

Henderson Ridge Consulting, Inc.

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September 5, 2017

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

**Re: RFP 17-11 – Docket No. U-34619
Southwestern Electric Power Company 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
Orders**

Dear Kim and Melanie:

Henderson Ridge Consulting is pleased to respond to the Louisiana Public Service Commission's August 16, 2017 Request For Proposal ("RFP") that seeks to retain an independent technical consultant to assist the Commission Staff in the review and analysis of Southwestern Electric Power Company's ("SWEPCO" or "the Company") application for the expedited certification and approval of the acquisition of the Wind Catcher renewable resource and the construction of a generation tie to relieve anticipated congestion in the affected service territory.

Henderson Ridge Consulting is very experienced with the operations and structures of the Louisiana investor-owned utilities, including SWEPCO. We are currently conducting the current Fuel Adjustment Clause audit ("FAC") of SWEPCO and have participated in other proceedings involving the Company. Our firm has recently completed the evaluation of Entergy Louisiana, LLC's ("ELL") applications for the certification of and authorization to construct the St. Charles Power Station and

the Lake Charles Power Station – each new supply-side resource with budgets in excess of \$850 million. We have also been retained by the Commission to evaluate the applications of ELL for certification of the Occidental Power Purchase Agreement (“PPA”) and the Carville Power Purchase Agreement.

Scope of Representation

As defined in the RFP, the consultant retained by the Commission shall assist Staff in the review of SWEPCO’s Application. The Commission granted an exemption to SWEPCO from the RFP requirements of its Market-Based Mechanism Order. But the Commission reserved its rights in this certification proceeding to review the prudence of SWEPCO’s decision to pursue the acquisition of Wind Catcher, including the selection process and the conclusion that the acquisition was the lowest, reasonable cost resource.

Summary of Work Plan

Henderson Ridge Consulting will examine SWEPCO’s Application for expedited certification and approvals. The major services and procedures that will be performed include:

- SWEPCO’s forecast of the need for long-term capacity;
- An evaluation of SWEPCO’s portfolio of existing supply-side resources;
- An analysis of the fuel diversity of SWEPCO’s existing generation fleet and the Company’s plans for the future;
- A review of the Company’s most recent Integrated Resource Plan (“IRP”) and whether the decision to acquire Wind Catcher is consistent with the stated IRP action plan;
- A review of the Demand Side Management initiatives of the Company and their contribution to load management and curtailment;
- A review of the plan for deactivation of generating facilities;

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- An evaluation of the process to select Wind Catcher, including SWEPCO's analyses and studies of alternative supply-side resources;
- An examination of the output of the production cost model that supports Wind Catcher as the lowest cost reasonable resource;
- An examination of the economic benefits and the non-financial considerations of the project;
- The comparison of the proposed budget and the actual expenditures that are reflected in the deferred balance;
- A determination of whether the Wind Catcher acquisition is in the public interest and consistent with Commission Orders;
- A determination of the Company's compliance with relevant Commission Orders;
- Provide an estimate of the effect upon customer rates from the acquisition;
- Meet and hold conference calls with Staff and Company representatives;
- Hold status conferences with Staff;
- Prepare final report and/or prefiled testimony;
- Stand cross examination at Commission hearings;
- Attend Business and Executive Session as necessary;
- Assist Staff counsel in the drafting of motions, briefs, and orders; and
- Provide general support services to Staff throughout the engagement.

Experience of Henderson Ridge Consulting

Henderson Ridge Consulting is very experienced with the applications of electric utilities for the certification of and the authorization to construct new supply-side resources. We were retained by the Commission to assist Staff in the recent certification of the St. Charles Power Station and the Lake Charles Power Station that ELL sought authorization to construct as well as the associated cost recovery. In addition, we just completed an engagement on behalf of the Commission in the certification of ELL's PPA with Occidental Chemical Corporation. Our firm just filed

testimony in August, 2017 on behalf of Staff regarding the certification of the Carville PPA.

Over the last twenty years, we have supported the Commission Staff in the review of other utilities' applications seeking the Commission's authorization to enter into long-term PPAs and the certification of resources as serving the public convenience and necessity. Thus, our firm has extensive experience with the Commission Orders regarding the competitive solicitation process (i.e. the Market-Based Mechanism Order) and the certification of long-term, supply-side resources (i.e. the 1984 General Order). We are also experienced with the requirements of the Commission should a utility receive an offer outside of the competitive solicitation process (i.e. the Unsolicited Offer General Order). A firm resume has been attached to the proposal and provides further background on our experience and prior engagements.

Minimum Requirements

Henderson Ridge Consulting is experienced in analyzing the operations and the books and records of electric utilities, gas local distribution companies, telecommunications carriers, and water and wastewater companies under the jurisdiction of the LPSC. This experience has been applied for the purpose of setting just and reasonable rates. To that end, the firm has experience that is germane to the Application of SWEPCO at hand.

As discussed in the Experience section of our proposal, Henderson Ridge Consulting is very familiar with the ratemaking treatment, principles, concepts, and terms and conditions of the Commission Orders that are relevant to this engagement. Henderson Ridge Consulting has reviewed the list of minimum requirements identified in Section IV as (1) through (8) and can readily satisfy this group of professional standards that the Commission expects of its expert consultants.

Estimate of Cost

We estimate that the professional fees that our firm will render in course of the engagement will be \$134,650.00. Travel-related expenses are anticipated to be \$4,800.00 for a total budget of \$139,450.00.

Conflict of Interest

Henderson Ridge Consulting has no current assignments, or any prior assignments, that could pose any conflicts of interest, or the appearance of such conflicts, including, but not limited to, any work performed on behalf of the Louisiana Public Service Commission. The firm does not represent any private clients before the Commission.

Henderson Ridge Consulting appreciates the opportunity to respond to the RFP and to continue its relationship with the Commission and its Staff.

Sincerely,

William Barta
Principal