

**J. KENNEDY**  
**AND**  
**ASSOCIATES, INC.**

**PROPOSAL TO THE**  
**LOUISIANA PUBLIC SERVICE COMMISSION**

**IN RESPONSE TO RFP 17-10**

**DOCKET NO. U-34369**

**SOUTHWESTERN POWER ELECTRIC POWER COMPANY'S**  
**APPLICATION FOR PRUDENCE DETERMINATION OF CERTAIN**  
**IMPROVEMENTS AT WELSH UNITS 1 AND 3 AND FLINT CREEK AND**  
**ASSOCIATED COST RECOVERY**

**570 Colonial Park Drive**  
**Suite 305**  
**Roswell, Georgia 30075**  
**770-992-2027**

**September 2017**

## **RESUME OF LANE KOLLEN, VICE PRESIDENT**

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### **Executive Summary**

J. Kennedy and Associates, Inc. (“Kennedy and Associates”) is pleased to respond to the Commission’s Request for Proposal to perform a prudence review of certain environmental retrofits installed by Southwestern Electric Power Company (“SWEPCO” or the “Company”) at Welsh Units 1 and 3 in Louisiana and the Flint Creek plant in Texas to comply with the U.S. Environmental Protection Agency (“EPA”) Regional Haze, Mercury and Air Toxics (“MATs”), and Cross State Air Pollution Rules (“CSAPR”). These environmental retrofits have been in service since early 2016. Pursuant to a settlement agreement and accounting order approved by the Commission in Docket No. U-34200, the Company defers the plant-related costs (return on rate base, depreciation, and income and property taxes) into a regulatory asset pending the outcome of the prudence review in this proceeding. The prudent costs, including the related regulatory asset, will be included in a future SWEPCO Formula Rate Plan (“FRP”) filing.

Kennedy and Associates will work closely with the Staff to address the technologies that SWEPCO assessed and the costs that it incurred to comply with the EPA requirements, as well as its management of the projects. We have extensive experience in assessing prudence, project management, environmental requirements, certification proceedings, economic analyses, and ratemaking. In addition to other clients, including state government agencies, we have represented the U.S. Department of Justice in litigation involving EPA requirements.

Our firm is comprised of highly experienced and knowledgeable experts in the areas of engineering; project management, including scope, cost, and scheduling; utility regulatory standards and ratemaking; and reviews of management decisions and execution. Our firm is

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comprised of electrical and mechanical engineers, economists, operations analysts, and accountants, all of whom are recognized as experts in the utility industry. Our project team includes Mr. Lane Kollen, CPA, CMA, CGMA, who will be the Project Manager; Mr. Philip Hayet, an electrical engineer responsible for technical reviews and environmental assessments; and Mr. Brian Barber, an industrial engineer.

### **Kennedy and Associates Project Team**

Mr. Lane Kollen, Vice President, CPA, CMA, CGMA will manage this project. He will be assisted by other Kennedy and Associates personnel as appropriate, including primarily Mr. Philip Hayet, Mr. Brian Barber, and Ms. Leah Justin Wellborn. Mr. Kollen, Mr. Hayet, and Mr. Barber are experienced regulatory consultants and have performed numerous prudence reviews and provided other assistance to the Staff. Ms. Wellborn is experienced in modeling utility generation and transmission. We have attached brief biographical resumes for each member of our project team and have included a copy of our Qualifications package with this proposal, which provides more detail on the projects our team has completed and their respective expert appearances.

We are familiar with and experienced in the following areas:

1. Public interest criteria for approval and monitoring of electric generating and transmission facilities;
2. Construction, design and operation of transmission facilities;
3. NERC, SERC, SPP, MISO, and any other applicable standards associated with bulk electric transmission facilities to be located in the State of Louisiana;
4. Environmental criteria associated with the design and construction of bulk electric transmission facilities;
5. Appropriate accounting standards and practices;

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6. Cost allocation methodologies for the allocation of investment and expenses among affiliates and utilities, including the relationship of a parent company to its subsidiary operating companies; the transfer of investment and costs among affiliates and utilities, and the provision of service among affiliates and utilities; and
7. Applicable utility tariffs including SWEPCO's Formula Rate Plan, Southwest Power Pool ("SPP") tariffs.

### **Plan of Action and Estimated Timeline**

We have developed a Plan of Action and estimated timeline to complete this prudence review. Our Plan of Action consists of the following steps:

- Review SWEPCO's and AEP Service Corporation's (AEPSC) management structure, approach, processes, and methodologies used to: a) investigate the EPA requirements, available technologies, and costs; b) select the compliance technologies; and c) manage the construction and installations, including supervision, controls, costs, and schedule;
- Review the technology alternatives considered and selected by SWEPCO, including the performance and cost criteria used in the ranking and selection process;
- Review SWEPCO's internal documents addressing the scope of the project, cost of the project, and schedule;
- Review SWEPCO's internal analyses and reports prepared for management and internal review teams, including source documents relied on for significant findings, conclusions, and recommendations;
- Review all monitoring reports;
- Assess the management and execution of the project, including technology selection; scope and costs;
- Prepare a summary of findings, conclusions, and preliminary recommendations;
- Meet with SWEPCO to discuss Staff findings, conclusions, and preliminary recommendations and to attempt to settle all issues;
- Negotiate potential settlement with SWEPCO;
- Draft and file expert testimony in support of settlement and/or to address unresolved issues, if any;

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- Stand for cross-examination on expert testimony and assist Staff counsel in hearing preparation and post-hearing pleadings.

Kennedy and Associates is experienced in regulatory proceedings and will assist the Staff in the review and analysis of the Company's application, including, but not limited to, a review of the supporting testimony, exhibits, and workpapers; preparing data requests; review of testimony by all other parties; participating in status conferences as requested; participating in technical conferences; negotiating a settlement agreement with SWEPCO; filing testimony; and appearance at a settlement and/or litigated issues hearing.

We will immediately commence the prudence review after the Commission votes to retain our firm at the September Business and Executive session. We estimate that we can complete the review, negotiations with SWEPCO, and the hearing within six months.

### **Estimated Costs to Provide Services**

We estimate that the cost to provide the scope of services in this proposal will be \$38,200 plus an additional \$1,300 in expenses for travel, lodging, meals and other expenses. Our hourly rates are provided on a schedule attached at the end of this proposal. Our estimate is a "not-to-exceed" budget based on the scope of work outlined in this proposal. We will bill only for the actual hours and expenses incurred to complete this project.

### **Kennedy and Associates Has No Conflicts of Interest**

Kennedy and Associates has no known conflicts of interest and none of our consultants presently represents other clients before the Commission.

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### **EDUCATION**

**University of Toledo, BBA (Accounting)**  
**University of Toledo, MBA**  
**Luther Rice University, MA**

### **PROFESSIONAL CERTIFICATIONS**

**Certified Public Accountant (CPA)**  
**Certified Management Accountant (CMA)**  
**Chartered Global Management Accountant (CGMA)**

### **PROFESSIONAL AFFILIATIONS**

**American Institute of Certified Public Accountants**  
**Georgia Society of Certified Public Accountants**  
**Institute of Management Accountants**  
**Society of Depreciation Professionals**

### **EXPERIENCE**

Mr. Kollen has nearly forty years of utility industry experience in nearly every facet of utility planning, performance, and operations, including the financial, accounting, rate, tax, and financing areas. He has conducted prudence and operational audits on behalf of utilities and regulatory commissions; participated in and reviewed mergers and acquisitions on behalf of utilities and regulatory commissions; conducted performance and financial analyses on behalf of utilities and regulatory commissions; developed and reviewed alternative and performance based ratemaking plans; performed traditional ratemaking evaluations and filed reports and/or provided expert testimony before state and federal courts and regulatory commissions on hundreds of occasions addressing prudence and restructuring, including staffing levels and organizational structure; mergers, acquisitions, and divestitures; contract performance; revenue requirements; taxes; depreciation; financing; operation and maintenance expense; reliability; cost of service; and other issues. Mr. Kollen also is experienced in various proprietary and nonproprietary software systems used by utilities for budgeting, rate case support and strategic and financial planning.

**J. Kennedy and Associates, Inc. (1986 to Present):** Vice President and Principal. Mr. Kollen provides consulting services that address planning, performance, operational, financial, accounting, and tax issues. Clients include state regulatory commissions and other government agencies, large users of electricity, natural gas, water, and steam.

**Energy Management Associates (1983 to 1986):** Lead Consultant, Product Manager. Mr. Kollen provided consulting services to electric and natural gas utility clients throughout the country in numerous planning, financial, accounting, and budgeting areas. In addition, he used and developed proprietary software tools widely used throughout the regulated utility industry.

**The Toledo Edison Company (1976-1983):** Planning Supervisor, Auditor, Accountant. Mr. Kollen was engaged in financial planning activities, including generation expansion planning; construction monitoring; capital and expense budgeting; evaluation of tax law changes; rate case strategy and support; production cost and financial modeling; and operational and financial audits.

## RESUME OF PHILIP HAYET, VICE PRESIDENT

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### EDUCATION

**Purdue University, BS Electrical Engineering**  
**Purdue University, Cooperative Education Certificate**  
**Georgia Tech, MS Electrical Engineering. Specialization in Power Systems.**  
**Post Graduate Study in Business Administration**

### PROFESSIONAL AFFILIATIONS

**National Society of Professional Engineers**  
**Georgia Society of Professional Engineers**  
**Institute of Electrical and Electronic Engineers**

### EXPERIENCE

Mr. Hayet has nearly thirty five years of electric utility industry experience in the areas of resource planning, operations analysis, economic analysis, regulatory policy development, and utility rate analysis. He has worked on projects that led to the development of both supply-side and demand-side resources, participated in resource certification proceedings, power purchase agreement evaluations, the development of of commission rules concerning integrated resource planning, renewable energy and energy efficiency policies, and has performed many utility fuel audits. Mr. Hayet has written reports and filed expert testimony on numerous occasions in federal court, regulatory commissions and at the Federal Energy Regulatory Commission ("FERC"). Mr. Hayet is an expert in the use of proprietary and non-proprietary production cost and long-term resource planning software tools. Mr. Hayet began his career working for 15 years for Energy Management Associates ("EMA" now known as Venytx), providing client support services and consulting services using the firm's PROMOD IV™ ("PROMOD") and Strategist software.

**J. Kennedy and Associates, Inc. (2000 to Present):** Vice President and Principal. Mr. Hayet also works for this firm, and provides consulting services involving electric utility regulatory matters. Mr. Hayet has assisted in certificate of necessity, utility commission rulemaking, and decertification proceedings. These projects have involved performing production cost modeling and long term resource planning analyses. Mr. Hayet has used numerous production cost and resource planning software tools as part of these projects.

**Hayet Power Systems Consulting (1995 to Present):** President and Principal. Mr. Hayet has provided consulting services to clients in the U.S. and abroad related to resource planning analyses. Mr. Hayet has assisted in the evaluation of power purchase agreements, generation resource additions, fuel budget audits, resource certifications, and generating unit de-certifications stemming from environmental regulations. Mr. Hayet has continued to use PROMOD and Strategist, along with other tools as part of his consulting work.

**Energy Management Associates (1980 to 1995):** Lead Consultant, Product Manager. Mr. Hayet provided client support and consulting services to electric utility clients using the PROMOD and Strategist software systems. These tools were used to perform a wide range of studies, including operations evaluations, resource planning studies, economic evaluations, financial analyses, and+ accounting and budgeting studies.

## **RESUME OF BRIAN R. BARBER, DIRECTOR OF CONSULTING**

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### **EDUCATION**

**Georgia Institute of Technology**  
Bachelor of Industrial Engineering

**Goizueta Business School of Emory University**  
Master of Business Administration, Finance

### **EXPERIENCE**

Mr. Barber has over thirty years of experience in utility regulation in the areas of planning, economic analysis, forecasting, and cost and rate analysis.

**J. Kennedy and Associates, Inc. (1985 to present).** Director, Consulting; Manager, Consulting; Senior Consultant. Mr. Barber serves as a policy and technical analyst on projects involving system planning, production and replacement power costs, modeling, revenue requirements, cost of service, and tariff design. He has presented expert testimony on issues including revenue requirements, load forecasting, cost of service and rates, and fuel cost recovery.

**Georgia Public Service Commission (1980 to 1985).** Public Utilities Engineer, Intern. While enrolled at Georgia Tech, Mr. Barber served a summer internship at the Georgia Public Service Commission. Following the completion of his undergraduate degree in 1981, he joined the Commission as a Public Utilities Engineer. At the Commission, he was responsible for the analysis of electric, gas, and telecommunication rate filings. Areas of review included weather normalization, fuel cost projections, regulatory accounting, sales forecasting, fuel inventory levels, depreciation and rate design. He participated in the preparation of expert testimony, cross-examination of witnesses and settlement negotiations. He also participated in analysis of electric utility generation expansion plan and staff audits.

# RESUME LEAH JUSTIN WELLBORN, SENIOR CONSULTANT

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## EDUCATION

**Georgia Institute of Technology,**  
Atlanta, GA  
M.S. Operations Research, 2017

**Georgia Southern University,**  
Statesboro, GA  
B.S. Mathematics, 2012

## PROFESSIONAL AFFILIATIONS

Women's Energy Network, Greater Atlanta Chapter  
Institute for Operations Research and the Management Sciences (INFORMS)

## EXPERIENCE

Ms. Wellborn is a recent college graduate with a mathematics and operations research background. She has been working at J. Kennedy and Associates, Inc., and has been sub-contracting to Hayet Power Systems Consulting on projects since early 2013. For these companies, she has been providing critical support in the areas of production cost modeling and data analysis involving utility regulatory proceedings on cases for clients located across the country. Ms. Wellborn has worked on projects for regulatory commissions and government agencies such as the Department of Justice and the Louisiana Public Service Commission Staff, as well as the large industrial users group, the Kentucky Industrial Utility Customers, Inc.

### **J. Kennedy and Associates, Inc. (2013 to Present): Consultant**

Responsible for conducting research, data analysis, production-cost modeling, and performing resource planning analyses.

#### Project Experience

Analyses and development of commodity forecasts  
Use of modeling tools such as STRATEGIST, GRID, Cumulus, and AURORAxmp  
Statistical analysis and use of tools such as R and PAST,  
State evaluation of the EPA's Clean Power Plan and Integrated Planning Model  
Renewable energy studies, including net metering and capacity contribution  
Fuel Cost Recovery and Adjustment reviews  
Project economic evaluation as part of nuclear construction monitoring process  
Integrated Resource Planning and Retirement Study evaluations

### **Hayet Power Systems Consulting (2013 to Present): Sub-contractor Consultant**

Responsible for conducting research, data analysis production-cost modeling and performing resource planning analyses.

### **Relevant Coursework**

Energy Optimization, Energy Policy and Technology, Economic Decision Analysis, Regression Analysis, Deterministic Optimization, Probabilistic Models, Simulation, Data and Visual Analytics, Statistical Methods, Number Theory, Linear Algebra, Differential Equations, Math Structures, and Java Programming

**J. Kennedy and Associates, Inc.**  
**2017 Hourly Fee Schedule**  
**Louisiana Public Service Commission**

<u>Title</u>	<u>Name</u>	<u>Hourly Rate</u>
President	Stephen J. Baron	\$258
Vice President	Lane Kollen	\$258
Vice President	Philip Hayet	\$258
Director	Richard A. Baudino	\$247
Director	Brian R. Barber	\$247
Manager	Randy Futral	\$247
Senior Consultant	Ann Bruccoliere	\$185
Senior Consultant	Leah Justin Wellborn	\$185
Consultant	Brian Kollen	\$145
Analyst	Jessica Inman	\$110

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