

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

**PROPOSAL TO THE  
LOUISIANA PUBLIC SERVICE COMMISSION**

**IN RESPONSE TO RFP 17-12**

**DOCKET NO. U-34630**

**SOUTHWESTERN ELECTRIC POWER COMPANY'S APPLICATION  
FOR CERTIFICATION OF THE LEASIDE WAY  
TRANSMISSION PROJECT**

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

**September 2017**

## **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 the review of the request made by Southwestern Electric Power Company (“SWEPCO” or the “Company”) for certification of the Leaside Way Transmission Project. We have reviewed the SWEPCO Application and testimony in support of the Application, and are familiar with the certification requirements set forth in the Commission’s General Order dated October 10, 2013 in Docket No. R-26018.

SWEPCO filed this Application seeking certification for the siting, construction, and operation of a new 138/69 kV substation to be located approximately six miles north of Keithville, Louisiana, and three new 138 kV transmission lines. SWEPCO estimates a total cost of \$24.7 million for the substation and transmission lines.

Kennedy and Associates is uniquely qualified to provide consulting services to the Commission Staff and meets the qualifications set forth in the RFP. We have assisted the Commission Staff in other certification proceedings and are experienced in the review and assessment of large-scale transmission, generation, and other projects. We recently assisted the Staff in the certification of the Messick-Layfield Transmission Project in Docket No. U-33196, a similar project involving the construction by SWEPCO and Cleco Power Company of a new 500/230 kV substation and related transmission lines. That certification proceeding was settled with SWEPCO and Cleco. We also recently assisted the Staff in the certification proceedings for the Rain CII, Agrilectric, and Montauk Purchased Power Agreements (“PPA”s), all of which were settled with the utilities. We also have reviewed and addressed the need for and economics of generation and transmission projects in other jurisdictions for other clients.

Our consultants include engineers, economists and accountants who are experienced in assisting regulatory commissions achieve their oversight objectives in a disciplined, thoughtful, and cost-effective manner.

### **Our Approach to Perform The Project**

Kennedy and Associates already has performed an initial review of the SWEPCO's filing. Once we are retained by the Commission, we will further analyze and assess the Companies' request as well as identify any issues that require additional investigation. During this review, we will discuss our preliminary findings with Staff to decide any specific issues that will need to be evaluated in more detail. Other tasks that will be performed include:

- Conducting discovery (both formal and informal discovery as necessary)
- Performing analyses to develop recommendations
- Preparing expert witness testimony
- Responding to discovery requests served upon us
- Participating in settlement discussions
- Testifying at hearing
- Providing other litigation support as requested by Staff

### **Budget to Perform These Services**

Kennedy and Associates proposes a budget for consulting services of \$31,900. 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 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 primarily Mr. Philip Hayet, Mr. Richard Baudino, and Ms. Leah Justin Wellborn. Mr. Kollen, Mr. Hayet, and Mr. Baudino are experienced regulatory consultants and have performed numerous audits and reviews in conjunction with the Staff. Ms. Wellborn is experienced in modeling utility generation and transmission. We have attached brief biographical resumes for each member of our project team and have included a copy of our Qualifications package with this proposal, which provides more detail on the projects our team has completed and their respective expert appearances.

### **Kennedy and Associates Qualifications**

Kennedy and Associates is well qualified to assist the Staff in its review of the Application. Our firm has provided extensive consulting assistance to the Staff on numerous occasions in proceedings involving all of the jurisdictional electric and gas utilities in the state. These proceedings have involved transmission, power plant, and renewables PPA certifications; rulemakings; acquisitions and other business restructurings; rate cases; fuel clause audits; environmental clause audits; affiliate transactions; and management audits.

The Kennedy project team is familiar with and has experience involving transmission construction, certification, and cost allocation, as well as the Commission requirements applicable to jurisdictional electric utilities, including state and federal jurisdictional and regulatory compliance

issues related to transmission planning and construction. Our consultants are qualified and prepared to render expert testimony regarding and have knowledge of:

1. Public interest criteria for approval and monitoring of electric generating and transmission facilities;
2. Construction, design and operation of transmission facilities;
3. NERC, SERC, SPP, MISO, and any other applicable standards associated with bulk electric transmission facilities to be located in the State of Louisiana;
4. Environmental criteria associated with the design and construction of bulk electric transmission facilities;
5. Appropriate accounting standards and practices applicable to the Leaside Way Transmission Project;
6. Cost allocation methodologies for the allocation of investment and expenses among affiliates and utilities, including the relationship of a parent company to its subsidiary operating companies; the transfer of investment and costs among affiliates and utilities, and the provision of service among affiliates and utilities; and
7. Applicable utility tariffs including SWEPCO's Formula Rate Plan, Southwest Power Pool ("SPP") tariffs.

Mr. Lane Kollen will manage this project, and he will be assisted by other Kennedy and Associates personnel as appropriate, including Mr. Philip Hayet, Mr. Rick Baudino, and Ms. Leah Justin Wellborn. Each of these individuals, other than Ms. Wellborn, has more than 30 years experience working in the electric utility industry. The following is a summary of Kennedy and Associates qualifications:

Mr. Lane Kollen, Vice President of Kennedy and Associates, Inc., has expertise in the certification, regulatory, financial, rate, tax, and planning areas. He specializes in utility expansion and planning issues, 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 familiar with the Commission's public interest criteria for approval and monitoring of electric generating and transmission facilities, environmental criteria associated with the design and construction of bulk transmission facilities, appropriate accounting standards and practices applicable to the Leaside Way Transmission Project, cost allocation methodologies, and applicable utility tariffs, including SWEPCO's Formula Rate Plan and relevant SPP tariffs. Mr. Kollen led our project teams in the Messick-Layfield Transmission Project certification proceeding and the Montauk PPA certification proceeding.

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 experience in regulatory proceedings and policy matters. Mr. Hayet is familiar with the construction, design, and operation of transmission facilities and with the NERC, SERC, SPP, MISO, and other applicable standards associated with bulk electric transmission facilities located in Louisiana. Mr. Hayet led our project team in the Rain CII PPA and Agrilectric PPA certification proceedings.

Mr. Rick Baudino, also has expertise in utility ratemaking, regulatory finance and accounting. Ms. Leah Justin Wellborn has expertise in modeling utility systems and has worked closely with Mr. Hayet on several projects involving generation planning and transmission issues.

### **Action Plan 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 that we will perform.

1. Review the Companies' Application and testimony and any SPP directive to construct the substation and related transmission facilities.
2. Prepare discovery and review to ensure that the substation and related transmission facilities are required for reliability purposes and that the Companies' plans are the most appropriate and cost-effective means to achieve the required reliability.
3. Review the construction estimates and schedules.
4. Assess the operation and maintenance costs of the facilities in addition to the capital costs.
5. Assist the Staff in settlement discussions with the Companies.
6. If the parties are able to reach a settlement, then prepare testimony in support of the settlement agreement, appear at hearing, and assist Staff counsel in preparation for hearing, if requested to do so. If the parties are not able to reach agreement, then prepare testimony addressing the areas of disagreement, appear at hearing, and assist Staff counsel in preparation for hearing, pleadings, and provide other assistance, as requested.

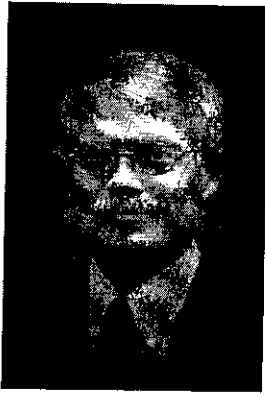
We anticipate that we can complete the preceding activities within four months after being retained by the Commission.

**Kennedy and Associates Has 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.

## 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 PHILIP HAYET, VICE PRESIDENT

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### 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.

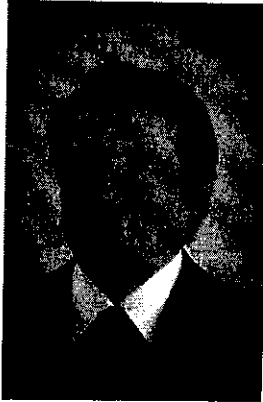
**J. Kennedy and Associates, Inc. (2000 to Present):** Director of Consulting. Mr. Hayet also works for this firm, and provides consulting services involving electric utility regulatory matters. Mr. Hayet has assisted in certificate of necessity, utility commission rulemaking, and decertification proceedings. 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 RICHARD A. BAUDINO, CONSULTANT TO J. KENNEDY AND ASSOCIATES, INC.**

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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.

# RESUME OF LEAH JUSTIN WELLBORN, SENIOR CONSULTANT

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## EDUCATION

**Georgia Southern University,**  
Statesboro, GA  
B.S. Mathematics, 2012  
GPA 3.72, Magna Cum Laude

**Georgia Institute of Technology,**  
Atlanta, GA  
Working towards M.S. Operations Research degree  
Expected Completion in 2015

## EXPERIENCE

Ms. Wellborn is a recent college graduate with a mathematics and analysis background. She has been working at J. Kennedy and Associates, Inc., and has been sub-contracting to Hayet Power Systems Consulting on projects since early 2013. For these companies, she has been providing critical support in the areas of production cost modeling and data analysis involving utility regulatory proceedings on cases for clients located across the country. Ms. Wellborn has worked on projects for regulatory commissions and government agencies such as the Department of Justice and the Louisiana Public Service Commission Staff, as well as the large industrial users group, the Kentucky Industrial Utility Customers, Inc.

### J. Kennedy and Associates, Inc. (2013 to Present): Consultant

Responsible for conducting research, data analysis, production-cost modeling, and performing resource planning analyses.

#### Project Experience

Analyses and development of commodity forecasts,  
Data extraction, interpretation, and organization,  
Analysis using statistical software such as PAST, and  
Familiarity with production cost models such as Strategist and Aurora XMP

### Hayet Power Systems Consulting (2013 to Present): Sub-contractor Consultant

Responsible for conducting research, data analysis production-cost modeling and performing resource planning analyses.

#### Project Experience

Analysis of PROSYM results,  
Evaluation of incremental cost, heat rate, and expected forced outage rate calculations,  
Integrated Resource Planning assessments, and  
Development of numerous analyses and creation reports and presentations

### Relevant College Coursework (2008-2013)

Deterministic Optimization, Operations Research, Statistical Methods, Number Theory, Linear Algebra, Differential Equations, Math Structures, Modern Algebra, Java Programming, and Calculus I, II, III

**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
Senior Consultant	Leah Justin Wellborn	\$185
Consultant	Brian Kollen	\$145
Analyst	Jessica Inman	\$110

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