PROPOSAL TO THE
LOUISIANA PUBLIC SERVICE COMMISSION

IN RESPONSE TO RFP 17-16

DOCKET NO. U-34676

IN RE: JEFFERSON DAVIS ELECTRIC COOPERATIVE, INC.’S
APPLICATION FOR APPROVAL OF FORMULA RATE PLAN AND
INITIAL REVENUE ADJUSTMENT

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

December 6, 2017
Executive Summary

J. Kennedy and Associates, Inc. ("Kennedy and Associates") is pleased to respond to the Commission’s RFP 17-16 to assist the Commission Staff ("Staff") in its review of Jefferson Davis Electric Cooperative Inc.’s ("Jefferson Davis" or "Company") request for approval of a formula rate plan ("FRP") and initial rate increase, and for the Staff’s first three annual reviews pursuant to the FRP if it is approved.

In this request for FRP and initial rate increase, we will assist the Staff in a complete review of the proposed FRP and requested rate increase of $867,901. We will review the Company’s proposed FRP and make appropriate revisions to that FRP. We will conduct discovery, prepare analyses, including a quantification of the revenue requirement after consideration of appropriate ratemaking adjustments, and participate in settlement discussions with Jefferson Davis and other parties. In addition, if there is an adversarial hearing on any issues, we will assist the Staff in trial preparation, prepare and present prefiled written testimony, participate in hearings, and provide post-hearing assistance.

In the request for the first three annual reviews pursuant to the FRP if it is approved, we will assist the Staff in a complete review of each annual filing to ensure compliance with the terms of the FRP adopted in this proceeding and that any proposed rate change is properly calculated. We will conduct discovery, prepare analyses, including adjustments to the Company’s calculations, if any, participate in settlement discussions with Jefferson Davis and other parties. In addition, if there is an adversarial hearing on any issues, we will assist the Staff in trial preparation, prepare and present prefiled written testimony, participate in hearings, and provide post-hearing assistance.
Kennedy and Associates Qualifications

Kennedy and Associates is uniquely qualified to assist in this review due to our firm’s prior involvement on behalf of the Staff in numerous rate proceedings since 1986, including the development of FRPs for Dixie Electric Membership Cooperative (“DEMCO”), South Louisiana Electric Cooperative Association (“SLECA”) and Southwestern Electric Power Company (“SWEPCO”) and setting rates for DEMCO, SLECA, SWEPCO, Cajun Electric Power Cooperative, Inc., Entergy Gulf States, Inc., and Cleco Power, LLC, among others. In addition, we have performed management audits of numerous distribution electric cooperatives in Louisiana and participated on behalf of large customers in cooperative ratemaking proceedings in other states. As such, we are familiar with the cooperative ratemaking process and ratemaking issues, as well as all of the FRPs adopted by the Louisiana Public Service Commission to date. In addition, we have assisted in the development and/or evaluated similar FRP’s used by other state Commissions to set rates for Louisville Gas and Electric Company, Kentucky Utilities Company, Georgia Power Company, Florida Power and Light Company, Atlanta Gas Light Company, and others. Our familiarity with the FRPs adopted by the Commission, other state commissions and our extensive ratemaking experience will permit us to develop a reasonable FRP for Jefferson Davis and to incorporate the appropriate ratemaking adjustments into the calculations.

Kennedy and Associates meets all professional qualification requirements specified by the Commission for technical consultants. We are qualified to prepare prefiled 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 FRP 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 Co-ops, 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 utility plant investment dedicated to providing service;

4. Traditional cost-of-service and cost allocation methodologies supporting the revenue requirements among classes of customers;

5. 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 among affiliates;

6. Cost of capital, including capital structure, cost of debt, cost of equity and rates of return;

7. Familiarity with just and reasonable costs and prudent investments associated with providing reliable and quality service as recommended by NARUC;

8. The determination and calculation of an adequate revenue requirement sufficient to cover the allowable costs of service, and rate of return for Co-op utilities;

9. Depreciation and taxation; and

10. A detailed understanding of electric utility regulation.

Along with the hard copies of this proposal sent to the Commission, we have enclosed a single copy of Kennedy and Associates’ Qualifications, which includes the resumes of all principals and consultants. We will be pleased to provide you with additional copies of the Qualifications upon request.

J. KENNEDY AND ASSOCIATES, INC.
Our Project Team is Experienced and Knowledgeable

Our Project Team consists of Mr. Lane Kollen, Vice President, CPA, CMA, CGMA; Mr. Brian Barber, Director, Consulting; and Mr. Randy Futral, Manager, Consulting. We have included brief biographies describing their education and experience in this proposal. In addition, we have provided resumes in our Qualifications package that provides more detail regarding their experience and lists the regulatory proceedings and subject matters in which they have provided expert testimony.

Action Plan for Comprehensive Review

We will work closely with the Commission Staff to determine if an FRP is an appropriate rate mechanism for Jefferson Davis based on its planned plant investments, and if so, to analyze the proposed rate increase, including its requested times interest earned ratio (“TIER”) and debt service coverage ratio (“DSC”) used to determine the margin included in the revenue requirement for ratemaking purposes.

We will identify and propose appropriate ratemaking adjustments that should be reflected in the Company’s revenue requirement and subsequently, in the FRP if one is adopted by the Commission. We will review the Company’s filing, accompanying workpapers and the company’s financial data; historical data involving prior rate increases and/or decreases involving the company; draft data requests; and analyze data responses to our requests and those of other parties.

We will participate in formal status conferences, pre-trial conferences, depositions, and hearings; draft and prepare audit memoranda and/or pre-filed testimony in support of the Staff’s
ultimate recommendations, together with exhibits supporting the memoranda and/or pre-filed testimony; and assist in the drafting of applicable motions, exceptions, briefing sheets and orders of the Commission. Additionally, we will participate in informal conference calls, meetings and conferences with the Commission and the Staff as well as attend any Business and Executive Sessions that the Staff deems necessary.

The scope of our work will continue through the conclusion of the docket through Commission vote, regardless of whether that vote is the result of a stipulated agreement or contested hearing recommendation.

**Budget to Perform Comprehensive Review**

Kennedy and Associates will provide the scope of services in this proposal for a budget not to exceed $56,800 over four years, consisting of $55,700 for consulting services and $1,100 for expenses in the four proceedings (this proceeding plus the three annual monitoring proceedings if the FRP is adopted). We expect to recommend that an FRP be adopted in this proceeding, consistent with the adoption of other FRPs by the Commission, although our recommendation may reflect changes to certain components of the Company’s proposal. We will not alter our budget or hourly rates on this project except by formal approval of the Commission.

**No Conflicts of Interest**

Kennedy and Associates has no known conflict of interest in representing the Louisiana Public Service Commission in this proceeding. Kennedy and Associates does not represent investor-owned gas or electric utilities.
**Contact Information**

Thank you for the opportunity to provide consulting services to the Commission Staff on this important project. Please call or e-mail Lane Kollen at lkollen@jkenn.com or Stephen Baron at sbaron@jkenn.com with any questions or comments.
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; conducted 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.

J. KENNEDY AND ASSOCIATES, INC.
RESUME OF BRIAN R. BARBER, DIRECTOR OF CONSULTING

EDUCATION

Georgia Institute of Technology
Bachelor of Industrial Engineering

Goizueta Business School of Emory University
Master of Business Administration, Finance

EXPERIENCE

Mr. Barber has over thirty years of experience in utility regulation in the areas of planning, economic analysis, forecasting, and cost and rate analysis.

J. Kennedy and Associates, Inc. (1985 to present). Director, Consulting; Manager, Consulting; Senior Consultant. Mr. Barber serves as a policy and technical analyst on projects involving system planning, production and replacement power costs, modeling, revenue requirements, cost of service, and tariff design. He has presented expert testimony on issues including revenue requirements, load forecasting, cost of service and rates, and fuel cost recovery.

Georgia Public Service Commission (1980 to 1985). Public Utilities Engineer, Intern. While enrolled at Georgia Tech, Mr. Barber served a summer internship at the Georgia Public Service Commission. Following the completion of his undergraduate degree in 1981, he joined the Commission as a Public Utilities Engineer. At the Commission, he was responsible for the analysis of electric, gas, and telecommunication rate filings. Areas of review included weather normalization, fuel cost projections, regulatory accounting, sales forecasting, fuel inventory levels, depreciation and rate design. He participated in the preparation of expert testimony, cross-examination of witnesses and settlement negotiations. He also participated in analysis of electric utility generation expansion plan and staff 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.


J. KENNEDY AND ASSOCIATES, INC.
J. Kennedy and Associates, Inc.
2017 Hourly Fee Schedule
Louisiana Public Service Commission

<table>
<thead>
<tr>
<th>Title</th>
<th>Name</th>
<th>Hourly Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>President</td>
<td>Stephen J. Baron</td>
<td>$258</td>
</tr>
<tr>
<td>Vice President</td>
<td>Lane Kollen</td>
<td>$258</td>
</tr>
<tr>
<td>Vice President</td>
<td>Philip Hayet</td>
<td>$258</td>
</tr>
<tr>
<td>Director</td>
<td>Richard A. Baudino</td>
<td>$247</td>
</tr>
<tr>
<td>Director</td>
<td>Brian R. Barber</td>
<td>$247</td>
</tr>
<tr>
<td>Manager</td>
<td>Randy Futral</td>
<td>$247</td>
</tr>
<tr>
<td>Senior Consultant</td>
<td>Ann Bruccoliere</td>
<td>$185</td>
</tr>
<tr>
<td>Senior Consultant</td>
<td>Leah Justin Wellborn</td>
<td>$185</td>
</tr>
<tr>
<td>Consultant</td>
<td>Brian Kollen</td>
<td>$145</td>
</tr>
<tr>
<td>Analyst</td>
<td>Jessica Inman</td>
<td>$110</td>
</tr>
</tbody>
</table>

---

J. KENNEDY AND ASSOCIATES, INC.