the calculation of the refunds due
19 under the Transmission Access Charge methodology in accordance with the
20 CAISO Tariff.

21
22 As described above, the true-up mechanism essentially true up the
23 operating cost component of the TRR to reflect the actual operating costs of
24 the historical year. The tariff specifies that the new TRR is to be effective
25 on January 1 of each year.
26

1 **III. CALCULATION OF THE OPERATING COST TRUE-UP**
2 **ADJUSTMENT**

3 Q. PLEASE DESCRIBE THE CALCULATION OF OPERATING COST
4 TRUE-UP ADJUSTMENT.

5 A. The calculation of the operating cost true-up adjustment to be effective on
6 January 1, 2025 is shown on Exhibit CSP-2 and Exhibit CSP-3 attached to
7 this testimony. Exhibit CSP-2 shows the calculations, while Exhibit CSP-3
8 shows the operating cost data by FERC account upon which the
9 calculations are based. Referring to Exhibit CSP-2, line 1 shows the annual
10 operating cost revenue requirement for 2023, exclusive of the revenue
11 requirement for operating costs billed to CSPT by SDG&E and the prior
12 year true-up adjustment. Thus, the line 1 operating cost revenue
13 requirement is for those costs incurred directly by CSPT, as opposed to
14 operating costs billed by SDG&E to CSPT for operation and maintenance
15 of the project, which are discussed below. Lines 2-5 show the calculation
16 of the true-up adjustment applicable to CSPT directly incurred operating
17 costs, exclusive of operating costs billed by SDG&E.

18
19 Q. PLEASE EXPLAIN THE OPERATING COSTS BILLED TO CSPT BY
20 SDG&E.

21 A. Pursuant to Appendix XII to the SDG&E Transmission Owner Tariff, as
22 accepted by the Commission in Docket ER19-1513, SDG&E bills CSPT
23 for the CSPT share of operating costs. The SDG&E Appendix XII contains
24 a formula by which the net operating costs billed by SDG&E to CSPT are
25 trued-up to actual costs each year effective January 1 of each year. The net
26 amount for the SDG&E operating costs attributable to CSPT to be effective
27 on January 1, 2025 is \$911,994. A full explanation and support for the
28 SDG&E net operating cost billing amount is contained in the SDG&E

1 filing pursuant to the SDG&E TO Tariff Appendix XII formula, made
2 approximately concurrent with this CSPT filing.

3
4 Q. WHAT IS THE CSPT OPERATING COST TRR TO BE EFFECTIVE
5 January 1, 2025?

6 A. The CSPT Operating Cost TRR to be effective January 1, 2025 is
7 \$1,612,544 as shown on line 10 of Exhibit CSP-2 as the sum of the
8 operating costs (excluding the SDG&E billed operating costs) and the net
9 operating costs billed to CSPT by SDG&E. That amount is also shown in
10 paragraph 2 of Appendix III to the CSPT TO Tariff, which is Attachment A
11 in this filing in clean version, and Attachment B in redline version.

12
13 Q. WHAT IS THE CSPT BASE TRR TO BE EFFECTIVE JANUARY 1,
14 2024?

15 A. Referring to Exhibit CSP-2, the Base TRR to be effective January 1, 2025
16 is the sum of the Operating Cost TRR shown on line 10 and the Capital
17 Cost TRR shown on line 11. The Base TRR is shown on line 12 as
18 \$4,470,237. That amount is also shown in paragraph 1 to Appendix III to
19 the CSPT TO Tariff, which is Attachment A in this filing in clean version,
20 and Attachment B in redline version.

21
22 Q. WHAT IS THE CSPT TRR TO BE EFFECTIVE JANUARY 1, 2024?

23 A. The CSPT TRR is the CSPT Base TRR plus the Transmission Revenue
24 Balancing Account Adjustment (“TRBAA”). Referring to Exhibit CSP-2,
25 line 13 shows the TRBAA to be effective January 1, 2025 pursuant to the
26 CSPT filing on October XX, 2024 in Docket ER25-XX-001. Line 14
27 shows the TRR to be effective January 1, 2025 as \$4,485,288. That amount
28 is also shown in paragraph 1 to Appendix III to the CSPT TO Tariff, which

1 is Attachment A in this filing in clean version, and Attachment B in redline
2 version (Redline version is marked against the Appendix III as filed in
3 Docket ER24-150-000). The TRR in effect prior to this filing, including
4 the TRBAA to be effective January 1, 2024, is \$4,554,270 as shown in
5 Attachment B. Thus, the result of this filing is to decrease the CSPT TRR
6 effective January 1, 2025 by \$68,982, or 1.51%.

7

8 Q. ARE THE CALCULATIONS YOU HAVE DESCRIBED PREPARED IN
9 ACCORDANCE WITH THE PROVISIONS OF THE FORMULA
10 CONTAINED IN APPENDIX III TO THE CSPT TO TARIFF?

11 A. Yes, they are.

12

13 Q. DOES THIS COMPLETE YOUR DIRECT TESTIMONY?

14 A. Yes, it does.

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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