

# Louisiana Public Service Commission



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Executive Counsel

June 21, 2021

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Deputy Undersecretary

## VIA EMAIL

**RFP 21-16 – Docket No. U-35807, Cleco Power LLC, ex parte. In re: *Application for Recovery in Rates of Certain Storm Damage Costs Incurred as a result of Hurricanes Laura, Delta, and Zeta - Phase II Application.*<sup>1</sup>**

To all LPSC qualified consultants:

Enclosed please find a Request for Proposals (“RFP”) for **outside securitization consultant** issued by the Louisiana Public Service Commission for the above referenced docket. 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 (2) two copies, and an electronic copy **must be received on or before Friday, July 9, 2021 at 4:30. Selection of consultants is anticipated to take place at the Commission’s July 2021 Business and Executive Session.**

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

Sincerely,

A handwritten signature in blue ink, appearing to read 'KHB', with a long horizontal flourish extending to the right.

Kathryn H. Bowman  
Executive Counsel

Enclosure

cc: Brandon M. Frey, Executive Secretary  
Melissa W. Frey, Deputy General Counsel

<sup>1</sup> While Docket No. U-35807 is referenced, Staff may decide, if appropriate, to open a separate docket to address the Phase II application.

**RFP 21-16**  
**LOUISIANA PUBLIC SERVICE COMMISSION**  
**REQUEST FOR PROPOSALS (“RFP”)**  
**June 21, 2021**

***DOCKET NO. U-35807, Cleco Power LLC, ex parte. In re: Application for Recovery in Rates of Certain Storm Damage Costs Incurred as a result of Hurricanes Laura, Delta, and Zeta - Phase II Application.<sup>1</sup>***

The Louisiana Public Service Commission (“Commission” or “LPSC”), in accordance with the requirements of the LPSC General Order dated November 10, 2014 regarding the selection of contract employees (the “Contract Order”), issues this Request for Proposals (“RFP”) to **outside securitization consultants** who will assist Commission Staff in the review of Cleco Power LLC’s (“Cleco Power” or “Company”) request for recovery of the Company’s final costs incurred in 2020 and 2021 for Hurricanes Laura, Delta, and Zeta and the 2021 Winter Storms (collectively, “Storms”), the establishment of a funded storm reserve, and securitization of the final storm damage costs and funded storm reserve.

**Deviations from the requirements contained herein, or conditional bid amounts may result in rejection of the bid as non-conforming. Consideration of qualifying bids received in response to RFP 21-16 are anticipated to be on the Commission’s July 2021 Business and Executive Session.**

**I. Overview**

During the 2020 Atlantic Hurricane Season, the State of Louisiana experienced an unprecedented number of storms, including Hurricanes Laura, Delta, and Zeta. Hurricane Laura came ashore on August 27, 2020 as a strong Category 4 hurricane with sustained wind speeds of 150 mph. Hurricane Delta made landfall on October 9, 2020 as a Category 2 hurricane with winds approaching 100 mph, and Hurricane Zeta made landfall on October 28, 2020 also as a strong Category 2 with sustained winds of 110 mph, just 1 one mph shy of a Category 3.<sup>2</sup> All three hurricanes caused infrastructure damage to Cleco Power’s systems across the state with the anticipated costs to restore such widespread damage being substantial.

In February 2021, Louisiana experienced another unprecedented weather event with Winter Storm Uri. Beginning on February 14 and lasting until February 19, 2021, Louisiana experienced historic winter storms that brought not only record low temperatures that were maintained for periods of greater than 24+ hours across the majority of the state, but also freezing rain, sleet, and some snow.

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<sup>1</sup> While Docket No. U-35807 is referenced, Staff may decide, if appropriate, to open a separate docket to address the Phase II application.

<sup>2</sup> While initially categorized as a Category 2, the National Weather Service released its final tropical cyclone report for Hurricane Zeta on May 11, 2021 reclassifying the hurricane as a Category 3.

Cleco Power experienced facilities, transmission, and distribution damage as a result of the Winter Storm across its service territories.

In December 2020, Cleco Power filed an application requesting authorization to recover certain storm damage costs that the Company incurred associated with the Storms, which was docketed as Docket No. U-35807. Docket No. U-35807 sought to address storm damage costs in the interim between the initial filing and the conclusion of a Phase II proceeding where the Company anticipated seeking to recover final storm damage costs, the establishment of a funded storm reserve, and securitization of the final storm damage costs and funded storm reserve. The Commission issued Order No. U-35807, on May 21, 2021, authorizing Cleco Power to recover interim relief in the amount of \$16 million annually, until such time as the final storm restoration costs are established and verified. As such, Order No. U-35807 contemplated a “Phase II” filing, including the issuance of a separate order(s) authorizing recovery of the final storm costs, including a storm reserve, and the securitization of those costs.

On June 17, 2021, Cleco Power submitted a pre-filing notice letter to the Commission indicating the Company’s intention to make its “Phase II” application (“Filing Notice”) for recovery of the Company’s costs incurred in 2020 and 2021 for the Storms. In its Filing Notice, the Company plans to proceed with the Phase II application wherein Cleco Power will seek the recovery of final storm damage costs, the establishment of a funded storm reserve, and securitization of the final storm damage costs and funded storm reserve, which Cleco Power estimates is approximately \$325 million. The Company also provided a brief description of the upcoming Phase II application, which is anticipated to include the support of 7 witnesses, and will request Commission consideration of the Phase II application by year-end 2021 in order to “timely achieve substantial benefits of the securitization financing for the Company’s customers.”

At this time, a decision has not been made as to which method Cleco Power will seek authorization under (Act 55, Act 64, or any other applicable statute).

Applicants will be assisting Commission in-house Staff (Legal, Utilities, and Auditing Divisions), as well as outside counsel and an outside accounting consultant (hereinafter collectively “Staff”) in reviewing Cleco Power’s request and providing a recommendation to the Commission.

## **II. Scope of Representation**

In assisting Staff, Applicants will review the application (including the direct testimony of several witnesses and any supporting documentation to securitize any LPSC-approved costs); draft data requests and review responses thereto; potentially participate in informal meetings with Staff and Cleco Power; assist in drafting a recommendation(s), including testimony, to the Commission, including any exhibits supporting the same; review and respond to any rebuttal testimony; assist in preparing any necessary direct and cross-answering testimony; assist in trial preparation, including cross-examination of witnesses and drafting pleadings and motions related thereto; and review and analyze potential stipulation terms. Applicants will evaluate the Company’s compliance filings; and assisting in preparation of any orders, including financing orders.

Applicants will be responsible for advising the Commission and Staff in all aspects of approval, issuing and marketing of the bonds, including but not limited to, compliance with Louisiana securitization/financing requirements, non-bypassability requirements, true-up requirements, tariff design and implementation, confirmation that customers will experience savings relative to conventional methods of financing, confirmation that the structure, terms and the pricing of the bonds are consistent with the terms of the financing order, and advising on the timing, structure and pricing for issuance of the bonds to achieve the lowest ratepayer charges consistent with market conditions and the terms of the financing order. Applicants should be prepared to be involved in activities including, but not limited to, the marketing of the bonds, interaction with rating agencies, monitoring of issuance costs, review of bond documentation, and the structuring timing of issuance, and pricing of the bonds.

Additionally, the Applicant shall be available to participate in meetings, conference calls, status conferences, hearings, and other conferences with the Commission and Staff, as well as attending any Business and Executive Session(s) that Staff deems necessary. The scope of work provided herein shall continue through the conclusion of the docket through a Commission vote.

All proposals shall include an outline of a plan of action for conducting the review of the application, including the activities described above. The Commission and its Staff shall have the right to determine how the tasks will be carried out. In addition, all proposals shall be accompanied by a professional firm resume indicating the qualifications and experience necessary to meet the requirement of this RFP, including experience with securitization of costs and prior Commission storm recovery processes.

### **III. Period of Representation**

The time period estimated to complete the Scope of Representation is approximately 6-12 months. This is merely an estimate and the Commission makes no representations as to the accuracy of the Period of Representation.

### **IV. Minimum Requirements**

To qualify, all Applicants must have requisite knowledge of the topics listed below, in addition to those provided in Commission General Order dated November 10, 2014. Consideration will be given to factors which indicate degrees of competence such as the amount of practical experience in the field of public utility regulation, similar practice before this or other regulatory agencies, and knowledge of Louisiana ratemaking standards and regulatory law, in addition to the Applicant's knowledge and experience on utilization of securitization for cost recovery.

Applicants shall at a minimum be experienced in analyzing the operations, books, and records of utility companies, particularly investor-owned utilities, for the purpose of setting just and reasonable rates, including, but not limited to, calculation of rate base, rates of return, capital structure, formula rates, and all related studies and calculations and prior cost recovery filings with the LPSC.

Applicants shall be qualified and prepared to draft and render expert testimony and be cross-examined with respect to all of the issues addressed in this RFP and which are likely to arise in a securitization proceeding and be qualified and prepared to render testimony at a hearing and/or a B&E regarding the same and have knowledge of:

- (1) a detailed understanding of the major functional areas of a regulated investor-owned electric utility;
- (2) appropriate accounting standards and practices for electric public utilities, public utility accounting, and generally accepted auditing standards;
- (3) storm damage reserve accounting, utility depreciation and taxation issues, including utility taxation related to securitization;
- (4) the LPSC and FERC approved cost-of-service cost methodologies for electric utilities;
- (5) appropriate mechanisms, allocation among customer classes and rate design for securitization cost recovery;
- (6) securitization requirements and procedures and the ratemaking treatment of the benefits of securitization;
- (7) experience in providing advisory services to regulatory bodies participating or overseeing the sale of utility asset-backed securities.
- (8) the basic components and requirements of Cleco Power's Formula Rate Plan, including cost of capital, including capital structure, cost of debt, cost of equity, and rates of return;
- (9) alternative sources of funds to offset hurricane damage costs such as insurance proceeds, governmental aid, and income tax benefits;
- (10) prior Commission Orders involving storm recovery and/or other securitized debt; and
- (11) the cost allocation methodologies for the allocation of investments 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 among affiliates;

**V. Estimate of Costs**

All proposals shall include fees and direct costs associated with Applicant's services described above. Applicants responding to this RFP shall quote their rates on an hourly basis, and shall submit a total budget, separating professional fees from direct costs. Along with providing the above, Applicants should provide an overview of the estimated costs in the summary of the bid proposal.

Applicants shall only be allowed to charge for actual hours of work performed and costs incurred. Once selected, an Applicant's hourly rates and budget shall not be altered except by formal approval of the Commission.

**VI. Conflict of Interest**

Applicants shall prominently and separately disclose current, as well as past employment, which could possibly result in a conflict of interest. In addition, Applicants shall disclose matters in which they currently represent clients before the Commission.

**VII. 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 ("Allowable Expenses"). 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.

**VIII. Reservation of Rights**

The LPSC reserves the right to reject any and all proposals, to amend and/or supplement this RFP 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 any offer and does not have to accept the lowest bid amount. In addition, there is also no assurance, express or implied, that an award will necessarily be made pursuant to this RFP.

**IX. Submission of Proposals**

Interested parties should submit the **original (hard copy), 2 additional copies, and e-mail an electronic copy** of the proposal to:

Kathryn H. Bowman  
Executive Counsel  
Louisiana Public Service Commission  
602 North Fifth Street (Galvez Building) (70802)  
P.O. Box 91154  
Baton Rouge, Louisiana 70821-9154  
Phone: (225) 342-9888  
Fax: (225) 342-5610  
Email: [kathryn.bowman@la.gov](mailto:kathryn.bowman@la.gov)

To be considered, an original, two copies, and the electronic copy of the proposal must be received on or before **Friday, July 9, 2021 at 4:30**. **Selection of consultants is anticipated to take place at the Commission's July 2021 Business and Executive Session, which is currently scheduled for July 14, 2021**. Information concerning billing procedures and the Commission's RFP policy may be obtained from the address listed above, or by calling (225) 342-9888.