

J. KENNEDY AND ASSOCIATES, INC.

PRINCIPALS

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December 13, 2016

Mr. Brandon Frey
Ms. Kathleen Richardson
Louisiana Public Service Commission
602 North Fifth Street (Galvez Building) (70802)
P. O. Box 91154
Baton Rouge, LA 70821-9154

Re: Solicitation for under \$50K bids from outside consultant to assist Staff in Reviewing Entergy Louisiana, LLC's Application for Approval of a 20-Year Contract with Rain CII Carbon, LLC, for the Purchase of Capacity and Energy from the Sulphur Louisiana, Heat Recovery Project and Request for Timely Treatment (Docket No. U-34291)

Dear Mr. Frey:

J. Kennedy and Associates, Inc. ("Kennedy and Associates") is pleased to submit this proposal in response to the Louisiana Public Service Commission's ("Commission") November 28, 2016 solicitation for an outside consultant to assist its Staff in the review of Entergy Louisiana, LLC's ("ELL" or "the Company") Supplemental Application seeking to materially amend its 20-year power purchase agreement ("PPA") that it entered into with Rain CII Carbon, LLC ("Rain"). The existing agreement is for 28 megawatts ("MW") of baseload capacity, capacity-related benefits, energy, other electric products, and environmental attributes, which was approved through LPSC Order No. U-32557 on January 11, 2013. The contract is being amended to address minimum contractual requirements for dependable capacity issues that have been difficult for Rain to meet since the start of the contract. Rather than pursuing termination of the contract, which ELL has the right to do, ELL has agreed to alternative terms that would convert the agreement to an "energy-only" structure that would no longer require a capacity payment. ELL seeks Commission approval of the Revised PPA, but notes that if the Commission does not grant approval by September 1, 2017, or if the Commission denies approval, then ELL intends to exercise its termination rights under the contract.

In seeking approval, ELL notes that the Revised PPA continues to comply with the Commission's requirements established in the Renewable Energy Pilot Program ("REPP") Implementation Plan General Order dated December 9, 2010, (Docket R-28271-A Subdocket B). In addition, the Company notes that the Original PPA was selected from a formal RFP process and an arm's length negotiation process, which resulted in the Commission certifying that the Original PPA was consistent with the requirements of the Commission's 1983 General Order and 2009 amendments, and the Market Based Mechanisms ("MBM") General Order. Furthermore, the Company states that "the Revised Rain PPA remains in the public interest as it will still comply with all applicable Commission Orders as well as

continue to provide a renewable resource that will continue to meet with the Commission's policy objectives for such resources." As part of our work on this project, Kennedy and Associates will investigate whether the Revised Agreement does indeed comply with the 1983 General Order, the MBM General Order, the REPP Implementation Plan General Order, and other orders that may apply such as Entergy's Fuel Adjustment Clause recovery mechanism, and Entergy's Formula Rate Plan. Furthermore, we will also consider whether the Revised Agreement is consistent with goals established in the Entergy's 2015 IRP.

Kennedy and Associates has worked on behalf of the Commission since 2005 on various matters related to renewable energy. We are ideally suited to assist the Commission in the evaluation of ELL's Application in this proceeding. We participated in three separate investigations of whether a Renewable Portfolio Standard would be appropriate for Louisiana, and we assisted the Commission in a rulemaking that led to the development of the REPP in Docket R-28271-A. We also participated in three Certification Proceedings (Agrilectric, Montauk, and Rain) on behalf of the Commission stemming from REPP rulemaking proposals. We aided the Commission in Docket No. U-32557, which was the Original Certification of the Rain resource. Kennedy and Associates thoroughly understands the requirements of the REPP Rulemaking proceeding, and the Certification Proceeding that led to the Commission's approval of the Original Rain Agreement. This background will be invaluable in assessing whether the Revised Contract meets the requirements of the Commission's Orders and is in the public interest.

Our Approach to Perform The Project

Kennedy and Associates will perform the following review, and while conducting this review, we will work closely with Staff to decide if any specific issues need to be evaluated in greater detail.

- Review filing;
- Review the Commission's prior Orders that are relevant to this proceeding;
- Conduct discovery (both formal and informal discovery as necessary);
- Perform analyses to develop recommendations;
- Coordinate with Staff to discuss all findings;
- Prepare expert witness testimony;
- Respond to discovery requests served upon us;
- Participate in settlement discussions, if there are any;
- Testify at hearing; and,

- Provide other litigation support as requested by Staff.

Budget to Perform These Services

Kennedy and Associates proposes a budget for consulting services of \$27,400. Expenses for this project will be in addition to the consulting services, and will not exceed \$1,100. 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 at specified normal hourly rates 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 its review of the Revised Rain Application. Our experience with the prior renewable energy proceedings, and with the Original Rain Contract Certification will allow us to quickly understand the important issues of this proceeding, and will help us to provide the highest quality consulting support to the Commission. A copy of our firm's professional qualifications is attached to this proposal.

Our project team consists of consultants experienced in renewables resources and contracts as well as the Commission's regulatory requirements. Mr. Lane Kollen, Vice President, CPA, CMA, CGMA will have executive management responsibility for the project. Mr. Philip Hayet, Vice President, will work closely with Mr. Kollen and will have lead responsibility. They will be assisted by Ms. Leah Wellborn, Senior Consultant. Individuals on our team have more than 30-years experience working in the electric utility industry and on dozens of projects for the Commission. The following is a summary of the background of the project team members who will work on this project.

Mr. Lane Kollen has expertise 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 is a ratemaking expert knowledgeable on the formula rate plans that are in place for all investor owned utilities in Louisiana.

Mr. Hayet 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 led our project team in the RPS, REPP, Rain, and Agrilectric rulemakings and certification proceedings.

Ms. Wellborn has expertise in economic analyses involving renewable resources, resource planning, contract evaluations, and IRP studies for utilities across the U.S. Ms. Wellborn has extensive experience with production cost modeling.

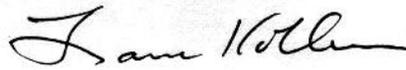
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Kennedy and Associates No Conflicts of Interest

Kennedy and Associates has no known conflicts of interest in representing the Louisiana Public Service Commission in this proceeding. Kennedy and Associates does not represent investor-owned gas or electric utilities.

Thank you for the opportunity to provide consulting services to the Commission Staff on this important project. Please call me at 770-992-0207, or e-mail me at lkollen@jkenn.com, or Philip Hayet at phayet@jkenn.com with any questions or comments.

Sincerely,

A handwritten signature in black ink that reads "Lane Kollen". The signature is written in a cursive style with a large initial "L".

Lane Kollen
Vice President

LK:ji

Attachment

J. Kennedy and Associates, Inc.
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
Consultant	Leah Justin Wellborn	\$160
Consultant	Brian Kollen	\$140
Analyst	Jessica Inman	\$100
