

J. KENNEDY
AND
ASSOCIATES, INC.

**PROPOSAL TO THE
LOUISIANA PUBLIC SERVICE COMMISSION**

IN RESPONSE TO RFP 19-23

DOCKET NO. R-35423

**IN RE: RULEMAKING TO STUDY RENEWABLE ENERGY TARIFF
OPTIONS WITH A FOCUS OF BRINGING NEW RENEWABLE
RESOURCES INTO LOUISIANA**

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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 Rulemaking to Study Renewable Energy Tariff Options With a Focus of Bringing New Renewable Resources Into Louisiana.

Kennedy and Associates understands that this docket has been initiated per the unopposed directive of Commissioner Greene at its November 13, 2019 Business and Executive (“B&E”) Session and that Commissioner Skrmetta added an additional directive to “open up a dialogue with Statkraft, an electric generation company owned by Norway, to find potential inclusion in Louisiana for osmotic pressure electric generation.”

Kennedy and Associates is very familiar with renewable energy tariff options that have been implemented by other utilities throughout the nation. For example, in prior work for the Commission in Docket No. R-28271, Kennedy and Associates investigated whether a Renewable Portfolio Standard would be a good option to implement in Louisiana. Ultimately, the Commission decided not to implement such a Standard, however, the outcome of the proceeding was that Kennedy and Associates worked with Staff to design a Renewable Energy Tariff that led to each of the three Investor Owned Utilities adding new renewable resources to their generation portfolios. Furthermore, Kennedy and Associates recently assisted Staff in its review of Entergy’s Application to implement an experimental renewable energy tariff associated with the LA3 solar energy facility (Docket No. U-35019). Though Entergy’s proposed tariff was rejected by the Commission, Staff was not opposed to implementing additional types of renewable energy tariffs, which this rulemaking will consider.¹ In that proceeding, Kennedy and

¹ Staff supported Entergy’s proposed request for an Experimental Renewable Option and Rate Schedule ERO (Docket No. U-35019). Staff believed Entergy’s tariff was reasonable as it was associated with a renewable

Associates researched different tariff options in other states and reported its findings to Staff. Kennedy and Associates is also extremely familiar with rulemaking processes in Louisiana, as we have assisted Staff in the development of the prior Renewable Energy Green Pricing, Integrated Resource Planning (“IRP”), Energy Efficiency (“EE”) and Fuel Clause Adjustment Rules.

Kennedy and Associates Qualifications

Kennedy and Associates is uniquely qualified to assist Staff in this proceeding given our familiarity with the Louisiana electric utilities and renewable energy tariffs. Kennedy and Associates meets all of the professional qualification requirements specified in the Commission’s RFP for technical consultants. We are also experienced in participating in LPSC rulemaking proceedings, which entail conducting research, communicating and working with stakeholders, including holding technical conferences and other formal and informal meetings, submitting requests for information from interested parties, reviewing and evaluating responses from stakeholders, preparing briefing materials, and drafting and revising rules that will ultimately be submitted to the Commission for approval.

Each of our consultants is experienced in analyzing the operations, books and records of utility companies for the purpose of understanding utilities’ resource needs, including their need for renewable resources. Furthermore, our Staff has experience working with clients to implement green tariffs. In addition, our consultants have knowledge of:

resource (LA3 Solar) that had already been approved for the benefit of all customers. At the same time, Staff was not opposed to the creation of an additional tariff that would apply to new renewable resources. LEUG and Walmart opposed the ERO tariff as they preferred to have a rulemaking that would create a tariff that would be geared to new renewable resources, not the already approved LA3 solar resource. Ultimately, the Commission rejected the proposed ERO tariff, and opened this docket to evaluate a tariff that would apply to new renewable resources.

1. The Commission's General Order No. 2 dated July 1, 1991 requiring all regulated public utilities to maintain tariffs on file with the Commission, as well as the "filed rate" doctrine.
2. The Commission's General Order dated March 12, 1974 prohibiting "promotional practices" by public utilities.
3. The Commission's General Order dated April 20, 2012 (Corrected) (Docket No. R-30021) regarding electric utilities filing Integrated Resource Plans.
4. The Commission's General Order dated July 1, 2019 (Docket No. R-34738) providing requirements for all jurisdictional electric utilities when filing tariffs, rate schedules and rate riders with the Commission.
5. Midcontinent Independent System Operator ("MISO") tariffs, rules and planning processes, generally.
6. Electric utility ratemaking and general issues such as accounting standards and practices; and,
7. General familiarity with Demand Response programs and products offered by public utilities.

In addition, we have considerable experience working with utilities in Louisiana, such as the Entergy System. For example, we assisted Staff in the first implementation of Entergy's IRP process in Docket No. I-33014, and we were hired by the LPSC to work on the resulting RFP for renewable resource capacity that ELL issued following that IRP (Docket No. X-33876), which resulted in the acquisition of Solar Renewable Resources. ELL's RFP resulted in a 50 MW solar renewable resource (LA3 West Baton Rouge L.L.C.) purchase power agreement ("PPA"), and we also assisted Staff in the certification of that resource (Docket No. U-34836). We have assisted the Commission with several other renewable resource certification proceedings, including 1803's currently ongoing Request for Long-Term PPAs that includes renewable resources, ESL's requests for certification of the Rain CII (U-32557), Agrilectric (U-32785), and Montauk (U-32981) renewable resources.

We are familiar with the dispatch and operation of generating units in Louisiana and how they interact with the MISO System. We gained considerable experience with this by working for Staff on Entergy's transition to MISO. Our firm assisted the Commission and Staff in the review of Entergy's application for approval to transfer functional control to MISO (Docket No. U-32148), and we assisted Staff in the Entergy Regional State Committee ("ERSC") Working Group. We have also been involved in numerous Entergy System Agreement proceedings at FERC.

We have also assisted Staff in the review and evaluation of other resources in Louisiana, including in Cleco Power, LLC's ("Cleco Power") 2007 Request for Certification of Purchase Power Agreements in Docket U-30334, Cleco Power's 2007 RFP for Long Term Resources, and in the resulting certification proceeding of the Acadia Combined Cycle resource (Docket U-31157).

We have other experience with rulemaking proceedings in Louisiana as we assisted Staff in the development of the Commission's Integrated Resource Planning Rules in Docket No. R-30021. The IRP is the fundamental resource planning process that establishes the utility's need for capacity and identifies the optimal type of capacity that would best serve that need. We also have considerable experience working on resource acquisition projects in other states including Georgia, Indiana, Kentucky, Minnesota, South Carolina, Utah and elsewhere.

Kennedy and Associates has also worked on behalf of the Staff in numerous Louisiana utility proceedings since 1986, including the development of FRPs for companies including Southwestern Electric Power Company ("SWEPCO"), Dixie Electric Membership Cooperative ("DEMCO"), South Louisiana Electric Cooperative Association ("SLECA") and setting rates for SWEPCO, Entergy Gulf States, Inc., Cleco Power, DEMCO, SLECA, Cajun Electric Power Cooperative, Inc., among others. In addition, we have performed management audits of numerous utilities in Louisiana and participated on behalf of large customers in cooperative

ratemaking proceedings in other states. As such, we are experienced with the important issues that may affect utilities in Louisiana.

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 would 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. Philip Hayet, Vice President, Mr. Randy Futral Manager of Consulting, Mr. Brian Barber Director of Consulting, Mr. Sam Wyrobeck, Consultant, among others. We have included brief biographies below of our senior team members describing their education and experience. In addition, we have provided resumes of all of our Staff members in our Qualifications package that provides more detail regarding their experience and the regulatory proceedings and subject matters in which they have provided expert testimony.

Action Plan for Comprehensive Review

Kennedy and Associates is prepared to begin work on this project immediately upon being retained by the Commission. We have developed the following Plan of Action for the major activities in this proceeding.

1. **Conduct research to identify other utility renewable resource tariffs** – We will research renewable resource tariffs that other utilities throughout the nation have implemented. This will include researching both policy and legal issues, recognizing that we are not lawyers, though we do not believe that would be necessary. Based on prior experience, we believe there may need to be more than one new renewable resource tariff implemented. Large customer groups have the wherewithal to take on the risks of absorbing all costs (and correspondingly receiving all benefits) associated with the acquisition of new renewable resources. Smaller customers may also be eager to acquire

new renewable resources but may not be willing to take on all of the risks associated with the renewable resources and may prefer to have the costs and benefits shared across a larger customer base. When we assisted Staff in the development of a prior renewable energy tariff (Docket R-28271), we created different tariff options to allow different utilities to be able to meet the unique interests of their customers. We anticipate something similar may have to be done in this docket.

2. **Submit up to 3 rounds (more if necessary) of information requests from stakeholders**

Round 1 - Our first round will be submitted shortly after being hired to solicit information regarding the features that stakeholders would like to have included in renewable resource tariffs in Louisiana. For example, from prior experience we know that some customer groups will want to ensure that participating tariff customers will receive all costs and all benefits of the renewable resources. Non-participating tariff customers will want to ensure that they are not saddled with any above market costs, if any occur. Utilities will likely want to ensure that if renewable resources are found to be below market, that all customers will have the opportunity to share in the new renewable resource benefits.

Round 2 – The second request for information will be made at the same time that we issue our first draft of the renewable resource tariff rule and will request comments to assist us in improving the draft rule.

Round 3 – The third request will be made after we issue our second draft of the renewable resource tariff rule and will request comments that will lead to the finalization of the draft rule prior to submitting it to the Commission for approval. Again, we will request additional rounds of comments if necessary.

3. **Review Comments** – After receiving each round of comments, we will summarize the comments and brief Staff.
4. **Technical Conferences** – We will assist Staff in conducting a technical conference to meet with interested parties to discuss the draft rule. This will be scheduled after we receive responses from the second round of comments, though it could be scheduled earlier if Staff prefers. We will be prepared to have additional technical conferences if necessary.
5. **Interaction with Stakeholders** – We will assist Staff with any issues that arise with stakeholders including having formal or informal meetings as necessary. This will include reviewing all documentation provided by the stakeholders.
6. **Draft Rule** – As mentioned, we anticipate that we will create three versions of the rule, two drafts that stakeholders will be able to review and comment on, and a third draft that we will submit to the Commission for approval, depending on the outcome of our evaluation. We will create additional drafts of the rule as necessary and allow stakeholders the opportunity to comment on the additional drafts.

7. **Participate in one or more B&E meetings to seek Commission Approval** – It has been our experience that we may have to attend one or more Commission B&E meetings to brief the Commissioners, and to seek Commission approval. Our budget allows for attendance at up to three Commission meetings, though we think that it would be more likely that attendance at two meeting would be necessary. We will assist in answering any questions that Staff would like us to answer at the B&E session. In addition, our budget will allow us to participate in any meetings with Commissioners and their Staffs, and to write briefing papers as necessary.
8. **Investigate Osmotic Pressure Electric Generation** - Kennedy and Associates was at the B&E meeting in which Commissioner Skrmetta requested that a dialogue with the Norwegian utility Statkraft be opened to investigate Osmotic Pressure Electric Generation. Kennedy and Associates has extensive experience working on generation research projects such as this that involve foreign utilities in other countries. For example, Mr. Hayet worked for over 10 years as a consultant to the Japanese consulting firm, the Mitsubishi Research Institute in which he conducted research on various utility industry topics in many different countries on their behalf. Mr. Hayet has contacts in other countries with experience working with utilities such as Statkraft. Kennedy and Associates will make inquiries to discuss this technology with Statkraft, and then will write a briefing report on this subject to present to the Commission. The ultimate objective will be to inform the Commission on the feasibility of promoting Osmotic Pressure Electric Generation in Louisiana and to determine if provisions should be included to promote this technology in the Renewable Energy Tariff. We will take care to ensure that any provisions added do not arbitrarily and inappropriately favor one renewable technology type over another.

The RFP document indicated that the time period to complete the Scope of Work is approximately 12 months, though the RFP indicates this is an estimate. We believe that this is reasonable, and we will work with Staff to create a specific timeline upon hiring.

Budget to Perform Comprehensive Review

Kennedy and Associates will provide the scope of services in this proposal for a budget not to exceed \$155,000 consisting of \$145,000 for consulting services and \$10,000 for expenses. We will not alter our budget or hourly rates on this project except by formal approval of the Commission. Our hourly labor rates are included as an attachment to this proposal. We will also follow all billing guidelines as required by the Commission's November 10, 2014 General Order.

Furthermore, we commit that we will only charge for actual hours of work performed and costs incurred.

No Conflicts of Interest

Kennedy and Associates has no known conflicts of interest in representing the Louisiana Public Service Commission in this proceeding.

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 Philip Hayet at phayet@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 more than 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



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 forty 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, power purchase agreement evaluations, the development of commission rules concerning Integrated Resource Planning, renewable energy and energy efficiency policies, and has performed many 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 Ventyx), 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): Vice President and Principal. Mr. Hayet provides consulting services to clients involving electric utility regulatory matters. Mr. Hayet has assisted in certificate of necessity proceedings, utility commission rulemakings, IRP proceedings, decertification proceedings, among others. 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 2015): President and Principal. Mr. Hayet provided consulting services to clients in the U.S. and abroad related to resource planning analyses. Mr. Hayet 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 used the PROMOD and Strategist software, along with other modeling 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 BRIAN R. BARBER, DIRECTOR OF CONSULTING



EDUCATION

Georgia Institute of Technology
Bachelor of Industrial Engineering

Goizueta Business School of Emory University
Master of Business Administration, Finance

EXPERIENCE

Mr. Barber has over thirty years of experience in utility regulation in the areas of planning, economic analysis, forecasting, and cost and rate analysis.

J. Kennedy and Associates, Inc. (1985 to present). Director, Consulting; Manager, Consulting; Senior Consultant. Mr. Barber serves as a policy and technical analyst on projects involving system planning, production and replacement power costs, modeling, revenue requirements, cost of service, and tariff design. He has presented expert testimony on issues including revenue requirements, load forecasting, cost of service and rates, and fuel cost recovery.

Georgia Public Service Commission (1980 to 1985). Public Utilities Engineer, Intern. While enrolled at Georgia Tech, Mr. Barber served a summer internship at the Georgia Public Service Commission. Following the completion of his undergraduate degree in 1981, he joined the Commission as a Public Utilities Engineer. At the Commission, he was responsible for the analysis of electric, gas, and telecommunication rate filings. Areas of review included weather normalization, fuel cost projections, regulatory accounting, sales forecasting, fuel inventory levels, depreciation and rate design. He participated in the preparation of expert testimony, cross-examination of witnesses and settlement negotiations. He also participated in analysis of electric utility generation expansion plan and staff audits.

J. Kennedy and Associates, Inc.
Hourly Fee Schedule
For Rulemaking to Study Renewable Energy Tariff Options
With a Focus of Bringing New Renewable Resources Into Louisiana

<u>Title</u>	<u>Name</u>	<u>Hourly Rate</u>
President	Stephen J. Baron	\$275
Vice President	Lane Kollen	\$275
Vice President	Philip Hayet	\$275
Director	Richard A. Baudino	\$260
Director	Brian R. Barber	\$260
Manager	Randy Futral	\$260
Senior Consultant	Ann Bruccoliere	\$240
Consultant	Sam Wyrobeck	\$180
Consultant	Brian Kollen	\$180
Analyst	Jessica Inman	\$130
