

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

**PROPOSAL TO THE  
LOUISIANA PUBLIC SERVICE COMMISSION**

**IN RESPONSE TO RFP 15-15**

**DOCKET NO. U-33779**

**CONCORDIA ELECTRIC COOPERATIVE, INC.**

**IN RE: APPLICATION FOR APPROVAL OF FORMULA RATE PLAN**

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

## **Executive Summary**

J. Kennedy and Associates, Inc. (“Kennedy and Associates”) is pleased to submit this proposal to assist the Louisiana Public Service Commission Staff (“Commission” and “Staff”) in its review of Concordia Electric Cooperative, Inc.’s (“Concordia” or “the Company”) application for approval of a formula rate plan (“FRP”) in Docket No. U-33779. The Company, in its application (paragraph 4), states “its member/owners would be better served if Concordia would take the proactive step of implementing a Formula Rate Plan.” Concordia also notes that an FRP would “allow timely identification of potential revenue shortfall situations, and periodic rate adjustments to offset such shortfalls.”

Kennedy and Associates is uniquely qualified to assist the Commission in this review in a knowledgeable and efficient manner. We already are familiar with Louisiana cooperative electric utilities including Concordia, particularly regarding their accounting practices, FRP requirements, and annual rate reporting and rate change filings. For example, previously we assisted Staff in the design and implementation of the Dixie Electric Membership Cooperative, Inc.’s (“DEMCO”) FRP, which was the first FRP adopted by the Commission for a cooperative electric utility. We also assisted the Staff in the design and implementation of the South Louisiana Electric Cooperative Association, LLC’s (“SLECA”) FRP, and Claiborne Electric Cooperative Inc.’s (“Claiborne”) FRP in Docket No. U-32315, which included developing the formulas and the upper and lower coverage ratio thresholds that were included in the FRP tariff. The other cooperative FRPs, including Claiborne’s and SLECA’s are patterned on the DEMCO FRP. Finally, we have assisted in the review of annual report filings for each of the cooperatives listed above including three for Beauregard in 2013, 2014, and 2015 in Docket Nos. U-32807, U-33217, and U-33615, respectively.

Once we are engaged by the Commission, we will thoroughly evaluate Concordia's request to implement an FRP, and we will assist Staff in reviewing the Annual Monitoring Reports that will be filed in each of the next four years. According to testimony that Concordia's General Manager and CEO, Mr. Billy Harris filed, by implementing an FRP, Concordia would be able to provide greater assurances to its lenders that Concordia would have the "ability to service existing and new loans."<sup>1</sup>

As part of our review we will fully examine the Company's objectives in implementing the FRP to ensure that its objectives will be met, and will provide benefits for ratepayers. In the future, as the Company makes its annual FRP Monitoring Report filings, we will review those to determine if the benefits for ratepayers have been achieved.

In this proceeding, we will review all filings and workpapers, conduct discovery, participate in meetings with the Commissioners, Staff and other parties as requested, perform analyses, and if we identify any issues, we will endeavor to work closely with Concordia to reach mutually acceptable resolutions to the issues. However, in the event that it becomes necessary to litigate any matter, we will develop expert testimony, testify at hearing, and provide any other requested regulatory support services, such as assisting in the preparation of cross examination, and helping to draft motions, exceptions, briefing materials, and Commission orders. We will also attend the Commission's B&E session, as requested. We also note that this proposal has been designed to be in accordance with the Commission's General Order dated November 10, 2014.

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<sup>1</sup> Direct Testimony, Docket No. U-33779, Mr. Billy Harris, August 31, 2015, page 9, line 1.

**Budget to Perform These Services**

Kennedy and Associates proposes a budget of \$59,000 consisting of \$58,000 for consulting services and \$1,000 for expenses. This budget encompasses our review of the Company's request for approval of its FRP, and our review of the Company's next four FRP Annual Monitoring Report filings. Our services will be billed based on our standard billing rates, which are attached to this letter. 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.

**Kennedy and Associates Qualifications**

Kennedy and Associates is well qualified to assist the Staff in this docket due to our familiarity with Louisiana cooperative electric utility FRPs. 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, 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. Appropriate accounting standards and practices for electric public utilities and/or electric cooperatives, public utility accounting, and generally accepted auditing standards;
2. The appropriate ratemaking adjustments to be made to the utility's accounting records;
3. NARUC approved cost-of-service methodologies for electric cooperatives;
4. The determination and calculation of the appropriate rate base of a utility plant investment dedicated to providing service;
5. Traditional cost-of-service and cost allocation methodologies supporting the revenue requirements among classes of customers;
6. The cost allocation methodologies for the allocation of investment and expenses between affiliates, including the relationship of the holding company to its subsidiary operating companies, the transfer of investment and costs between operating companies, and the provision of services between affiliates;
7. Cost of capital, including capital structure, cost of debt, cost of equity and rates of return;
8. Familiarity with just and reasonable costs and prudent investments associated with providing reliable and quality service as recommended by NARUC;
9. Depreciation and taxation;
10. FRPs or other methods of annual rate adjustments; and,
11. A detailed understanding of the major functional areas of a regulated electric cooperative.

**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 Mr. Randy Futral and Mr. Richard Baudino. Mr. Kollen, Mr. Futral and Mr. Baudino, as well as the rest of the Kennedy and Associates Staff, are experienced regulatory consultants and have performed numerous audits and reviews in conjunction with the Staff. Mr. Kollen, Mr. Futral, and Mr. Baudino have all testified on regulatory matters on numerous occasions in multiple jurisdictions, including the Commission.

Mr. Kollen, Vice President, has several decades of experience in nearly all facets of utility operations, including electric cooperatives, cooperative marketing, the design and implementation of FRPs, and cooperative accounting. In addition, he is an expert in the financial, rate, tax, and planning areas. He specializes in 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 state and federal 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. Randy Futral, Manager, Consulting, is an expert on utility ratemaking and analyses, including electric cooperatives. Mr. Futral worked closely with the Staff and Mr. Kollen in the development of the Claiborne, DEMCO, and SLECA FRPs and has performed numerous audits in conjunction with the Staff, including numerous annual FRP filings made by various electric cooperatives. Mr. Futral also has assisted in various audits of electric cooperatives, including the

review and recovery of storm damage costs by DEMCO. Mr. Futral's regulatory experience is described further in his biography attached to this proposal and his expert testimony and appearances are detailed in the enclosed Qualifications package.

Mr. Richard Baudino, Consultant to Kennedy and Associates, also has expertise in cooperative electric utility ratemaking, regulatory finance and accounting, and formula rate plans. More specifically in Louisiana, Mr. Baudino assisted the Staff in numerous management audits of distribution utilities and in FAC audits involving Southwestern Electric Public Service Company ("SWEPCO") and Entergy Louisiana, LLC ("ELL"). In addition, Mr. Baudino assisted the Commission in the development of the service quality improvement program for SWEPCO in Louisiana. Mr. Baudino'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.

### **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:

1. Review the Company's filing and workpapers.
2. Prepare discovery and review responses.
4. Perform analysis to to determine the reasonableness of Concorida's request to implement an FRP.
5. Identify appropriate recommendations.
6. Negotiate with Concordia to implement changes to its FRP and to develop a Settlement Agreement, if possible.

7. Develop testimony, either based on the agreement reached with Concordia, or to litigate issues.
8. Assist Staff counsel in preparation for hearing, testify at hearing, and provide all other requested regulatory support services.
10. Assist Staff at the Commission's B&E, if requested.
11. Assist Staff in reviewing Concordia's annual report filings for test years 2015 – 2018. This work includes reviewing the filings, conducting discovery, performing analyses, identifying issues, working with Concordia to resolve the issues based on procedures described in Section 2.B.3 of Concordia's proposed FRP. In the event that litigation is required in any or all of the four years, Kennedy and Associates will provide all necessary litigation services starting with discovery, filing testimony, testifying at hearing, providing all regulatory support services, and ending with providing assistance to Staff at the Commission's B&E session.

We anticipate that we can complete the evaluation of Concordia's FRP request over a six to nine month period, and we anticipate that our services to review the four test year reports will be conducted over a 30 – 40 month period.

**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.

**Kennedy and Associates Brief Biographies**

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

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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 RANDY A. FUTRAL, MANAGER OF CONSULTING

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### 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

## **RESUME OF RICHARD A. BAUDINO, CONSULTANT**

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### **EDUCATION**

**New Mexico State University, M.A.**  
Economics

**New Mexico State University, B.A.**  
Economics, English

### **EXPERIENCE**

Mr. Baudino has more than thirty years of broad-based experience in utility ratemaking, including revenue requirement analysis, cost of capital, utility financing, electric and natural gas utility restructuring and competition; phase-ins, auditing, cost allocation, and rate design. Mr. Baudino has provided expert testimony in one hundred eighty utility rate proceedings. He has significant experience in the development and use of revenue requirement, cost of service, and rate design modeling.

**Baudino Regulatory Consulting, Inc. (2007 to Present).** President. Mr. Baudino has continued his association with J. Kennedy and Associates, Inc. as a Consultant. Mr. Baudino provides consulting services to clients that encompass the following: estimation of the investor required return on equity, capital structure, cost of service analysis for electric, gas, and water utility operations, rate design, and various issues of regulatory policy.

**J. Kennedy and Associates, Inc. (1989 to 2007).** Director of Consulting. Responsible for consulting projects and expert testimony in the areas of revenue requirements, rate design, cost of capital, economic analysis of generation alternatives, fuel cost auditing, gas industry restructuring and competition.

**New Mexico Public Service Commission Staff (1982 to 1989).** Utility Economist. Responsible for preparation of analysis and expert testimony in the areas of rate of return, cost allocation, rate design, finance, phase-in of electric generating plants, and sale/leaseback transactions.

**2016 Hourly Fee Schedule  
Louisiana Public Service Commission**

<u>Title</u>	<u>Name</u>	<u>Hourly Rate</u>
President	Stephen J. Baron	\$250
Vice President	Lane Kollen	\$250
Vice President	Philip Hayet	\$250
Director	Richard A. Baudino	\$239
Director	Brian R. Barber	\$239
Manager	Randy Futral	\$239
Senior Consultant	Ann Bruccoliere	\$180
Senior Consultant	Leah Justin Wellborn	\$180
Consultant	Brian Kollen	\$140
Analyst	Jessica Inman	\$100

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