

Louisiana Public Service Commission



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Executive Counsel

November 4, 2021

JOHNNY E. SNELMGROVE, JR
Deputy Undersecretary

VIA EMAIL

RFP 21-29 Docket No. U-36174, Southwestern Electric Power Company, ex parte. In re: Application for Recovery of Certain Storm Damage Costs Incurred as a Result of Hurricane Laura and Delta and the February 2021 Winter Storm Event.

To all LPSC qualified consultants:

Enclosed please find a Request for Proposals ("RFP") for outside consultants 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 Tuesday, November 30, 2021 at 4:30p.m. Selection of consultants is anticipated to take place at the Commission's December 2021 Business and Executive Session.

If you have any questions regarding this matter, please do not hesitate to contact me.

Sincerely,

Kathryn H. Bowman
Executive Counsel

Encl.

cc.: Brandon M. Frey, Executive Secretary
Lauren T. Evans, Associate Counsel

RFP 21-29
LOUISIANA PUBLIC SERVICE COMMISSION
REQUEST FOR PROPOSALS (“RFP”)
November 4, 2021

DOCKET NO. U-36174, Southwestern Electric Power Company, ex parte. In re: Application for Recovery of Certain Storm Damage Costs incurred as a result of Hurricane Laura and Delta and the February 2021 Winter Storm Event.

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 consultants** who will assist Commission Staff in the review of Southwestern Electric Power Company (“SWEPCO” or “Company”) request for determination of the amount of recoverable costs incurred to restore its facilities following the damage of Hurricanes Laura and Delta and the February 2021 Winter Storm Event. **This RFP is not seeking a securitization consultant, as explained below.**

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 21-29 are anticipated to be on the Commission’s December 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 and Delta. Hurricane Laura came ashore on August 27, 2020 as a strong Category 4 hurricane with sustained wind speeds of 150 mph and was still a Category 1 as it approached north Louisiana, where SWEPCO’s service territory is situated. Hurricane Delta made landfall on October 9, 2020 as a Category 2 hurricane with winds approaching 100 mph. According to the Company, both hurricanes caused significant infrastructure damage to SWEPCO’s facilities in Louisiana. In addition to the damage sustained during the 2020 Atlantic Hurricane Season, SWEPCO also experience damage as a result of the 2021 Winter Storm event.

On October 18, 2021, SWEPCO filed an application requesting recovery of certain storm damage costs associated with Hurricanes Laura and Delta and the 2021 Winter Storm Event. This application was docketed as Docket No. U-36174 and published in the Commission’s October 29, 2021 Bulletin for intervention. Per the Company’s application, SWEPCO incurred storm damage costs totaling approximately \$152 million across all three events and is seeking recovery of associated restoration costs in a two-phased approach.¹

¹ While SWEPCO is seeking a two-phased approach, the Commission does not necessarily agree, and may require a different procedural approach similar to how prior storm recovery dockets have been handled.

SWEPSCO proposes Phase I (the instant application) will be a review and recommendation to allow SWEPSCO to begin recovery of the financing costs on storm restoration operation and maintenance expenses booked in the Commission approved regulatory asset,² as well as a finding of prudence of those deferred expenses. Subsequent to the Commission approving recovery in Phase I, the Company proposes a Phase II filing where SWEPSCO will seek recovery of the return on and amortization of the deferred storm regulatory asset balance either through securitization or through traditional ratemaking treatment. Per the instant application, the Company indicates it will conduct a cost-benefit analysis to determine the most cost-effective course of action for recovery of storm costs and file such analysis with its Phase II filing.

Given SWEPSCO's uncertainty regarding its cost recovery mechanism, Staff is seeking an accounting consultant in this RFP and not a securitization consultant. Should securitization be the chosen recovery mechanism, Staff will issue an RFP seeking a securitization consultant to assist with Phase II. Regardless of the recovery mechanism chosen, Staff is of the opinion that an accounting consultant will be necessary for Phase II.

Applicants will be assisting Commission in-house Staff (Legal, Utilities, and Auditing Divisions) as well as outside counsel in reviewing SWEPSCO's instant Phase I filing, as well as the anticipated Phase II filing.

II. Scope of Representation

In assisting Staff, Applicants will review the Phase I application (including the direct testimony of four witnesses, any supporting documentation, and associated cost effects); draft data requests and review responses thereto; potentially participate in informal meetings with Staff and SWEPSCO; 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 shall be available to participate in meetings, conference calls, status conferences, hearings, and other conferences with the Commission and its Staff, as well as attending any Business and Executive Session(s) that Staff deems necessary.

Additionally, Applicants will review the Phase II application (including the direct testimony of witnesses, any supporting documentation, and the cost-benefit analysis regarding SWEPSCO's preferred cost recovery approach); draft data requests and review responses thereto; potentially participate in informal meetings with Staff and SWEPSCO; 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.

² See Commission Special Orders 73-2020 and 21-2021.

The scope of work provided herein shall continue through the conclusion of the docket through a Commission vote in both Phase I and Phase II dockets.

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 10 months for Phase I and approximately 10 months for Phase II for a total estimate of 20 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 practice, 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 the 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;
- (4) the LPSC and FERC approved cost-of-service cost methodologies for electric utilities;

- (5) the basic components and requirements of SWEPCO's Formula Rate Plan, including cost of capital, including capital structure, cost of debt, cost of equity, and rates of return;³
- (6) alternative sources of funds to offset hurricane damage costs such as insurance proceeds, governmental aid, and income tax benefits;
- (7) prior Commission Orders involving storm recovery and/or other securitized debt, including but not necessarily limited to Special Orders 73-2020 and 21-2021;
- (8) 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;
- (9) appropriate mechanisms, allocation among customer classes and rate design; and
- (10) securitization requirements and procedures and the ratemaking treatment of the benefits of securitization.

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.

³ SWEPCO has a pending application with the Commission seeking a renewal of its FRP, which will likely be completed prior to the conclusion of the instant review. See Docket No. U-35441.

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 copies, and e-mail an electronic copy** of the proposal to:

Kimberly N. O'Brian
Louisiana Public Service Commission
Assistant to Legal
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: kim.obrian@la.gov
Kathryn.bowman@la.gov

To be considered, an original, two copies, and the electronic copy of the proposal must be received on or before **Tuesday, November 30, 2021 at 4:30 p.m.** **Selection of consultants is anticipated to take place at the Commission's December 2021 Business and Executive Session, which is currently scheduled for December 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.