

# Louisiana Public Service Commission



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November 20, 2015

EVE KAHAO GONZALEZ  
Executive Secretary

BRANDON FREY  
Executive Counsel

JOHNNY E. SNELLGROVE, JR.  
Deputy Undersecretary

## VIA E-MAIL:

**Re: RFP 15-14 RE: DOCKET NO. U-33856 - Southwestern Electric Power Company, ex parte In re: Prudence review, including project costs, planning, construction cost control and all aspects of effective plant operations and dispatch of SWEPCO's 73% ownership of the John W. Turk, Jr. ("Turk") Plant in Hempstead County, Arkansas, in compliance with Order No. U-29702 consolidated with U-27866 Subdocket B, dated April 29, 2008.**

To all LPSC qualified consultants:

Enclosed please find a Request for Proposals ("RFP") for an **independent engineering consultant** issued by the Louisiana Public Service Commission for the above referenced subject. If your firm is interested in submitting a proposal, please review the RFP carefully to determine whether your firm meets the specific requirements to qualify for this representation.

All Proposals must include a showing that your firm possesses the requisite qualifications and experience to represent the Commission in this matter. Also, please note that all Proposals, including the **original, plus (5) five copies and an electronic copy** must be received on or before **4:30 p.m. Thursday, December 10, 2015**. Selection of a consultant is anticipated to take place at the Commission's **December 16, 2015 Business and Executive Session**.

Should you have any questions, please do not hesitate to contact me.

Sincerely,

  
Brandon M. Frey  
Executive Counsel

cc: Eve Kahao Gonzalez  
Melanie Verzwylvelt

## RFP 15-14

### LOUISIANA PUBLIC SERVICE COMMISSION REQUEST FOR PROPOSALS

**DOCKET NO. U-33856 - *Southwestern Electric Power Company, ex parte In re: Prudence review, including project costs, planning, construction cost control and all aspects of effective plant operations and dispatch of SWEPCO's 73% ownership of the John W. Turk, Jr. ("Turk") Plant in Hempstead County, Arkansas, in compliance with Order No. U-29702 consolidated with U-27866 Subdocket B, dated April 29, 2008.***

The Louisiana Public Service Commission ("Commission" or "LPSC"), in accordance with the requirements of the LPSC's General Order dated November 10, 2014, regarding the selection of contract employees ("Contract Order") issues this Request for Proposals seeking an **independent engineering consultant** to assist the Commission Staff in the prudence review of the project costs, planning, construction cost control and all aspects of effective plant operations and dispatch of Southwestern Electric Power Company ("SWEPCO's") 73% ownership of the John W. Turk, Jr. ("Turk") Plant in Hempstead County, Arkansas.

#### **I. Overview**

In Commission Docket U-29702 consolidated with U-27866 Subdocket B, the Commission certified the Turk plant.<sup>1</sup> As a condition of its certification in that docket, the Commission acknowledged that Commission's approval did not relieve SWEPCO of its prudence burden "with respect to planning, construction cost and control and all aspects of effective plant operations and dispatch", stating that "the guiding principle is SWEPCO's continuing obligation to provide safe, reliable service at the lowest reasonable cost". A second condition was that the certification did not constitute authority for rate recovery of the costs of the plant.

SWEPCO submitted testimony addressing the prudence burden with respect to its costs related to Turk in its 2013 RFP review proceeding which is currently ongoing in Docket U-32220. However, that testimony, which was filed May 24, 2013, is more appropriately considered in the context of a separate prudence review to be conducted in this docket.

As part of the certification of Turk in Arkansas, an independent monitor ("IM") was retained to inspect and report on all aspects of plant construction. The IM raised specific issues with regard to engineering changes increasing the original project estimate from \$1.347 billion in 2006 to \$1.762 billion in March 2012. The LPSC is therefore seeking an independent engineering consultant to review specific engineering-related decisions, including but not limited to those related to the increased project costs.

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<sup>1</sup> Order No. U-29702 consolidated with U-27866 Subdocket B, dated April 29, 2008.

Because Turk has been in base rates since 2014 on a subject to refund basis at its actual LPSC jurisdictional cost, to the extent there are disallowed costs that result from this prudence review, the consultant will be required to address ratemaking issues including the amount of any refunds as well as any reduction in SWEPCO base rates on a going forward basis.

## **II. Minimum Requirements**

To be considered, all applicants must meet the following minimum requirements *in addition to those provided in this Commission's General Order dated November 10, 2014*. Consideration will be given to factors such as educational background and achievement, practical experience in the field of public utility regulation, and similar practice before other regulatory agencies or public utility commissions. Applicants shall be qualified and prepared to render expert testimony, and be cross-examined, with respect to all of the issues addressed in this request for proposals and which are likely to arise in the proceeding.

Applicants must be licensed and in good standing with all applicable engineering licensing and certification boards. Applicants must have rendered expert testimony in a court of law or before regulatory bodies, preferably utility regulatory agencies. Applicants must be experienced in the design and manufacturing of boilers used in the production of electricity, including all aspects of engineering, procurement and construction of the type necessary for the installation of an ultra-supercritical boiler at a coal-fired electric generating plant. Applicant must be able to address all aspects of the construction process and steps taken by all parties involved in construction process. Applicants must be able to testify regarding industry standards and widely accepted industry practices regarding power plant construction.

All proposals shall include a plan of action, estimated timeline, and fees and costs associated with completing the scope of representation, below. Bidders may submit a stand-alone proposal in response to this RFP, bidders may work with one or more firms to submit a consolidated proposal for Commission RFPs 15-13 and 15-14, or both a stand-alone and consolidated proposal. However, in the event, an applicant(s) is chosen, the Commission shall have the right to determine whether two stand-alone proposals (one for RFP 15-13 and one for RFP 15-14) or a consolidated proposal is accepted. Further, it shall be up to the Commission and its Staff how the tasks will be carried out. In addition, all proposals shall demonstrate that the Applicant has the qualifications and experience necessary to meet the requirements of this request for proposals. Applicants will only be considered if proposals meet all of the requirements of this request for proposals and the Commission's Contract Order.

## **III. Scope of Representation**

Applicants will be assisting Commission Staff with this prudence review. Applicants will review the testimony filed by the Companies to support their case, along with any testimony filed by Intervenor. The applicant will be expected to conduct discovery, prepare and defend direct testimony, participate in any hearings, and make a recommendation to the Commission.

*RFP 15-14*

*Turk Prudence Review – Engineering Consultant*

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Applicants may be required to participate in informal meetings, conference calls, attend depositions, status conferences or any other meetings scheduled in the proceeding. Applicants will also be assisting Staff in preparation of any post-hearing briefs or filings, assisting in any settlement discussions and/or stipulation hearings and attendance and testifying at the Commission's Business and Executive Session. The scope of representation is through a Commission vote.

#### **IV. Period of Representation**

The time period ("Period of Representation") estimated to complete the Scope of representation is approximately 12 months. This is merely an estimate and the Commission makes no representations as to the accuracy of the Period of Representation.

#### **V. Estimate of Costs**

All applicants responding to this request for proposals shall quote their rates on an hourly basis and submit a budget that separates professional fees from costs. However, applicants shall only be allowed to charge for actual hours of work performed and costs incurred. Once selected, an applicant's rates and budget shall not be altered except by formal approval of the Commission.

#### **VI. Conflict of Interest**

As required by the November 10, 2014 General Order, previous or current employment which could result in a conflict of interest shall be prominently and separately disclosed. In addition, applicants shall disclose matters in which they currently represent private clients before the Commission. Failure to disclose actual or potential conflicts may result in rejection of the bid proposal.

#### **VII. Disclaimer**

The LPSC reserves the right to reject any and all proposals, to amend and/or supplement this request for proposals at any time, and to consider proposals or modifications thereof received at any time prior to LPSC vote at Open Session, if such action is found by the LPSC to be in the public interest. Pursuant to the General Order regarding the selection of contract employees, the LPSC has the right to accept other than the lowest offer with regard to price. In addition, there is also no assurance, express or implied, that an award will necessarily be made pursuant to this request for proposals.

#### **VIII. Billing Guidelines**

As required by the November 10, 2014 General Order, all bills will be rendered monthly and shall specifically identify and describe all work performed, the person performing such work, the time and charge for such work, and shall additionally show the total amount billed to

date and the authorized original estimate. Bills will be rendered in strict accordance with the Commission's guidelines. Expenses shall also be separately disclosed with proof of such expenses attached.

Expenses, where applicable, shall be reimbursed at state authorized rates as specified in the Travel Policies and Procedures Memorandum issued by the State of Louisiana, Division of Administration in effect at the time such expenses are incurred. Any expenses that exceed the allowable expenses shall be borne by the contract employee and shall not be reimbursed by either the Commission, or the correspondent utility, unless otherwise specified by the Commission.

## **IX. Submission of Proposals**

Interested parties should submit the *original (hard copy), five (5) copies, and e-mail an electronic copy* of the proposal to:

Attention: Kathleen Richardson  
Louisiana Public Service Commission  
Office of the General Counsel  
602 North Fifth Street (Galvez Building) (70802)  
P.O. Box 91154  
Baton Rouge, Louisiana 70821-9154  
Phone: (225) 342-4999  
Fax: (225) 342-5610  
Email: [kathleen.richardson@la.gov](mailto:kathleen.richardson@la.gov) and [brandon.frey@la.gov](mailto:brandon.frey@la.gov).

To be considered, an original, five copies, and the electronic copy of the proposal must be received on or before **4:30 p.m. Thursday, December 10, 2015**. Information concerning billing procedures and the Commission's RFP policy may be obtained from the address listed above, or by calling (225) 342-9888.