

J. KENNEDY
AND
ASSOCIATES, INC.

**PROPOSAL TO THE
LOUISIANA PUBLIC SERVICE COMMISSION**

IN RESPONSE TO RFP 17-15

DOCKET NO. U-34661

**IN RE: RULEMAKING DOCKET TO DETERMINE THE APPROPRIATE
FORMULA FOR CHARGES TO DEVELOPERS OF RESIDENTIAL
SUBDIVISIONS FOR UNDERGROUND ELECTRIC SERVICE
PURSUANT TO EXISTING APPLICABLE LOUISIANA PUBLIC
SERVICE COMMISSION GENERAL ORDERS**

**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 (“Commission”) Staff (“Staff”) in this rulemaking docket to determine the appropriate formula for charges to developers of residential subdivisions for underground electric service pursuant to existing applicable Commission General Orders. This proposal is structured to meet the requirements of the Commission’s Request for Proposal (“RFP”) dated October 16, 2017 (RFP 17-15).

Scope of Comprehensive Review

We will assist the Staff in reviewing the following issues:

1. The proper formula (cost elements) for calculating a cost to a developer of a residential subdivision for the installation of underground electric service facilities.
2. Whether the developer is required to pay any charge or contribution in aid of construction beyond the \$5 per front foot specified in the May 14, 2001 and June 28, 2001 General Orders.
3. Whether the charge for the cost of construction of overhead electric service to a residential subdivision is to be included in the proper formula for calculating the cost to a developer of a residential subdivision for the installation of underground electric service facilities.

We will assist Staff in-house counsel as well as outside counsel, if retained, in formulating the issue(s) list, drafting requests for comments and reviewing the responses filed by the utilities and other parties, participating in technical conferences convened to discuss the issues, drafting and reviewing rules, report and recommendations and participating in open sessions wherein the matter is discussed.

Kennedy and Associates Qualifications

Kennedy and Associates is extremely well qualified to assist the Staff in this rulemaking proceeding. We are very familiar with the issues that will be addressed in this proceeding and the applicable General Orders. We also are very familiar with the policy issues and calculations in other jurisdictions. We recently conducted a study of contributions in aid of construction and the calculation formulas used for charges to developers for the costs of extending overhead and underground utility service.

We have assisted the Commission Staff in numerous proceedings involving nearly all of the electric and gas utilities subject to the Commission's jurisdiction on numerous issues, including rulemakings, integrated resource planning and demand response programs, energy efficiency, merger proceedings, prudence reviews, base rate and rider cost recovery, and fuel and environmental clause audits, among others.

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.

Action Plan to Perform Comprehensive Review

Kennedy and Associates has developed a multi-phase action plan that can be completed within the next 12 months in accordance with the estimated time line set forth in the RFP.

The first phase consists primarily of information gathering. In this phase, we will collect information on the existing formula calculations, the sources of data used in the calculations, and the application of the calculations in the form of tariffs and charges to developers. In addition, we will solicit comments from the utilities and other parties, including developers, if any intervene in this proceeding, to identify issues that are relevant to the utilities and the other parties and to further refine the general issues listed in the RFP.

The second phase consists primarily of summarizing the results of this information in a usable and understandable format, assessing the information, and identifying alternatives approaches to the issues.

The third phase consists of drafting a proposed rule and circulating it for comments from the utilities and other parties. We will review and assess the responses and summarize the results.

The fourth phase consists of drafting a revised proposed final rule and submitting it to the Commission for review and approval.

We will work closely with the Staff throughout each phase. We will attempt to reach consensus with the utilities and the other parties. We will draft and review discovery, participate in technical and other working conferences with the utilities and other parties, draft and circulate the proposed rules, prepare and defend direct testimony, if necessary, participate in a hearing, if necessary, all at the Staff's direction. We also will attend and testify at the Commission's Business and Executive Session as directed by the Staff.

Experienced and Knowledgeable Project Team

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. Our Project Team has a working knowledge of the Commission's rulemaking proceedings and jurisdictional issues, applicable Commission and federal regulations, including the General Orders referenced in the RFP, as well as Commission-approved cost recovery mechanisms and criteria including formula rate plans, base rate cases and Commission General Order U-21497 dated November 6, 1997, as described in the RFP.

We have included short biographies of our Project Team consultants describing their qualifications and experience in this proposal. In addition, our Qualifications package includes copies of their resumes, which list the regulatory proceedings and subject matters in which they have provided expert testimony.

Budget to Perform Comprehensive Review

We propose a total budget of \$39,900, consisting of \$38,200 for consulting services and \$1,700 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 the rulemaking. The costs of such services will be billed at the hourly rates on the Attachment to this proposal.

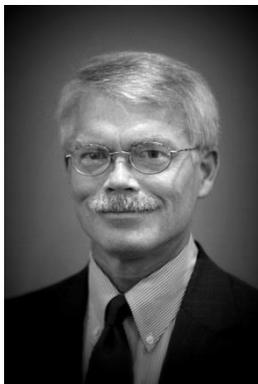
No Conflicts of Interest

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
