

J. KENNEDY
AND
ASSOCIATES, INC.

**PROPOSAL TO THE
LOUISIANA PUBLIC SERVICE COMMISSION**

IN RESPONSE TO RFP 17-14

DOCKET NO. U-34658

**IN RE: APPLICATION FOR APPROVAL OF AN UPDATED ADVANCED
METERING SYSTEM PROGRAM**

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

November 6, 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”) Staff (“Staff”) in the review of Concordia Electric Cooperative, Inc.’s (“Concordia” or “Company”) request for approval of its updated advanced metering system (“AMS”) program pursuant to the Commission’s AMS/DR General Order dated September 22, 2009. This proposal is structured to meet the requirements of the Commission’s Request for Proposal (“RFP”) dated October 16, 2017 (RFP 17-14).

Concordia requests that the Commission certify its updated AMS program, declare the deployment of the updated AMS program to be prudent, and allow the Company to recover all prudently incurred costs associated with the updated AMS program. Concordia’s request is somewhat different in that it has already commenced the updated AMS deployment and that it has already achieved economies from its initial implementation in 1995. It is also somewhat different in that it does not seek incremental cost recovery through an increase in base rates or through an AMS surcharge.

We will assist the Staff in analyzing Concordia’s Application and request for cost recovery through its Formula Rate Plan (“FRP”). We are familiar with the General Order and its objectives and requirements. We also have reviewed Concordia’s filing, including the Report prepared by BHA, Inc., and are familiar with its updated AMS program, the proposed deployment of AMS, and its request for cost recovery.

Kennedy and Associates Qualifications

Kennedy and Associates is extremely well qualified to perform the review of Concordia’s Application and request for cost recovery. We are experienced and knowledgeable regarding each

other AMS program, deployment, and cost recovery approved by the Commission, including Concordia's present AMS program, deployment and cost recovery. Earlier this year, we assisted the Commission Staff in the Entergy Louisiana LLC ("ELL") AMS proceeding regarding these same issues and compliance with the AMR/DR General Order. We assisted the Staff in resolving the ELL AMS proceeding through a Stipulation that was approved by the Commission.

In addition, we have assisted other clients in the review of AMS technologies, including alternatives, prudence, cost/benefit analyses, pilot programs, deployment plans, depreciation and recovery of AMS costs, and amortization and recovery of retired meter and other related costs in other jurisdictions, including Kentucky and Texas.

Further, we have been involved in hundreds of regulatory proceedings over more than thirty years, including dozens of proceedings involving all the investor-owned utilities and many of the cooperative utilities before the Commission on behalf of the Staff

Our principals and consultants have provided expert testimony on several hundred occasions. These proceedings have included analyzing the operations, books, and records of utility companies for the purpose of setting just and reasonable rates, addressing affiliate transactions and cost-sharing among utility affiliates (regulated and non-regulated), fuel recovery through FAC filings and the base ratemaking process, addressing various intercompany system agreements, and AMS technology, prudence, cost/benefit analysis, and cost recovery. Our principals and consultants are experienced and have filed testimony on the following subjects, among others:

- 1) appropriate accounting standards and practices for electric utilities;
- 2) the Commission's Rules and Orders pertaining to acquisitions and capital outlays;
- 3) the Commission's Rules and Orders pertaining to outage management and service reliability;

- 4) whether or not a resource will provide reliable service at the lowest reasonable cost;
- 5) methods to improve the efficiency of a utility's operations and whether the utility is making use of any such methods;
- 6) public interest criteria for approval of utility investments;
- 7) Commission rules on affiliate transaction and cost recovery mechanisms, including ELL's Formula Rate Plan, the Commission's Fuel Clause Recovery Order, and Commission General Order U-21497 dated November 6, 1997; and
- 8) to the extent applicable, MISO tariffs, rules and planning processes, generally.

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 you with additional copies of the Qualifications upon request.

Our Project Team Is Experienced and Knowledgeable

Our Project Team consists of Mr. Lane Kollen, Vice President, CPA, CMA, CGMA; Mr. Richard Baudino, Director, Consulting; Mr. Randy Futral, Manager, Consulting; and Ms. Leah Wellborn, Senior Consultant. We have included brief biographies describing their education and experience in this proposal. In addition, we have provided detailed resumes in our Qualifications package that provides more detail regarding their experience and lists the regulatory proceedings and subject matters in which they have provided expert testimony.

Scope of Comprehensive Review

Kennedy and Associates will conduct a comprehensive review of Concordia's Application and request, including underlying studies and analyses, provide the Staff with initial recommendations,

negotiate with Concordia and other parties to this proceeding, draft testimony in support of a settlement and/or addressing contested issues, proceed to a fairness hearing on the settlement or on the merits on contested issues, and otherwise assist the Staff in the comprehensive review process. Kennedy and Associates' project team has already reviewed Concordia's filing at no cost to the Commission. Our review will be focused on the requirements of the AMS/DR General Order to ensure that the updated AMS program and deployment is prudent, reasonable, cost-effective, and in the public interest, and to ensure that costs are recovered in a reasonable manner. We will work closely with the Staff to analyze and resolve the principal issues outlined below, together with any additional issues the Staff may deem appropriate and relevant to this review.

1. Whether the proposed updated AMS program is reasonable and whether the proposed costs are reasonable and prudent.
2. Whether the proposed AMS benefits exceed the proposed costs and whether there are other benefits pursuant to the various tests set forth in the AMS/DR General Order.
3. Whether the proposed deployment plan is prudent and reasonable, both as to geographic location and timing, and in the public interest.
4. Whether the cost recovery proposal, including the recovery mechanism, is reasonable and will result in just and reasonable rates and the just and reasonable allocation of the costs to customer classes.
5. Whether the monitoring and reporting proposals are adequate for the Commission to ensure that the AMS is deployed in a timely and cost-effective manner.

Action Plan to Perform Comprehensive Review

Kennedy and Associates has developed a multi-phase action plan that can be completed in early 2018, most likely before the Commission's Business and Executive Session in April 2018.

Although the RFP provides an estimate of 12 months for the review, we believe that it can be completed more quickly.

The first phase is primarily information gathering. This phase will focus on the need for and functionality of the proposed AMS technology, the technology selection process, the proposed deployment, including the geographic rollout and schedules for each component of the proposed deployment, and the anticipated benefits compared to the costs that will be incurred. We will conduct extensive written discovery during this first phase. We may also seek to have one or more technical conferences with the Company's technical and regulatory experts.

The second phase includes the assessment of the information gathered in the first phase and will result in the identification of any proposed changes to the Company's proposals, and identification of concerns/issues. In addition, the second phase will include discussions and negotiations with the Company and other parties to reach consensus on alternatives and/or disputed issues. We will attempt to resolve all concerns/issues with the Company during this phase that we identify and/or that are identified by other parties to the proceeding.

The third phase will proceed only if there are remaining disputed issues that are unresolved through negotiation in the second phase. We will draft and file testimony addressing the disputed issues and will participate in the hearing.

We will assist the Staff through each phase of the proceeding as described in the RFP, including reviewing the Application and participating as needed in status conferences, conducting discovery, assisting in the preparation and defending direct testimony, participating in a hearing, and providing recommendations to the Commission. We also will participate in informal meetings, conference calls, attend depositions, status conferences or any other meeting scheduled in this proceeding as directed by the Staff. In addition, we will assist the Staff counsel in the preparation of

any post-hearing briefs or filings, the development of any settlement discussions and/or stipulation hearings, and we will attend and testify at the Commission's Business and Executive Session as directed by the Staff.

Budget to Perform Comprehensive Review

We propose a total budget of \$18,900, consisting of \$17,900 for consulting services and \$1,000 for expenses, such as reproduction, courier services, travel, and lodging. This budget assumes the scope identified in the Commission's RFP and reflected in this proposal through a final Commission vote on Concordia's Application and issuance of an Order. The costs of such services will be billed at the hourly rates on the Attachment to this proposal.

No Conflicts of Interest

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

Contact Information

Thank you for the opportunity to provide consulting services to the Commission Staff on this important project. Please call or e-mail Lane Kollen at lkollen@jkenn.com or Stephen Baron, the President of Kennedy and Associates, at sbaron@jkenn.com with any questions or comments.

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 RICHARD A. BAUDINO, DIRECTOR OF CONSULTING



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 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

RESUME OF LEAH JUSTIN WELLBORN, SENIOR CONSULTANT



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 2017

PROFESSIONAL AFFILIATIONS

Women's Energy Network, Greater Atlanta Chapter
Institute for Operations Research and the Management Sciences (INFORMS)

EXPERIENCE

Ms. Wellborn has a mathematics and analysis background. She has worked for J. Kennedy and Associates, Inc. on numerous complex projects since early 2013. She has provided critical support in the areas of production cost modeling and data analysis involving utility regulatory proceedings on cases for multiple clients in numerous jurisdictions, including the Commission and FERC. Ms. Wellborn has worked on projects for regulatory commissions and government agencies representing residential and business customers, as well as the U.S. Department of Justice and numerous business customers.

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
Use of modeling tools such as STRATEGIST, GRID, Cumulus, and AURORAxmp
Statistical analysis and use of tools such as R and PAST,
State evaluation of the EPA's Clean Power Plan and Integrated Planning Model
Renewable energy studies, including net metering and capacity contribution
Fuel Cost Recovery and Adjustment reviews
Project economic evaluation as part of nuclear construction monitoring process
Integrated Resource Planning and Retirement Study evaluations

Relevant College Coursework (2008-2016)

Energy Optimization, Energy Policy and Technology, Economic Decision Analysis, Regression Analysis,

Deterministic Optimization, Probabilistic Models, 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
