

Louisiana Public Service Commission



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July 5, 2023

VIA EMAIL

RFP 23-20, 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 an **outside securitization 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, August 1, 2023. Selection of consultants is anticipated to take place at the Commission's August 2023 Business and Executive Session.

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

Sincerely,

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

Kathryn Bowman
Executive Counsel

Encl.

cc.: Brandon M. Frey, Executive Secretary
Justin Bello, Staff Attorney

RFP 23-20
LOUISIANA PUBLIC SERVICE COMMISSION
REQUEST FOR PROPOSALS (“RFP”)
July 5, 2023

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 securitization consultants** who will assist Commission Staff in the review of Southwestern Electric Power Company’s (“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.

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 23-20 are anticipated to be on the Commission’s August 2023 Business and Executive Session. Should an Applicant be selected at the Commission’s B&E, this RFP and the Applicant’s proposal shall constitute the contract between the parties, including all terms and conditions. The Commission will not accept new terms, conditions, or proposals once an Applicant has been retained.

I. Overview

During the 2020 Atlantic Hurricane Season, 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 and proposed a two-phased approach to the recovery. This application was docketed as Docket No. U-36174 and published in the Commission’s October 29, 2021 Bulletin with no interventions received.

In Phase I, SWEPCO requested recovery of the financing costs on storm restoration operation and maintenance expenses booked in a Commission approved regulatory asset,¹ as well as a finding of

¹ See Commission Special Orders 73-2020 and 21-2021.

prudence of those deferred expenses. Order No. U-36174 was issued May 24, 2023 approving an Uncontested Stipulated Settlement, which allows SWEPCO to recover approximately \$180 million of distribution and transmission O&M costs. Order No. U-36174 also required SWEPCO to prepare, as part of its Phase II application, an analysis comparing securitization versus traditional rate recovery of all Louisiana distribution and allocated transmission O&M expenses and capital costs associated with Hurricanes Laura and Delta, as well as the February 2021 Winter Storm.

Based on recent conversations with SWEPCO, the Company anticipates filing its Phase II application soon with its preliminary analysis indicating securitization as the proper methodology to recover the storm costs incurred. Also based on those conversations, both parties anticipate that another filing (Phase III) requesting the Commission approve financing of the storm costs, whether that ultimately be through securitization or traditional rate recovery. Should the Company move forward requesting securitization, a decision has not been made at this time as to which method SWEPCO will seek authorization under (Act 55, Act 64, or any other applicable statute).

In these conversations between Staff and SWEPCO, the parties also discussed the possibility of including the most recent storm damage in the Company's Phase II and Phase III filings.² Initial estimates associated with this most recent storm include restoration to both transmission and distribution infrastructure totaling approximately \$50 million for SWEPCO's Louisiana territory. **Therefore, the scope of this RFP includes the review of these most recent storm costs as well as in the analysis of whether these costs should be included within SWEPCO's analysis/selection of securitization.**

Applicants will be assisting Commission in-house Staff (Legal, Utilities, and Auditing Divisions) as well as outside counsel and outside accounting consultant in reviewing SWEPCO's Phase II analysis filing, as well as a Phase III filing seeking financing approval of storm costs associated with Hurricanes Laura and Delta, Winter Storm February 2021, and the June 16-17, 2023 storms.

II. Scope of Representation

In assisting Staff, Applicants will review both applications (Phase II and Phase III) (including direct testimony, any supporting documentation, cost-benefit analysis between securitization and traditional rate recovery, and associated cost effects); draft data requests and review responses thereto on both applications; potentially participate in informal meetings with Staff and SWEPCO; 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 Companies compliance filings; and assist in preparation of any orders, including a financing order should the Commission agree/approve securitization as the proper methodology.

² On the evening of June 16th into the morning of June 17, 2023, a powerful storm impacted Texas and northwest Louisiana causing more than 240,000 SWEPCO customers to be without power, some for up to a week.

Should Staff and the Commission agree securitization is the proper recovery methodology, 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.

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.

The scope of work provided herein shall continue through the conclusion of the docket through a Commission vote in both Phase II and Phase III 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 6 months for Phase II and approximately 12 months for Phase III for a total estimate of 18 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, including utility taxation related to securitization;
- (4) the LPSC and FERC approved cost-of-service cost methodologies for electric utilities;
- (5) familiarity with 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 for securitization cost recovery; and
- (10) securitization requirements and procedures and the ratemaking treatment of the benefits of securitization.

V. Estimate of Costs

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.

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. Potential conflicts could include, but are not to be limited to, employment with regulated utilities, affiliates of regulated utilities, consumer advocacy groups, or any other party that comes before the Commission. 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 to the Commission 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. Pursuant to La. R.S. 45:1180, SWEPCO is the ultimate responsible party for payment of services provided pursuant to this RFP; therefore, timely submittal of invoices to the Commission facilitates timely payments to Applicant.

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, August 1, 2023 at 4:30 p.m.** **Selection of consultants is anticipated to take place at the Commission's August 2023 Business and Executive Session, which is currently scheduled for August 16, 2023.** Information concerning billing procedures and the Commission's RFP policy may be obtained from the address listed above, or by calling (225) 342-9888.