

J. KENNEDY
AND
ASSOCIATES, INC.

**PROPOSAL TO THE
LOUISIANA PUBLIC SERVICE COMMISSION**

IN RESPONSE TO RFP 19-04

DOCKET NO. X-35119

SOUTHWESTERN ELECTRIC POWER COMPANY, EX PARTE

**IN RE: NOTICE OF INTENT TO CONDUCT REQUEST FOR
PROPOSALS FOR SOLAR RESOURCES IN ACCORDANCE WITH
COMMISSION GENERAL ORDER R-2672, SUBDOCKET C, THE
MARKET BASED MECHANISM (“MBM ORDER”)**

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

March 13, 2019

Executive Summary

J. Kennedy and Associates, Inc. (“Kennedy and Associates”) is pleased to submit this proposal to assist the Louisiana Public Service Commission (“Commission”) and Staff in its request for assistance in the review of Southwestern Electric Power Company’s (“SWEPCO” or “Company”) upcoming Requests for Proposals (“RFPs”) to acquire solar resources, and to assist Staff with any related LPSC resource certification applications that may be filed by or on behalf of SWEPCO. Kennedy and Associates has reviewed the Company’s Notice of Intent to Conduct an RFP, and the Company’s January 10, 2019 Draft Integrated Resource Plan (“IRP”) Report, which identified the need for solar resources sought through SWEPCO’s RFP.

Kennedy and Associates is uniquely qualified to assist the Staff in SWEPCO’s upcoming renewable resource RFP. First, we assisted Staff in the development of the IRP Rules in Docket No. R-30021, and therefore, are intimately familiar with requirements of the IRP rules, which played an important role in SWEPCO’s decision to acquire solar resources. The IRP is the fundamental resource planning process that establishes the utility’s need for capacity and identifies the optimal type of capacity that would best serve the need. In its IRP, SWEPCO determined that its preferred resource plan includes adding 1,300 MW of utility scale solar capacity through 2032.

Second, we have extensive relevant experience working on IRP proceedings in Louisiana, Georgia, Utah and elsewhere. In Louisiana, we assisted Staff in the first implementation of Entergy’s IRP process in Docket No. I-33014, and we were hired by the LPSC to work on the resulting RFP for renewable resource capacity that ELL issued following that IRP (Docket No. X-33876), which resulted in the acquisition of Solar Renewable Resources. ELL’s RFP resulted in a 50 MW solar renewable resource (LA3 West Baton Rouge L.L.C.)

purchase power agreement (“PPA”), and we also assisted Staff in the certification of that resource (Docket No. U-34836). We have assisted the Commission with several other renewable resource certification proceedings, including Entergy’s requests for certification of the Rain CII, Agrilectric, and Montauk renewable resources.

We are very familiar with the Commission’s 1983 General Order¹ that requires utilities to apply for a certification of public convenience and necessity (“CPCN”) prior to entering into a contract for purchase of capacity or power, and the Commission’s Market Based Mechanism Order (“MBM Order”),² and the public interest criteria set forth in those Orders. We have assisted the Commission in numerous proceedings subject to the criteria in those General Orders. We will use these criteria to evaluate the Company’s requests in this proceeding.

In addition, Kennedy and Associates has previously assisted the Commission in numerous rate proceedings involving SWEPCO and the other investor owned and cooperative electric and gas utilities in Louisiana. These have included base rate, formula rate plan (“FRP”), fuel adjustment clause, environmental adjustment clause, and other rate proceedings.

Kennedy and Associates also is knowledgeable with the RFP process and each stage of the process including participating in the technical and bidder’s conference, reviewing draft and helping to finalize RFP documents, participating in various meetings and conference calls as necessary, developing a report of the RFP process as requested, and providing all other assistance as necessary

¹ LPSC General Order dated September 20, 1983 (*In re: In the Matter of the Expansion of Utility Power Plant; Proposed Certification of New Plant by the LPSC*) (the “1983 General Order”), as amended by General Order (Corrected) in Docket No. R-30517 (*In re: Possible modifications to the September 20, 1983 General Order to allow (1) for more expeditious certifications of limited-term resource procurements and (2) an exception for annual and seasonal liquidated damages block energy purchases*) dated May 27, 2009.

² General Order, Docket No. R-26172 Subdocket A, *In re: Development of Market-Based Mechanisms to Evaluate Proposals to Construct or Acquire Generating Capacity to Meeting Native Load*, Supplements the September 20, 1983 General Order, dated February 16, 2004 (as amended by General Order, Docket No. R-26172 Subdocket B, dated November 3, 2006, and further amended by the April 26, 2007 General Order, and the amendments approved by the Commission at its October 15, 2008 Business & Executive Meeting and now in General Order, Docket No. R-26172, Subdocket C dated October 29, 2008).

to ensure that a fair and reasonable RFP process occurs. In the event that a certification proceeding results, Kennedy and Associates is experienced in providing litigation support necessary in that process, which includes reviewing the certification applications and testimony, drafting and reviewing data requests and responses, participating in all conferences as requested, preparing pre-filed testimony in support of Staff's recommendations, and assisting in all other regulatory support as requested including drafting applicable motions, exceptions, briefing sheets and orders of the Commission. We will plan to provide assistance through the conclusion of the certification docket(s), including attending any B&E meetings, as requested, and we understand that the RFP indicates the time estimate for this scope of work is approximately 18 – 24 months.

Kennedy and Associates Qualifications

Kennedy and Associates is well qualified to assist the Staff in this docket due to our familiarity with SWEPCO, its planning and IRP process, the Commission's General Orders, including the public interest criteria in those General Orders, as well as our experience in the Commission's IRP process, the utility RFP process, other renewables certifications in Louisiana and in other jurisdictions, and SWEPCO's ratemaking, including its FRP. We also are familiar with the SPP tariffs, rules and planning processes.

In addition, our firm has provided extensive consulting assistance to the Staff in dozens of other proceedings involving nearly all of the electric and natural gas utilities in the state. These proceedings have involved rulemakings, acquisitions, rate cases, fuel clause audits, and affiliate transactions. Our experience and the expert appearances of our consultants are detailed in our Qualifications package, a copy of which is enclosed with our proposal.

Kennedy and Associates meets all professional qualification requirements specified in the Commission's RFP for technical consultants. We are qualified to prepare and render expert

testimony and stand for cross-examination with respect to all of the issues addressed in the RFP and which are likely to arise in this proceeding. Each of our consultants is experienced in analyzing the operations, books and records of utility companies for the purpose of setting just and reasonable rates, is prepared and qualified to render expert testimony, and has knowledge of the following:

1. The Commission's Rules and Orders pertaining to the RFP process and acquisition of power supply resources, including, but not limited to the Commission's MBM Order and its 1983 Order, as amended;
2. Principles associated with resource acquisitions and the competitive process, including but not limited to analyzing utility resource needs and whether the considered resource(s) is able to meet those needs, particularly for renewable/solar resources;
3. Whether or not a resource will provide reliable service at the lowest reasonable cost;
4. Resource planning methods to improve the efficiency of a utility's power supply operations and whether the utility is making use of any such methods;
5. Public interest criteria for approval of resources and purchase power contracts, particularly renewable/solar resources;
6. LPSC rules on cost recovery mechanisms for power supply resources, SWEPCO's Formula Rate Plan, and the Commission's General Order dated November 6, 1997 in Docket U-21497 regarding fuel cost recovery;
7. Appropriate accounting standards and practices for electric utilities; and,
8. Southwest Power Pool tariffs and planning processes as may relate to SWEPCO's RFP and resulting resource certification(s).

Along with the hard copies of this proposal sent to the Commission, we have enclosed a single copy of Kennedy and Associates' Qualifications, which includes the resumes of all principals and consultants. We will be pleased to provide additional copies of our Company's Qualifications upon request.

Budget to Perform These Services

Kennedy and Associates proposes a budget of \$54,500 consisting of \$53,000 for consulting services and \$1,500 for expenses. Our services will be billed based on our standard billing rates, which are attached to this proposal. Kennedy and Associates will ensure that only charges for actual hours worked and actual expenses incurred will be billed, and that our bills will not exceed the total labor and expense budgets based on the scope of work outlined. Furthermore, we acknowledge that any expenses charged will be within the Commission's standard expense allowances, and we will follow all billing requirements in the Commission's November 10, 2014 General Order.

Kennedy and Associates Project Team

Mr. Lane Kollen, Vice President, CPA, CMA, CGMA, and Mr. Philip Hayet, Vice President will co-manage this project. They will be assisted by other Kennedy and Associates personnel as appropriate, including Mr. Brian Barber, Director of Consulting, Mr. Randy Futral, Manager of Consulting, and Mr. Sam Wyrobeck, Consultant. All of our staff are experienced regulatory consultants and have assisted the Staff in numerous IRP, RFP, and other resource acquisition and certification proceedings.

Mr. Kollen has several decades of experience in nearly all facets of utility resource planning, resource acquisition, operations, finance and taxes, and ratemaking. In addition, he is an expert in the financial, rate, tax, and planning areas. He specializes in evaluation of supply side and demand side resource acquisition, revenue requirements analyses, taxes, evaluation of rate and financial impacts of traditional and nontraditional ratemaking, utility mergers/acquisitions and diversification. Mr. Kollen has expertise in various software systems used by utilities for budgeting, rate case support and strategic and financial planning. Mr. Kollen has testified on

hundreds of occasions before federal and state regulatory commissions and courts on utility matters. Mr. Kollen's regulatory experience is described further in his biography attached to this proposal and his extensive expert testimony and appearances are detailed in the enclosed Qualifications package.

Mr. Hayet, Vice President, is an electrical engineer, and has worked closely with utility commissions, electric utilities and industrial groups across the U.S. on generation and transmission resource planning and operations issues, and he has considerable amount of experience working on regulatory proceedings and policy matters. Mr. Hayet is familiar with the resource planning principles that are important in RFP and certification proceedings, and is familiar with the construction, design, and operation of generation and transmission facilities. Mr. Hayet has experience working with SPP and MISO and is familiar with applicable standards associated with generation and bulk electric transmission facilities located in Louisiana. Mr. Hayet led our project team in the Rain CII PPA, Agrilectric PPA, and LA3 Baton Rouge Solar certification proceedings.

Action Plans and Timelines

Kennedy and Associates is prepared to begin work on this project immediately upon being retained by the Commission. We have developed the following Action Plan and Timeline for the major activities in this proceeding.

We will assist the Staff in the following actions:

Part A –RFP Process

1. **Review SWEPCO's Informational Filing** – We will review all information contained in any Informational Filing at the start of the RFP process. This includes any descriptions of the capacity need, the type of capacity desired, and any specific requirements that the Company is requiring as part of its RFP. We will review all draft RFP documents, and other documents the Company produces describing the bidding procedures. We will

perform a detailed review of the draft documents to ensure that they meet the requirements of the MBM Order. We will draft and respond to written comments concerning the RFP process.

2. **Technical Conferences** – We will participate in all technical conferences that are held with SWEPCO, Staff, and other stakeholders. From past experience, we know that the success of the RFP process depends on good communication between the utility, bidders and Staff, and we will monitor this closely throughout the process.
3. **Review Bid Responses and Evaluations** – We will review the bid responses and determine if the bid evaluation process has been conducted in a fair and reasonable manner. Kennedy and Associates has vast experience performing economic evaluations and is familiar with the tools that are typically used in RFP's to evaluate bids.
4. **Interaction with Bidders** - We will assist Staff in the evaluation of any issues that arise during the RFP process, and assist in determining an appropriate plan of action. We will help Staff respond to any written comments from bidders as appropriate.
5. **Review SWEPCO's Final Bid Selection and Review Executed Contracts** – We will review SWEPCO's final bid selection. We will also perform a high-level review of the executed contract to ensure that it meets all Commission requirements. Throughout the process, we will be prepared to consult on any bid evaluations, project selection, contract terms, etc., and we will perform other coordination technical analysis or consultation on the RFP as requested by Staff. After SWEPCO's selection has been finalized, we will assist Staff in preparing a report of the RFP process.

Part B – Certification

1. **Participation in the Certification Proceeding** – We will provide all services required to assist Staff in a litigated certification proceeding. Initially, we will review SWEPCO's certification filing testimony and exhibits. We will submit discovery requests throughout the proceedings to gather any additional information that we will need to have a thorough understanding of SWEPCO's Certification filing. We will also participate in meetings and conference calls, attend depositions, status conferences, and any other meetings scheduled in the proceeding.
2. **Participate in the Certification Hearing and Make Recommendations to the Staff** - Based on our review of the contract(s) and the Company's certification filing, we will formulate our recommendations that we will offer to Staff. We will work collaboratively with Staff to finalize our positions and incorporate those in our pre-filed testimony and subsequent rounds of testimony, which we will defend at hearings at the Commission. We will also participate in any settlement discussions and we will participate in Settlement Hearings should that be the outcome of this proceeding.
3. **Assistance in Preparation of Any Post-Hearing Briefs or Filings, Settlement Discussions and or Stipulation Hearings** – We will continue working with Staff after the

hearing to develop briefs and provide any other litigation related services necessary. We will also plan to attend and testify at the Commission's Business and Executive Session, in which the Commission's ultimate approval will be determined.

It is not possible to provide a definitive timeline associated with the RFP and Certification process now because the Commission has not yet set the procedural schedule for this proceeding. We are aware, however, of the requirements in the MBM Order, and will assist in developing a reasonable schedule that adheres to those requirements. We can also commit to working within an 18 to 24-month period to perform the scope of work outlined above.

Kennedy and Associates No Conflicts of Interest

Kennedy and Associates has no known conflicts of interest in representing the Louisiana Public Service Commission in this proceeding and none of the Project Team members presently represent other clients before the Commission. Kennedy and Associates does not represent investor-owned gas or electric utilities.

Contact Information

Thank you for the opportunity to allow us to provide consulting services to the Commission Staff on this important project. If you have any questions, please e-mail Lane Kollen at lkollen@jkenn.com or Philip Hayet at phayet@jkenn.com, or call us at 770-992-2027.

RESUME OF LANE KOLLEN, VICE PRESIDENT



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



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, evaluated power purchase agreements, participated in the development of commission rules concerning renewable energy and energy efficiency policies, and has performed 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): Director of Consulting. 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 RANDY A. FUTRAL, MANAGER OF CONSULTING



EDUCATION

Mississippi State University, BBS in Business Administration
Accounting

EXPERIENCE

Mr. Futral has nearly thirty years of utility and related industry experience in the areas of management, accounting, budgeting, forecasting, financial reporting, ratemaking, tax, banking, and both as a management employee and as a consultant. He has conducted utility revenue requirements analyses, affiliate transaction auditing and analysis, fuel adjustment clause auditing, purchase gas adjustment auditing, environmental adjustment clause auditing, and research involving tax and public reporting matters. He has filed reports and/or testimony before state and federal courts and regulatory commissions on numerous occasions addressing revenue requirements, tariff development and compliance, operation and maintenance expenses, and other issues.

J. Kennedy and Associates, Inc. (2003 to Present): Manager of Consulting. Mr. Futral provides consulting services that address compliance, performance, and operational issues. Clients include state and regulatory commissions and other government agencies as well as large users of electricity and natural gas.

Telscape International, Inc. (1997 – 2003): Corporate Assistant Controller and Corporate Controller. Mr. Futral had complete responsibility and accountability for the accounting and financial functions of a \$160 million newly public company providing telecommunication and high-end internet access services. Telscape served as a telephony carrier of services domestically and to Latin and Central America targeting other service carriers as well as individuals. Mr. Futral reported directly to the CFO and managed a staff of eleven.

Comcast Communications, Inc. (1988 - 1997): Regional Senior Financial Analyst, Regional Assistant Controller and Regional Controller. Mr. Futral had complete responsibility and accountability for the accounting functions of a \$2.1 billion regional division of then the world's third largest cable television provider serving approximately 490,000 subscribers. Mr. Futral reported to the Regional VP of Finance and managed a staff of twelve.

Storer Cable Communications, Inc. (1987 – 1988): Senior Accountant for Operations. Mr. Futral had responsibility for the accounting, budgeting, and forecasting activities of this 82,000 subscriber area for this cable television concern that was acquired by Comcast listed above.

Tracey-Luckey Pecan & Storage, Inc. (1986 – 1987): Senior Accountant

Tarpley & Underwood, CPA's (1984 – 1986): Staff Accountant

J. Kennedy and Associates, Inc.
2019 Hourly Fee Schedule
Public Service Commission Rates

<u>Title</u>	<u>Name</u>	<u>Hourly Rate</u>
President	Stephen J. Baron	\$266
Vice President	Lane Kollen	\$266
Vice President	Philip Hayet	\$266
Director	Richard A. Baudino	\$254
Director	Brian R. Barber	\$254
Manager	Randy Futral	\$254
Senior Consultant	Ann Bruccoliere	\$195
Consultant	Sam Wyrobeck	\$175
Consultant	Brian Kollen	\$160
Analyst	Jessica Inman	\$120