
EXETER

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REF: 170901

September 1, 2017

Kim Trosclair
Office of the General Counsel
Louisiana Public Service Commission
Galvez Building (70802)
602 North Fifth Street
P.O. Box 91154
Baton Rouge, LA 70821-9154

Re: RFP 17-11 Docket No. U-34619 Southwestern Electric Power Company (SWEPCO), ex parte. In re: Application for Expedited Certification and Approval of the Acquisition of Certain Renewable Resources and the Construction of a Generation Tie Pursuant to the 1983 and/or 1994 General.

Dear Ms. Trosclair:

Exeter Associates, Inc. (Exeter) is pleased to submit this proposal to assist the Commission Staff with the review of the filing by Southwestern Electric Power Company (SWEPCO or the Company) for Commission approval and certification of its request to acquire 70 percent of the 2,000 megawatt (MW) Wind Catcher facility that is being developed in Oklahoma. Public Service Company of Oklahoma (PSO) will acquire the remaining 30 percent.

The Wind Catcher facility is being developed by Invenergy, which is one of the six largest owners of wind generation plants in the United States. Invenergy is developing the Wind Catcher Plant under a turn-key, fixed-price agreement and is projected to bring the wind plant on-line by the end of 2020. SWEPCO and PSO also plan to build a dedicated 765-kilovolt (kV) generation tie line (gen-tie), spanning 350 to 380 miles, to minimize curtailment of the wind generation and to ensure the wind generation is delivered to ratepayers. The Commission conditionally exempted SWEPCO from the RFP requirements in the Market-Based Mechanism (MBM) General Order, but reserved the right to review the prudence of SWEPCO's decision to purchase a majority share of the Wind Catcher project, whether SWEPCO provided sufficient

ATTACHMENT A

EXETER ASSOCIATES, INC.

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CORPORATE QUALIFICATIONS

EXETER ASSOCIATES, INC. CORPORATE QUALIFICATIONS -- GENERAL

Exeter Associates, Inc. provides economic and financial consulting services in the areas of public utility regulation, energy, and antitrust economics. The firm maintains the highest standards in the application of economic and financial analysis to both quantitative and policy issues in the electric, gas, and other industries.

Exeter Associates, Inc. is distinguished by the breadth of experience and expertise of its senior professionals. Each holds an advanced degree in economics or a related field with extensive experience in his or her area of expertise, and each is a recognized expert in one or more of the areas of analysis and research shown below.

Public Utility Regulation (Electric, Gas, and Water/Wastewater)

- | | |
|---|--|
| < <i>Alternative regulatory structures</i> | < <i>Structural separation remedies</i> |
| < <i>Local competition</i> | < <i>Rate structure and rate design</i> |
| < <i>Industry restructuring</i> | < <i>Marginal costs and rates</i> |
| < <i>Privatization</i> | < <i>Rate of return</i> |
| < <i>Wholesale/retail wheeling</i> | < <i>Affiliate company relationships</i> |
| < <i>Mergers and acquisitions</i> | < <i>Revenue requirements</i> |
| < <i>Costing methodologies</i> | < <i>Utility financial condition</i> |
| < <i>Imputation standards/non-accounting safeguards</i> | < <i>Utility productivity studies</i> |
| | < <i>Depreciation</i> |

Econometric and Energy Modeling

- | | |
|------------------------------------|--|
| < <i>Demand and cost analysis</i> | < <i>Conservation and load management analysis</i> |
| < <i>Energy supply forecasting</i> | < <i>Economic analysis of environmental policies</i> |
| < <i>Load forecasting</i> | |

Industry Analysis

- < *Electric utilities*
- < *Water/sewer utilities*
- < *Oil and natural gas*

Cost/Benefit Analysis

Life-Cycle Cost Analysis

Financial Modeling and Analysis

Evaluation/Acquisition of Alternative Utility Supplies

ELECTRICITY

Exeter staff has been continuously involved in electric utility industry regulatory issues since the Company began operating in 1981, and the experience of its senior staff predates the formation of the Company. Exeter has provided expert witness testimony in hundreds of regulatory proceedings before state and federal regulatory commissions. This testimony has been on behalf of commission staffs, consumer advocates, and federal and state government clients. In addition, Exeter personnel have provided consulting and prepared reports/studies addressing broad policy issues facing particular states and industry-wide regulatory concerns. These testimonies and studies have involved such recent issues as industry restructuring, wholesale and retail open access, privatization of utility systems, stranded costs, contract evaluation/negotiation, and the development or evaluation of performance-based mechanisms (alternative forms of regulation) for electric utilities. Most recently, Exeter has also examined and provided testimony on renewable energy, energy conservation, demand response, procurement of default electricity supply service, and construction and siting of power plants.

Exeter staff has extensive experience in providing expert testimony and consulting on revenue requirements, rate of return, load forecasting, demand side management, depreciation, cost of service, prudence, rate design, fuel costs, purchase power costs, competition (both wholesale and retail), utility resource planning, cogeneration analysis and merger issues.

NATURAL GAS

Exeter Associates has been extensively involved in natural gas regulatory issues since the mid-1970's. After the adoption of Federal Energy Regulatory Commission (FERC) Order No. 636 and subsequent unbundling of interstate pipeline service in 1993, local gas distribution companies (LDCs) have become entirely responsible for the gas procurement function, a responsibility primarily borne by interstate pipelines prior to adoption of FERC Order No. 636. Exeter's engagements have included evaluation of LDC gas procurement practices and policies in the post-Order No. 636 environment on behalf of public utility commission (PUC) staffs and consumer advocates. Exeter has provided expert witness assistance to PUC staffs and consumer advocates in numerous regulatory proceedings before state and federal regulatory authorities addressing revenue requirements, cost allocation and rate design issues. Exeter professionals have advised state and federal clients concerning issues related to natural gas industry restructuring. This includes addressing issues such as performance-based gas procurement programs, stranded costs, unbundling of LDC services, and new regulations to promote competition under conditions of an evolving market structure. Exeter has also assisted clients in the direct procurement of natural gas supplies and contract negotiations in the continually evolving competitive gas acquisition markets.

WATER/WASTEWATER

Exeter Associates' personnel have extensive experience in designing water/wastewater rates, performing cost allocation studies, evaluating revenue requirements, and addressing other aspects of water and wastewater regulation. Because of the substantial capital improvements required by water utilities to comply with the quality standards of the Safe Drinking Water Act (SDWA) and its amendments, significant increases in water rates are often required. Exeter has extensive experience in addressing the allocation and recovery of SDWA-related costs.

In addition to the staff's providing expert testimony in numerous regulatory proceedings throughout the U.S. on behalf of state and federal government clients, Exeter personnel have assisted clients in negotiations for water supply, rates, service characteristics, and billing arrangements. In addition to these issues, Exeter personnel have addressed the adequacy of infrastructure, privatization of federally-owned water treatment and storage facilities and water distribution systems, and issues related to fire protection.

EXETER ASSOCIATES, INC. RECENT CLIENTS

Exeter Associates' professional staff members have served a broad range of client organizations including public service commissions, consumer advocates, government agencies and private firms. Recent clients include:

Arkansas Public Service Commission	National Nuclear Security Administration
Brookhaven National Laboratory	National Renewable Energy Laboratory
Center for Resource Solutions	New Hampshire Office of Consumer Advocate
Colorado River Commission of Nevada	Northrop Grumman
Community Legal Services, Inc.	Office of the Ohio Consumers' Counsel
Defense Logistics Agency Energy	Pennsylvania Office of Attorney General
Delaware Division of the Public Advocate	Pennsylvania Office of Consumer Advocate
Delaware Public Service Commission	Public Utilities Commission of Ohio
Fermi National Accelerator Laboratory	Regulatory Assistance Project
General Electric	Rhode Island Division of Public Utilities & Carriers
General Services Administration	SLAC National Accelerator Laboratory
Hawaii Public Utilities Commission	Strategic Petroleum Reserve
Illinois Citizens Utility Board	Sustainable Energy Advantage
Imperial Irrigation District	Tennessee Attorney General – Consumer Advocate and Protection Division
Indiana Office of Utility Consumer Counselor	Tennessee Regulatory Authority
Lawrence Berkeley National Laboratory	Township of Bedminster, New Jersey
Lawrence Livermore National Laboratory	U.S. Air Force – Air Force Civil Engineer Center
Louisiana Public Service Commission	U.S. Army – Commercial Utilities Program, U.S. Army Corps of Engineers
Maine Office of the Public Advocate	U.S. Department of Defense
Maine Public Utilities Commission	U.S. Department of Energy
Maryland Department of the Environment	Utah Office of Consumer Services
Maryland Energy Administration	The Utility Reform Network
Maryland Office of People's Counsel	Western Area Power Administration – Desert Southwest Region
Maryland Power Plant Research Program	Western Interstate Energy Board
Maryland Public Service Commission	
Massachusetts Attorney General – Office of Ratepayer Advocacy	
Midwest Renewable Energy Tracking System	
National Association of Regulatory Utility Commissioners	

EXETER ASSOCIATES, INC. KEY STAFF MEMBERS

Exeter Associates, Inc. specializes in serving clients engaged in litigative, policy-making, and decision-making activities and in providing the highest quality consulting services to clients in the areas of regulatory policy, industry restructuring, utility supply planning, contract negotiation, and on a wide range of other contemporary economic issues. The senior professional staff has provided expert testimony on numerous occasions before state, federal, and foreign regulatory agencies; state and federal courts, the Federal Energy Regulatory Commission, the U.S. Postal Rate Commission, and U.S. Congress and state legislative committees and subcommittees. Summaries of the qualifications of Exeter's senior staff are presented below:

DR. STEVEN L. ESTOMIN is a principal of Exeter Associates and is a senior economist more than 30 years of experience in the areas of microeconomic applications, industry analysis, econometric modeling and environmental economics. He specializes in utility load forecasting, computer modeling, financial analysis, utility contract negotiation, cogeneration analysis, electric industry restructuring, power supply acquisition, and issues of competition and antitrust. Dr. Estomin has had major responsibility in evaluating long-term utility power supply options for U.S. Department of Energy and U.S. Air Force installations, and in negotiating long-term utility contracts for the U.S. government. Dr. Estomin has conducted electric sales and load forecasts for individual utility service areas and for the State of Maryland, and has testified on his review of electric sales forecasts prepared by utilities, including Pepco, Baltimore Gas & Electric Company, Commonwealth Edison, Central Maine Power, and Bangor Hydro. He has also testified on issues relating to statistical analysis, rate design, competition, and power supply acquisition for default supply service. Dr. Estomin holds a B.A., M.A., and Ph.D. in economics from the University of Maryland.

MR. DWIGHT D. ETHERIDGE is a principal at Exeter Associates with 29 years of wide ranging experience in the electric utility industry. His areas of expertise include retail competition, energy markets, risk management and control, distributed generation, telecommunications, contract rate negotiations, rate design, cost allocation and forecasting, revenue requirements and benchmarking studies. Mr. Etheridge supports clients on multiple utility issues, including planning and options studies, cost analyses related to negotiations and utility rate cases, power procurement and price projections, risk management and energy price hedging programs, and utility infrastructure analyses. While employed by an investor-owned utility, Mr. Etheridge held increasingly more responsible management positions in strategic, deregulation, pricing, and planning areas, including reporting to the CEO during electric deregulation and a merger of two utilities. Mr. Etheridge has extensive experience developing analytical and strategic solutions on a variety of utility issues and communicating on those issues to regulatory commissions, legislatures, senior management, boards of directors and the public. He has presented expert testimony on over 30 occasions and has acted as a spokesperson numerous times on television, radio, and in print. Mr. Etheridge holds a B.S. in business administration from the University of California, Berkeley.

MR. JEROME D. MIERZWA is a principal of Exeter Associates and a senior analyst with 24 years of public utility regulatory experience. At Exeter, Mr. Mierzwa has conducted purchased gas cost allocation analysis and rate design analysis, management audits and similar investigations of the natural gas supply and procurement policies and practices of interstate gas pipelines and local distribution companies (LDCs). Most recently, Mr. Mierzwa has been involved in evaluating performance-based incentive regulation for LDC purchased gas costs and the unbundling of LDC services. Mr. Mierzwa has participated in developing utility class cost-of-service studies, has presented testimony sponsoring gas, water, and wastewater utility cost-of-service studies, least-cost gas procurement and incentive regulation, in addition to presenting testimony addressing utility rate base, expenses and revenues. Mr. Mierzwa holds a B.S. in marketing and an M.B.A. in finance from Canisius College.

MS. CHRISTINA R. MUDD is a principal at Exeter Associates, Inc. with 20 years of experience in energy efficiency, renewable energy, and climate change policy. With Exeter Ms. Mudd provides detailed analysis on the economic impacts of energy and environmental policies. Ms. Mudd participates in the Maryland staff working group for the Regional Greenhouse Gas Initiative, assists the Maryland Department of Natural Resources, Maryland Energy Administration and Maryland Department of Environment reviewing policies and programs related to electricity regulation, energy efficiency, renewable energy, and climate change. Ms. Mudd also provides technical support to federal agencies by reviewing utility supply contracts and rates, and reviewing the economic feasibility of alternative energy projects. Ms. Mudd served as the Executive Director of the National Council on Electricity Policy from January 2005 to December 2006. The National Council is a partnership between the National Association of Regulatory Utility Commissioners, National Association of State Energy Officials, National Governors' Association, and National Conference of State Legislators. Ms. Mudd holds a B.S. in political science and biology from James Madison University and an M.A. in international affairs with a concentration in economics and energy policy from Johns Hopkins University School for Advanced International Studies.

MR. KEVIN L. PORTER is a principal of Exeter Associates and a senior analyst with nearly 30 years of experience. Mr. Porter has been active in renewable energy analysis and research since 1984. His scope of expertise includes the technical and economic status of renewable energy technologies, design and implementation of state and federal renewable energy policies, transmission access and pricing for renewable energy technologies, and electricity policy in general. He has advised the National Renewable Energy Laboratory, the State of Maryland, the American Wind Energy Association, and other clients on renewable energy and green power procurement and policy design, and has written or co-written over 60 reports, conference papers, and journal articles. He holds a B.S. in environmental studies from Lewis & Clark College in Portland, Oregon, and an M.A. in economics from The American University in Washington, D.C.

justification of public convenience and necessity, and whether SWEPCO adequately tested the market for the lowest-cost reasonable resource.

In addition to whether SWEPCO met its obligations under the MBM Order, there are several other issues that Exeter would explore in this case. This includes the following:

1. Gen-Tie Line. As previously mentioned, SWEPCO and PSO plan to develop a 765-kV line to interconnect the Wind Catcher project and to ensure delivery of the wind generation to SWEPCO's and PSO's customers. Whether this gen-tie line is needed and cost-effective, as opposed to relying upon the Southwest Power Pool's transmission system and accepting wind curtailment, is an issue to be considered.
2. Allocation of Non-Generation Attributes. Generation from the Wind Catcher facility will result in the creation of non-generation attributes, such as renewable energy credits or carbon allowances. Should SWEPCO engage in the sale of such attributes, the proceeds should benefit Louisiana customers, on a *pro rata* basis with PSO's customers.

As other issues emerge in this case, they will be addressed by Exeter, as needed.

Proposed Services

The services that Exeter will provide in assisting the Staff will include:

- Reviewing the Application submitted by SWEPCO.
- Conducting discovery, including preparing written data requests and conducting follow-up discovery conferences, as necessary.
- Analyzing the prudence and soundness of SWEPCO's proposal, including addressing the issues described above and other issues arising during the case.
- Preparing testimony presenting Staff's findings and recommendations.
- Preparing cross-answering testimony, as needed.
- Participation in hearings, as needed, and/or assisting Staff in a settlement process, as needed.
- Providing assistance to Staff concerning post-hearing briefs and the provision of information for Commissioners.

- Reviewing stipulation terms and conditions, if needed.

This work will be undertaken in accordance with the procedural schedule approved in this docket.

Qualifications

Exeter is well-qualified to provide the assistance that the Commission requires. Exeter has extensive experience addressing utility regulatory matters before the Louisiana Public Service Commission, as well as before other state and federal regulatory agencies. The firm's experience includes extensive work in analyzing the operations, books, and records of utility companies and providing expert testimony on all aspects of utility regulation, utility planning, and ratemaking.

With regard to this specific Application, Exeter has assisted Commission Staff with SWEPCO's previous purchases of energy and capacity from wind energy projects. Exeter testified in Docket No. U-32095, concerning SWEPCO's purchase of 31 MW from the Flat Ridge 2 wind project in Kansas. Although Kevin Porter did not testify in that case, he provided research support and technical assistance to Matthew Kahal, a consultant to Exeter. Mr. Porter testified in Docket No. U-32814 regarding SWEPCO's purchase of 358 MW of wind power from five wind projects located in Kansas, Oklahoma, and Texas. Both cases resulted in a settlement between Commission Staff and SWEPCO.

Kevin Porter, a principal with Exeter, will be primarily responsible for reviewing SWEPCO's application and with the case in general. Mr. Porter is available to serve as a Staff witness, as needed. Other members of Exeter's staff will be available to assist as necessary. Detailed resumes for Exeter's key personnel are on file with the Commission. A brief description of Exeter's corporate qualifications and the qualifications and experience of its senior personnel are included as Attachment A to this proposal. Exeter would be pleased to provide additional copies of the complete resumes of our key project team members or any other additional information the Commission may find helpful.

Cost Proposal

Exeter proposes to perform the tasks described herein for a budget not to exceed \$55,000 for professional services plus direct expenses not to exceed \$3,000. Exeter's budget estimate includes the costs associated with a one-person trip to Louisiana for one day of hearings/conferences. Exeter will bill for professional services at our standard hourly billing rates which range from \$75 per hour for research assistants to \$215 for principals. The billing

rate for Mr. Porter is \$185 per hour. Direct expenses will be billed at State-authorized rates as specified in the Travel Policies and Procedures Memorandum issued by the State of Louisiana, Division of Administration in effect at the time such expenses are incurred.

Conflict of Interest

Please note that Exeter has no business relationship with SWEPCO or any of its affiliates, nor have we ever had such a relationship. Thus, we have no conflict of interest that could impair or restrict our ability to provide assistance and objective advice to Staff.

If you have any questions of either a technical or contractual nature, please do not hesitate to call. We look forward to again being of service to the Commission and the ratepayers of Louisiana.

Very truly yours,



Kevin L. Porter
Vice President