

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

**PROPOSAL TO THE
LOUISIANA PUBLIC SERVICE COMMISSION**

IN RESPONSE TO AMENDED RFP 17-13

DOCKET NOS. TBD

**CLECO POWER, LLC'S
UPCOMING MONITORING REPORTS
FOR THE TEST YEARS ENDING
JUNE 30, 2017, 2018, AND 2019**

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

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 its review of Cleco Power, LLC’s (“Cleco”) Formula Rate Plan (“FRP”) annual Monitoring Report filings for the test years ending June 30, 2017, 2018, and 2019. Cleco makes annual Monitoring Report filings pursuant to its current FRP, which is attached to the Stipulated Settlement approved in Docket No. U-32779. Cleco is not required to file the 2017 Monitoring Report until October 31, 2017.

Kennedy and Associates is uniquely qualified to assist the Commission in this review in a knowledgeable and efficient manner. We already are familiar with Cleco, its accounting practices, and its FRP and annual Monitoring Report filings based on assistance that we have provided the Staff in other proceedings, including securities financing, fuel adjustment clause (“FAC”) audits, environmental adjustment clause (“EAC”) audits, resource acquisitions, and affiliate transaction reviews, among others.

We also are familiar with the FRPs and annual monitoring report requirements for other utilities. We assisted the Staff in the design and implementation of numerous FRP’s for investor owned utilities and cooperative utilities and have assisted the Commission in the reviews of the annual monitoring reports filed by those utilities. For example, we assisted the Staff in the design and implementation of the Dixie Electric Membership Cooperative, Inc. (“Dixie”) FRP, the first adopted by the Commission for a cooperative utility. We also assisted the Staff in the design and implementation of the South Louisiana Electric Cooperative Association, LLC (“SLECA”) FRP.

We will thoroughly review the Company’s filing to determine if it complies with the terms of the FRP, and we will make findings and recommendations as appropriate. We expect to reach settlements with the Company based on our knowledge of Cleco and the experience gained in prior

dockets involving Cleco and other utilities, which will allow us to perform this review in an efficient manner and at a low cost. We will conduct discovery, participate in meetings with the Commissioners, Staff and other parties as requested, assist the Staff at hearing and in preparing briefing materials if there is not a settlement, and attend the Commission's Business and Executive Session if requested.

Budget to Perform These Services

Kennedy and Associates proposes a total budget of \$41,700, consisting of \$40,800 for consulting services and an additional \$900 in expenses. This is equivalent to \$13,900 for each of the three annual Monitoring Report filings, consisting of \$13,600 for consulting services plus \$300 for expenses. 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 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 Qualifications

Kennedy and Associates is uniquely well qualified to assist the Staff in this docket due to its familiarity with the Cleco FRP and the other FRPs adopted by the Commission. In addition, our firm has provided extensive consulting assistance to the Staff in dozens of other proceedings involving nearly all of the electric and natural gas utilities in the state. These proceedings have involved rulemakings, acquisitions, rate cases, fuel clause audits, and affiliate transactions. Our

experience and the expert appearances of our consultants are detailed in our Qualifications package, a copy of which is enclosed with our proposal.

Kennedy and Associates meets all professional qualification requirements specified in the Commission's RFP for technical consultants. We are qualified to prepare and render expert testimony and stand for cross-examination with respect to all of the issues addressed in the RFP and which are likely to arise in this proceeding. Each of our consultants is experienced in analyzing the operations, books and records of utility companies for the purpose of setting just and reasonable rates, is prepared and qualified to render expert testimony, and has knowledge of the following:

1. appropriate accounting standards and practices for electric public utilities, public utility accounting, and generally accepted auditing standards;
2. the appropriate ratemaking adjustments to be made to the utility's accounting records;
3. the determination and calculation of the appropriate rate base of a utility plant investment dedicated to providing service;
5. traditional cost-of-service and cost allocation methodologies supporting the revenue requirements among classes of customers;
6. the cost allocation methodologies for the allocation of investment and expenses among affiliates, including the relationship of the holding company to its subsidiary operating companies, the transfer of investment and costs between operating companies, and the provision of services between affiliates;
7. cost of capital, including capital structure, cost of debt, cost of equity and rates of return;
9. just and reasonable costs and prudent investments associated with providing reliable and quality service as recommended by NARUC;
10. the determination and calculation of an adequate revenue requirement sufficient to cover the allowable costs of service, and rate of return, including the Times Interest Earned Ratio ("TIER") and Debt Service Coverage Ratio ("DSC") for Co-op utilities;

11. depreciation and taxation; and
12. a detailed understanding of electric utility regulation.

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. Randy Futral and Ms. Leah Wellborn. Mr. Kollen and Mr. Futral are experienced regulatory consultants and have performed numerous audits and reviews in conjunction with the Staff. Mr. Kollen and Mr. Futral have both testified on regulatory matters on numerous occasions in multiple jurisdictions, including the Commission. Ms. Wellborn also is an experienced regulatory consultant and has provided assistance on resource acquisitions and energy efficiency in conjunction with the Staff.

Mr. Kollen has several decades of experience in nearly all facets of electric and gas and investor owned and cooperative utilities, including rate cases, design and implementation of FRPs, accounting, taxes, and operations. In addition, he is an expert in the rate, financial, tax, and planning areas. He specializes in 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 has testified on hundreds of occasions before federal and state regulatory commissions and courts on utility matters. Mr. Kollen's regulatory experience is described further in his biography attached to this proposal and his extensive expert testimony and appearances are detailed in the enclosed Qualifications package.

Mr. Randy Futral, Manager, Consulting, is an expert on utility ratemaking and analyses. Mr. Futral worked closely with the Staff and Mr. Kollen in the development of the Claiborne, DEMCO, and SLECA FRPs and has performed numerous audits in conjunction with the Staff, including numerous annual FRP filings made by various electric cooperatives. Mr. Futral also has assisted in various audits of electric cooperatives, including the review and recovery of storm damage costs by DEMCO. Mr. Futral's regulatory experience is described further in his biography attached to this proposal and his expert testimony and appearances are detailed in the enclosed Qualifications package.

Ms. Leah Wellborn, Senior Consultant, is an expert on utility ratemaking, economic analyses, and resource planning. Ms. Wellborn worked closely with the Staff on various utility Integrated Resource Plan ("IRP"), resource requests for proposal ("RFPs"), energy efficiency, and other projects. Ms. Wellborn's experience is described further in her biography attached to this proposal.

Action Plans and Timelines

Kennedy and Associates is prepared to begin work on this project immediately upon being retained by the Commission, although the Company is not required to make its annual Monitoring Report filing until October 31 each year. We have developed the following Action Plan and Timeline for the major activities in each annual proceeding.

We will assist the Staff in the following actions:

1. Review the Company's filing to determine compliance with the FRP tariff.
2. Review the Company's revenue requirement and deficiency to reset rates to just and reasonable levels if its earnings exceed the upper threshold of the deadband.

3. Prepare discovery and review responses.
4. Perform analytics to determine trends in capital expenditures, revenues, and operating expenses and to identify anomalies.
5. Identify appropriate adjustments to the Company's revenues and expenses.
6. Negotiate with Cleco to determine the reduction in base rates, if any.
7. Assist counsel in drafting a settlement agreement.
8. Prepare testimony in support of settlement agreement, appear at hearing, if necessary, and assist Staff counsel in preparation for hearing, if necessary.

We anticipate that we can complete the preceding activities within three months after the Company files its Monitoring Report at the end of this month.

Kennedy and Associates 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



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 ratemaking, 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 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 Institute of Technology,
Atlanta, GA
M.S. Operations Research, 2017

Georgia Southern University,
Statesboro, GA
B.S. Mathematics, 2012

PROFESSIONAL AFFILIATIONS

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

EXPERIENCE

Ms. Wellborn is a recent college graduate with a mathematics and operations research 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): Senior 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

Hayet Power Systems Consulting (2013 to Present): Consultant

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

Relevant Coursework

Energy Optimization, Energy Policy and Technology, Economic Decision Analysis, Regression Analysis, Deterministic Optimization, Probabilistic Models, Simulation, Data and Visual Analytics, Statistical Methods, Number Theory, Linear Algebra, Differential Equations, and Math Structures.

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
