

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

**PROPOSAL TO THE  
LOUISIANA PUBLIC SERVICE COMMISSION**

**IN RESPONSE TO RFP 17-11**

**DOCKET NO. U-34619**

**IN RE: SOUTHWESTERN ELECTRIC POWER COMPANY'S  
APPLICATION FOR EXPEDITED CERTIFICATION AND APPROVAL  
OF THE ACQUISITION OF CERTAIN RENEWABLE RESOURCES AND  
THE CONSTRUCTION OF A GENERATION TIE PURSUANT TO THE  
1983 AND 1994 GENERAL ORDERS**

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

**September 2017**

## **Executive Summary**

J. Kennedy and Associates, Inc. (“Kennedy and Associates”) is pleased to submit this proposal to assist the Louisiana Public Service Commission Staff (“Commission” and “Staff”) in its review of Southwestern Electric Power Company’s (“SWEPCO” or the “Company”) request for expedited certification of the acquisition of the Wind Catcher Facility (“Wind Facility”), consisting of 2000 mW of new wind generation, and the construction of a related 350 to 380 mile generation tie (“Gen-Tie”), collectively, the “Project,” pursuant to the Commission’s 1983 and/or 1994 General Orders. The Company also seeks Commission approval of its proposed form of rate recovery. Kennedy and Associates has reviewed the Company’s Application and the prefiled testimony of multiple witnesses in support of these requests.

Kennedy and Associates is uniquely qualified to assist the Commission in this review in a knowledgeable and efficient manner, both in the request for certification of the Project and the proposed form of rate recovery of the acquisition and construction costs. We have previously assisted the Commission in various Integrated Resource Planning (“IRP”) proceedings, utility requests for proposals (“RFPs”) to acquire capacity, and in various certification proceedings, including Entergy’s requests for certification of the Rain CII, Agrilectric, and Montauk renewable resources. In addition, we have assisted clients in Minnesota in their review of a similar transaction whereby the utility acquired renewable wind capacity and constructed a transmission tie-line necessary to transport the generation to load centers. We also are currently working on a similar project involving PacifiCorp, in which it has proposed to acquire new wind capacity, and proposes to build a new tie line to deliver the wind energy to its load centers. We have worked cooperatively with all stakeholders in the Louisiana projects and will do so in this proceeding. As examples, we reached settlements with Entergy in the Rain CII, Agrilectric, and Montauk certification

proceedings, and we expect to do so with SWEPCO in this proceeding after conducting a comprehensive review.

We are very familiar with the Commission's 1983 and 1994 General Orders and the public interest criteria set forth in those Orders. We have assisted the Commission in numerous proceedings subject to the criteria in those General Orders. We will use these criteria to evaluate the Company's requests in this proceeding.

In addition, Kennedy and Associates has previously assisted the Commission in numerous rate proceedings involving SWEPCO and the other investor owned and cooperative electric and gas utilities in Louisiana. These have included base rate, formula rate plan ("FRP"), fuel adjustment clause, environmental adjustment clause, and other rate proceedings.

Kennedy and Associates also is knowledgeable and familiar with the renewable energy production tax credits, the requirements to obtain these tax credits, and the significance of the credits in the economics of the Project. We are also knowledgeable and familiar with other tax deductions that will affect the economics of the Project, specifically the availability and requirements for the bonus depreciation tax deductions in addition to the MACRS depreciation deductions.

### **Budget to Perform These Services**

Kennedy and Associates proposes a budget of \$34,200, consisting of \$33,200 for consulting services and \$1,000 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 well qualified to assist the Staff in this docket due to our familiarity with SWEPCO, its planning and IRP process, the Commission's General Orders, including the public interest criteria in those General Orders, as well as our experience in the Commission's IRP process, the utility RFP process, other renewables certifications in Louisiana and in other jurisdictions, and SWEPCO's ratemaking, including its FRP. We are also familiar with the SPP tariffs, rules and planning processes.

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 and/or electric cooperatives, public utility accounting, and generally accepted auditing standards;
2. The Commission's Rules and Orders pertaining to the RFP process as it relates to the acquisition of power supply resources, including, but not limited to, the Commission's Market Based Mechanisms Order and its 1983 and 1994 General Orders, including amendments thereto.
3. Principles associated with electric generating facility construction projects and the competitive process, including, but not limited to, analyzing whether or not a particular resource meets the utility's need for power and whether the considered resources are able to meet those needs;
4. Whether or not a resource will provide reliable service at the lowest reasonable cost;
5. Resource planning methods to improve the efficiency and reliability of a utility's power supply operations and whether the utility is making use of any such methods;
6. Public interest criteria for approval and monitoring of electric generating facility and transmission projects;
7. Commission rules on affiliate transactions and cost recovery mechanisms for power supply resources, including SWEPCO's Formula Rate Plan, and the Commission's Fuel Clause Recovery Order (Commission General Order U-21497 dated November 6, 1997); and
8. SPP tariffs, rules and planning processes, generally.
9. Familiarity with just and reasonable costs and prudent investments associated with providing reliable and quality service as recommended by NARUC;
9. Depreciation and taxation; and
10. A detailed understanding of the major functional areas of a regulated electric utility.

**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. Philip Hayet and Mr. Randy Futral. Mr. Kollen, Mr. Hayet, and Mr. Futral are experienced regulatory

consultants and have assisted the Staff in numerous IRP, RFP, and other resource acquisition and certification proceedings. Mr. Kollen, Mr. Hayet, and Mr. Futral have testified on regulatory matters on numerous occasions in multiple jurisdictions, including the Commission.

Mr. Kollen has several decades of experience in nearly all facets of utility resource planning, resource acquisition, operations, finance and taxes, and ratemaking. In addition, he is an expert in the financial, rate, tax, and planning areas. He specializes in evaluation of supply side and demand side resource acquisition, 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. Hayet, Vice President, is an electrical engineer, and has worked closely with utility commissions, electric utilities and industrial groups across the U.S. on generation and transmission resource planning and operations issues, and he has considerable amount of experience working on regulatory proceedings and policy matters. Mr. Hayet is familiar with the construction, design, and operation of transmission facilities and with the NERC, SERC, SPP, MISO, and other applicable standards associated with bulk electric transmission facilities located in Louisiana. Mr. Hayet led our project team in the Rain CII PPA and Agrilectric PPA certification proceedings.

Mr. Futral, Manager, Consulting, is an expert on utility ratemaking and analyses, including electric cooperatives. Mr. Futral worked closely with the Staff in the development of several FRPs

approved by the Commission and in the audits of annual FRP filings by various investor-owned and cooperative utilities. Mr. Futral also has assisted in various audits of electric investor-owned utilities and cooperatives, including the review and recovery of storm damage costs, fuel and purchased power expenses, and environmental costs. 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.

### **Action Plans and Timelines**

Kennedy and Associates is prepared to begin work on this project immediately upon being retained by the Commission. We have developed the following Action Plan and Timeline for the major activities in this proceeding.

We will assist the Staff in the following actions:

1. Review the Companies' Application and testimony;
2. Review and assess the Company's economic analyses, including the production cost modeling and capital revenue requirement determination. This will include a review of the critical assumptions regarding the project, including the production tax credit and bonus depreciation assumptions and calculations;
3. Prepare discovery and review responses to ensure that the Project is cost-effective and that the benefits to customers are properly quantified and realistic;
4. Review the construction estimates and schedules to ensure that tax deductions and credits are maximized for the benefit of customers;
5. Review the turnkey capital cost of the Wind Facility and the projected capital cost of the Gen-Tie.
6. Review and assess the operation and maintenance costs of the Wind Facility and Gen-Tie.
7. Review the Company's proposed form of cost recovery and develop alternatives as appropriate;

8. Assist the Staff in settlement discussions with SWEPCO;
9. If the parties are able to reach a settlement, then prepare testimony in support of settlement agreement, appear at hearing, and assist Staff counsel in preparation for hearing, if requested to do so. If the parties are not able to reach agreement, then prepare testimony addressing the areas of disagreement, appear at hearing, and assist Staff counsel in preparation for hearing, pleadings, and provide other assistance, as requested.

We anticipate that we can complete the preceding activities within three months after being retained by the Commission to assist the Staff.

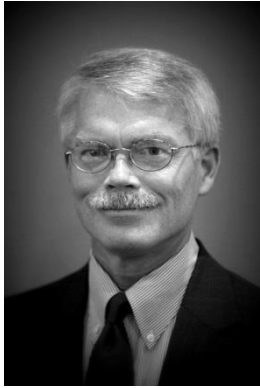
**Kennedy and Associates No Conflicts of Interest**

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 PHILIP HAYET, VICE PRESIDENT**

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### **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 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 PHILIP HAYET, VICE PRESIDENT**

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### **EDUCATION**

**Purdue University, BS Electrical Engineering**  
**Purdue University, Cooperative Education Certificate**  
**Georgia Tech, MS Electrical Engineering. Specialization in Power Systems.**  
**Post Graduate Study in Business Administration**

### **PROFESSIONAL AFFILIATIONS**

**National Society of Professional Engineers**  
**Georgia Society of Professional Engineers**  
**Institute of Electrical and Electronic Engineers**

### **EXPERIENCE**

Mr. Hayet has nearly thirty five years of electric utility industry experience in the areas of resource planning, operations analysis, economic analysis, regulatory policy development, and utility rate analysis. He has worked on projects that led to the development of both supply-side and demand-side resources, participated in resource certification proceedings, evaluated power purchase agreements, participated in the development of commission rules concerning renewable energy and energy efficiency policies, and has performed utility fuel audits. Mr. Hayet has written reports and filed expert testimony on numerous occasions in federal court, regulatory commissions and at the Federal Energy Regulatory Commission ("FERC"). Mr. Hayet is an expert in the use of proprietary and non-proprietary production cost and long-term resource planning software tools. Mr. Hayet began his career working for 15 years for Energy Management Associates ("EMA" now known as Venytx), providing client support services and consulting services using the firm's PROMOD IV™ ("PROMOD") and Strategist software.

**J. Kennedy and Associates, Inc. (2000 to Present):** Director of Consulting. Mr. Hayet also works for this firm, and provides consulting services involving electric utility regulatory matters. Mr. Hayet has assisted in certificate of necessity, utility commission rulemaking, and decertification proceedings. These projects have involved performing production cost modeling and long term resource planning analyses. Mr. Hayet has used numerous production cost and resource planning software tools as part of these projects.

**Hayet Power Systems Consulting (1995 to Present):** President and Principal. Mr. Hayet has provided consulting services to clients in the U.S. and abroad related to resource planning analyses. Mr. Hayet has assisted in the evaluation of power purchase agreements, generation resource additions, fuel budget audits, resource certifications, and generating unit de-certifications stemming from environmental regulations. Mr. Hayet has continued to use PROMOD and Strategist, along with other tools as part of his consulting work.

**Energy Management Associates (1980 to 1995):** Lead Consultant, Product Manager. Mr. Hayet provided client support and consulting services to electric utility clients using the PROMOD and Strategist software systems. These tools were used to perform a wide range of studies, including operations evaluations, resource planning studies, economic evaluations, financial analyses, and accounting and budgeting studies.

## RESUME OF RANDY A. FUTRAL, MANAGER OF CONSULTING

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### 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

**J. Kennedy and Associates, Inc.**  
**2017 Hourly Fee Schedule**  
**Louisiana Public Service Commission**

| <u>Title</u>      | <u>Name</u>          | <u>Hourly<br/>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                  |

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