

J. KENNEDY AND ASSOCIATES, INC.

PRINCIPALS

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February 10, 2017

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 Docket No. U-34342 Cleco Power, LLC. In re: Request for Recovery
Through its Fuel Adjustment Clause Costs Associated with New Natural Gas
Supply.**

Dear Mr. Frey and Ms. Richardson:

J. Kennedy and Associates, Inc. (“Kennedy and Associates”) is pleased to submit this proposal in response to the Louisiana Public Service Commission’s (“Commission”) February 6, 2017 solicitation for an outside consultant to assist its Staff in the review of Cleco Power, LLC’s (“Cleco”) request to recover through its Fuel Adjustment Clause (“FAC”) the cost of building a new 7.2-mile natural gas supply pipeline. The pipeline would connect between the Pine Prairie Energy Center (“PPEC”) natural gas storage facility and Cleco’s Coughlin Power Station (“Coughlin”). Cleco plans to complete construction on the pipeline by the third quarter of 2018.

Although recovery of capital related revenue requirements is not normally permitted to flow through the FAC mechanism, Cleco is requesting an exception to include the costs of this new pipeline segment. Cleco states that other costs have previously been permitted to flow through the FAC mechanism, both by Cleco for the inclusion of its CLE pipeline assets, and by Entergy for the inclusion of Operation and Maintenance expenses associated with the Spindletop Gas Storage Facility. Cleco’s request states that it expects it would begin flowing the capital revenue requirements through the FAC beginning in the third quarter of 2018. However, in accordance with the timeline decided in its last Formula Rate Plan Extension proceeding (Docket No. U-32779), Cleco states that it would conduct its next FRP extension proceeding by June 30, 2019, and would begin including the pipeline revenue requirements in base rates effective July 1, 2020.

Cleco’s request includes an economic analysis that compares the pipeline capital cost revenue requirements to the benefits it believes the pipeline would be expected to provide over 45 years based on costs that would be avoided by building the new pipeline. Cleco concludes that

ratepayers could expect to receive a \$95 million nominal dollar benefit if Cleco builds the pipeline.

Kennedy and Associates has considerable experience with the Commission's General Order dated November 6, 1997 (the "FAC Order"), as Kennedy and Associates participated in the proceeding that led to the implementation of that Order, and because Kennedy and Associates has worked on behalf of the Commission for more than thirty years, and has conducted numerous investigations of Louisiana utility fuel filings. As part of our work, Kennedy and Associates will investigate the reasonableness of Cleco's request to obtain an exception to the FAC Order. In addition, we will investigate Cleco's economic evaluation that it performed to justify the project, including Cleco's data assumptions and modeling analyses. Furthermore, we will evaluate the reasonableness of the costs that Cleco proposes to flow through the FAC.

Our Approach to Perform The Project

Kennedy and Associates will work closely with the Commission's in-house Utilities, Legal and Auditing Staff, and will perform the following steps in its review of Cleco's requests:

- Review filing;
- Review the Commission's prior Orders that are relevant to this proceeding, including other proceedings in which FAC exceptions were considered;
- 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, or a report depending on Staff's requirements;
- 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 \$9,000. Expenses for this project will be in addition to the consulting services, and will not exceed \$750. 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 Cleco's request given our experience with other FAC matters. This experience will allow us to quickly address the important issues of this proceeding, and will allow 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 that have considerable experience with fuel adjustment cost proceedings, capital cost evaluations, and with 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. Mr. Kollen and Mr. Hayet each have more than thirty years of 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 fuel, financial, rate, tax, and planning areas. He specializes in fuel cost evaluations, 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. Kollen assisted the Staff in drafting the FAC Order nearly twenty years ago, and is intimately familiar with the requirements of the order and the exceptions previously authorized by the Commission.

Mr. Hayet is an electrical engineer, and has worked closely with utility commissions, electric utilities and industrial groups across the U.S. on fuel cost analyses, generation and transmission resource planning and operations issues, and has considerable experience working on regulatory policy matters. Mr. Hayet has worked on numerous fuel related issues in Louisiana, performs annual fuel cost evaluations in Utah, and has conducted all of the fuel proceedings on behalf of the Georgia Public Service Commission for the past 10 years.

Ms. Wellborn has expertise in economic analysis, and has conducted numerous studies including fuel costs, renewable resources, resource planning, contract evaluations, concerning utilities located across the U.S. Ms. Wellborn has extensive experience with production cost modeling.

Kennedy and Associates No Conflicts of Interest

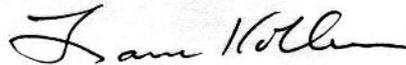
Kennedy and Associates has no known conflicts of interest in representing the Louisiana Public

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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" and a long, sweeping underline.

Lane Kollen
Vice President

J. Kennedy and Associates, Inc.
2017 Hourly Fee Schedule
Louisiana Public Service Commission

<u>Title</u>	<u>Name</u>	<u>Hourly Rate</u>
President	Stephen J. Baron	\$258
Vice President	Lane Kollen	\$258
Vice President	Philip Hayet	\$258
Director	Richard A. Baudino	\$247
Director	Brian R. Barber	\$247
Manager	Randy Futral	\$247
Senior Consultant	Ann Bruccoliere	\$185
Consultant	Leah Justin Wellborn	\$185
Consultant	Brian Kollen	\$145
Analyst	Jessica Inman	\$110
