

Ariadair Economics Group
414 S. Thompson Ave.
Excelsior Springs, MO 64024
(816) 900-1016
Email: tfish@ariadaireconomics.com

May 12, 2016

ATTN: Ms. Kathleen Richardson
Louisiana Public Service Commission
Office of the General Counsel
602 North Fifth St. (Galvez Building)(70802)
P.O. Box 9154
Baton Rouge, La 70821-9154

RE: RFP 16-05 Docket No. X33970 Louisiana Public Service Commission, ex parte. In re: Audit of Environmental Adjustment Clause Filings for Cleco Power, LLC for the period of November 2010 through December 2015.

Dear Ms. Richardson:

Ariadair Economics Group (AEG) is pleased to submit our response to your request for bid in the above referenced docket, No. X-33970. RFP 16-05.

We look forward to the opportunity to provide the Louisiana Public Service Commission high quality comprehensive analysis and evaluation of the issues in the above referenced docket. AEG personnel have extensive experience in similar proceedings.

The overall not-to-exceed project labor cost for the project is \$53,460 and our out of pocket expenses will not exceed 20% of labor cost. We expect individual issues to be fine-tuned as the project progresses and our approach likewise to be fine-tuned after consultation with PSC Staff and Attorneys and we accept all project requirements.

Ariadair Economics Group will use no subcontractors in this engagement. Enclosed please find the original and (5) five copies of the proposal and an electronic copy of this proposal and our other proposals due on the same date.

Thank You,

Thomas H. Fish, Ph.D.
President

Bid Proposal to LaPSC by AEG
For assistance in Docket No.U-33970, RFP 16-05

Bid Proposal to LaPSC by AEG
For assistance in Docket No.U-33970, RFP 16-05

**BID PROPOSAL TO LOUISIANA PUBLIC SERVICE COMMISSION IN RESPONSE TO
SOLICITATION FOR EXPERT WITNESS TESTIMONY IN RFP 16-05 RE: AUDIT OF
ENVIRONMENTAL ADJUSTMENT CLAUSE FILINGS FOR CLECO POWER LLC FOR THE
PERIOD OF NOVEMBER 2010 THROUGH DECEMBER 2015**

SUBMITTED TO LOUISIANA PUBLIC SERVICE COMMISSION

May 12, 2016

**ARIADAIR ECONOMICS GROUP
414 S. THOMPSON AVE.
EXCELSIOR SPRINGS, MO 64024
(816) 214-2174
EMAIL: tfish@ariadaireconomics.com**

Bid Proposal to LaPSC by AEG
For assistance in Docket No.U-33970, RFP 16-05

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MANAGEMENT SUMMARY

The project manager is Dr. Thomas Fish. AEG Staff will report directly to Dr. Fish. Dr. Fish is also the authorized negotiator. He can be reached at:

414 S. Thompson Ave.
Excelsior Springs, MO 64024
(816) 214-2174
email: tfish@ariadaireconomics.com

AEG PERSONNEL

Dr. Fish, Stephen King, CPA, Michael Wulser, Esq. and Michael Leatherman will provide the bulk of services on this project. Dr. Fish has extensive experience in similar projects from study design, analysis, and result interpretation to project supervision. Msrs. Fish, King, Leatherman and Wulser have extensive experience in utility company regulation including FAC and Gas Cost studies, design of alternative regulation systems and evaluation of alternative regulation filing requirements, provision of expert evaluation and audit of Stabilization Clause filings and rate design issues. Other AEG staff members are available if required to contribute to the project and will work under the supervision of Dr. Fish.

William Stewart and Bentley Erdwurm are available as needed. Credentials are outlined below.

AEG personnel and project involvement are presented below.

Team Member	Position	Involvement	Rate/Hour
Dr. Thomas Fish tfish@ariadaireconomics.com (816) 214-2174	Project Leader	Overall Supervision; Regulatory Studies As Indicated by Project Scope	\$165
Royce A. Duffett, P.E.	Engineer	Engineering issues	\$150
Bentley Erdwurm	Senior Analyst	As needed; Determined by Project Scope	\$150
William C. Stewart	Analyst	As needed; Determined by Project Scope	\$85
Michael J. Leatherman	Analyst	As needed; Determined by Project Scope	\$95
Michael J. Wulser, Esq.	Analyst	Research and mathematical/ statistical modeling	\$95
Stephen O. King, CPA	Analyst	Accounting/audit	\$95

INSURANCE

Ariadair Economics Group will provide insurance as required.

FEDERAL ID NO.

Ariadair Economics Groups' U.S. Federal Identification Number is 43-1253438.

PROJECT OVERVIEW

The Commission's Executive Counsel is seeking proposals from independent technical consultants to assist Staff in the review and analysis of Cleco Power LLC's Federal Environmental Adjustment Clause (FEAC) filings for the period November 2010 – December 2015, including those of the old Entergy Gulf States Louisiana and Entergy Louisiana and will be conducted in accordance with Commission Order No. U-33244-A covering the years 2010 – 2015. AEG proposes to provide this technical assistance. We propose to assist the Commission in conducting a review of Entergy's FEAC filings, under the parameters of the FEAC Rules adopted in the General Order dated July 21, 2009 in Rulemaking Docket R-29380 Subdocket A.

The FEAC Order provides electric utilities with a cost recovery mechanism for the purchase and sale of air emission credits needed to meet local, state, and federal environmental regulations, including the purchase or sale of air emission credits needed to comply with the Clean Air Act Amendments (CAAA) of 1990 as well as the Clean Air Interstate Rule (CAIR) promulgated by the U.S. Environmental Protection Agency on March 10, 2005. AEG personnel are familiar with FEAC Audits (and auditing in general), purchased gas audits, fuel adjustment clause audits as well as other audits. We propose to review the audit conducted in Docket No. U-32440 and are familiar with the General Order dated August 24, 2015 to anticipate potential interpretation issues.

AEG proposes to assist the Commission's Legal, Utilities and Audit Divisions in analyzing the FEAC filings for the years 2010-2015. We propose to review FEAC filings, draft data requests and review responses, review accompanying work papers and the company's financial data; review historical data involving prior audits, participate in formal status conferences, pre-trial conferences, depositions and hearings; prepare for filing audit memoranda and/or pre-filed testimony in support of Staff's ultimate recommendations, together with exhibits supporting the memoranda and/or prefiled testimony; and assist in the drafting of applicable motions, exceptions, briefing sheets and orders of the Commission. Additionally, we propose to participate in informal conference calls, meetings and conferences with the Commission and its Staff as well as attending any Business and Executive Sessions that the Staff deems necessary. The scope of the work is expected to continue through the conclusion of the docket through Commission vote.

Our audit procedures will include but not be limited to analysis and resolution of the principal issues as identified in the RFP, together with any additional issues which Staff and AEG may deem appropriate, including:

- Whether the costs passed through the FEAC were reasonable and prudent.
- Whether the costs were appropriate and eligible for recovery in the FEAC mechanism consistent with Commission General Order dated July 21d, 2009.
- Whether the costs passed through the FEAC produced just and reasonable rates.
- Whether the costs passed through the FEAC were necessary for the provision of electric service.

AEG will assist Commission Staff in reporting Staff's findings in writing to the Commission, identifying any irregularities detected in the monthly FEAC calculation that were incorrectly assessed and applied to Louisiana consumer billing statements or which allowed for the recovery of these unauthorized expenses by the utility. The report will also include a written executive summary which identifies any cost included in the audit found to be in violation and a recommendation as to the appropriate methodology to be utilized by the Commission to provide for recovery of these funds.

Upon completion of the Commission's review, Staff's audit report will be re-published for intervention and comment. If any issues are identified that require an evidentiary hearing, or upon the Commission's own motion, the matter may be scheduled for hearing before an administrative law judge.

Our professional staff is qualified to review and analyze all of the issues anticipated to arise in this proceeding. We are able to evaluate the relevant issues as they arise and, in addition, we are able to, and have experience in, assisting technical and legal staff in all aspects of regulatory proceedings. We have attached recent testimonies and reports, addressing the issues to be considered in this proceeding. Our personnel have a great deal of practical and academic expertise to bring to this project.

As indicated above, AEG personnel have a great deal of practical and academic experience and expertise which render them highly qualified to perform the tasks identified in the RFP. Specifically, AEG have the following experience and capabilities:

- *Appropriate accounting standards and practices for utilities, public utility accounting, and generally accepted auditing standards.* Dr. Fish has not only taught financial accounting at the college level but has testified as an expert witness regarding financial accounting issues in regulatory proceedings. These issues include income and expense adjustments required for revenue requirement identification; rate base issues relating to historic cost rate base, reconstruction cost new (RCN) rate base, and fair value rate base. In addition, he has testified to a multitude of other financial accounting issues including acquisition of coal mine; alternative regulation requirements; audits of alternative regulation requirements; acquisition of regulated utility; affiliate transactions; annualizing; audit of fuel handling costs; audit inventory surveying methodologies and results; audit maintenance programs; audit purchase power and fuel costs; Audit purchase power contract for compliance with policies and procedures; required return; CWIP analysis; depreciation studies; derivative valuation review and analysis/mark to market; and many other issues identified in the attached vitae Mr. Wulser has extensive experience in electric company rate cases and is an expert in the area of administrative and judicial research. Mr. King has a great deal of

experience in regulatory accounting and hedging issues. And Mr. Duffett has extensive experience in electric and natural gas distribution Company engineering issues.

- *Appropriate ratemaking adjustments to be made to the utility accounting records.* AEG personnel have a great deal of experience in base rate determination and the accounting treatment required for removing inappropriate entries to fuel cost and to base rates.
- *Appropriate allocations of costs to base rates and fuel.* Our personnel have a great deal of experience in this area. The PGA Order identifies those natural gas distribution costs that can be and cannot be included in the PGA and General Order R-29380 Subdocket A identifies those costs that are to be included in the FEAC and those costs that are not to be included in the FEAC. To the extent that costs have been included that should not have been, and vice versa, we will make appropriate adjustments.
- *Recoverable expenses for ratemaking purposes.* We have experience in determining expenses that should be included and that should not be included for ratemaking purposes and from where, PGA, FEAC or base rates, these expenses should be recovered.
- *Just and reasonable costs and prudent investments associated with providing reliable and quality service.* Service quality is a major consideration in the provision of utility service. We propose to rely on our experience with prudence audits and LPSC rules and precedents to ascertain that the project is seen through to a successful conclusion.
- AEG personnel are qualified and equipped to prepare and render expert testimony, and be cross-examined, with respect to all of the issues addressed in the RFLP and which are likely to arise in the proceeding. We are experienced in analyzing the operations, books and records of utility companies for the purpose of setting just and reasonable rates, including, but not limited to, calculation of rate base, rates of return, and capital structure. Our personnel are experienced with ratemaking treatments and/or principles including electric utilities. We are also experienced with incentive based rate mechanisms such as FRPs as used in Louisiana and elsewhere (we have developed the programs and have copies of our relevant testimonies available), questions of proper capital structure, affiliate transactions, costing methodologies and are qualified to render expert testimony with respect to the issues identified in the RFP.

TIME LINE

We expect the project to be substantially completed within one year.

AEG PERSONNEL

Recent Project / Expert Witness Testimony of Dr. Thomas Fish –

(General References for AEG: Lindil Fowler, Esq. General Counsel Texas Railroad Commission, (512) 463-6715; Rick Ganulin, Esq., City Attorney, Cincinnati, Oh., (513) 352-3329; Norma Eagleton, Esq. Formerly Commissioner at Oklahoma Corporation Commission.

- **UNS Electric** (Tucson, AZ) – Docket No. 09-0472 (on behalf of Arizona Corporation Commission)
 - Filed by UNSE April 30, 2009.
 - *Contact: Alex Give or Barbara Keene at (602) 542-4251*
 - Issues:
 - Rate Base/Revenue Requirement
 - Cost of Service/Revenue Spread/Rate Design
 - Integrated Resource Planning
 - Affiliate Transactions
 - Depreciation Rates
 - Audit Purchase Power/Fuel Adjustment Clause
 - Acquisition of Power Plant
 - Reconstruction Cost New, Original Cost, and Fair Value rate base
 - Audit Hedging policies
 - Working Capital

- **UNS Gas** (Tucson, AZ) – Docket No. 71623 (on behalf of Arizona Corporation Commission)
 - Filed by UNSG November 07, 2008
 - *Contact: Barbara Keene or Julie McNeely-Kirin at (602) 542-4251*
 - Rate Base/Revenue Requirement
 - Cost of Service/Revenue Spread/Rate Design
 - Depreciation rates
 - Reconstruction Cost New, Original Cost, and Fair Value rate base
 - Working Capital
 - PGA audit, including hedging program
 - Affiliate Transactions

- **Arizona American Water** – Docket No. 10-0448 (On behalf of RUCO)
 - June 2011.
Contact: Director Jodi Jerich, Esq. or Dan Pozefsky, Esq. At (602) 364-4835
 - Review of investment prudence.
 - Determination of used and useful capital investments
 - Rate Base/Revenue requirement issues

- **Arizona Public Service Co.** – Docket No.10-0474 (On behalf of RUCO)
 - July 2011.
Contact: Director Jodi Jerich, Esq. or Dan Pozefsky, Esq. at (602) 364-4835
 - Evaluation of proposed accounting order
 - Analysis of proposed acquisition of power plant
 - Navaho Nation issues
 - EPA Rules/Regulations

- **Louisiana Gas Service Co.** PGA Audit (On behalf of Louisiana PSC)
 - January, 2011.
Contact: Dennis Weber, Esq. or Steve Kable, Esq. at (225) 342-4999
 - PGA audit
- **Trans Louisiana Gas Co.** PGA Audit (On behalf of Louisiana PSC)
 - January, 2011.
Contact: Dennis Weber, Esq. or Steve Kable, Esq. at (225) 342-4999
 - PGA Audit
- **ADA Racing v. Sikk Industries.** Phoenix Federal Court (on behalf of ADA Racing) Contact: Donald Wruck, Esq, lead attorney (219) 322-1166
Issues:
 - Trademark and trade dress
 - Anti-competitive practices
 - Unfair competition
- **EcoGlobal Ambiental (Rio de Janario, Brazil) v. CETCO Oilfield Services (Houston),** on behalf of Ecoglobal Ambiental
Contact: Donald Wruck, Esq, lead attorney (219) 322-1166
Issues:
 - Contract violation
 - Business value diminution
 - Unfair competition
 - Predatory practices
- **Precision Industries v. Curtis Chandler on behalf of Precision Industries**
Contact: Eden Whitten, Esq. lead attorney (402) 346-6000
Issues:
 - Predatory practices
 - Harm to competition
 - Unfair competition

Recent Project/Expert Witness Testimony of Royce A. Duffett P.E.

- **Arizona American Water – Docket No. 10-0448 (On behalf of RUCO)**
 - June 2011.
Contact: Director Jodi Jerich, Esq. Dan Pozefsky, Esq. at (602) 364-4835
 - Review of investment prudence.
 - Determination of used and useful capital investments
 - Rate Base/Revenue requirement issues

- **Arizona Public Service Co.** – Docket No.10-0474 (On behalf of RUCO)
 - July 2011.
Contact: Director Jodi Jerich, Esq. or Dan Pozefsky, Esq. at (602) 364-4835
 - Analysis of alternative base-load electricity generating processes (including hybrid and renewables)
 - Navaho Nation issues
 - EPA Rules/Regulations
-

Recent Project / Expert Witness Testimony of Stephen King

- **Vermont Gas Systems, Inc.** Alternative Regulation (On behalf of Vermont Department of Public Service).
February, 2011. (Dockets No. 7803 and 7804)
Contact: Louise Porter, Esq. at (802) 828-2811
 - Alternative regulation
 - Revenue Requirement/rate base
 - Working capital
 - Hedging/PGA issues
-

Recent Project / Expert Witness Testimony of Bentley Erdwurm –

(contact for Tucson Electric Power, UNS Electric, and UNS Gas is Kent Grant, Vice President-Finance for UniSource @ 520-571-4000. PO Box 711, Tucson, AZ 85701.)

TESTIMONY AS EXPERT WITNESS:

- **Tucson Electric Power Company** (Tucson, AZ) – Docket No. 70628
 - Direct – July 2, 2007.
Jurisdictional Allocation; Rate Setting Methodologies; Power Supply Adjustments and Recovery; Weather Normalization Adjustments; Customer Annualization Adjustments; Class Cost of Service Studies; Rate Design; Unbundling Methodologies; Unbundled Transmission Pricing for Retail Service; Time-of-Use Rates; Determination of Time Periods for Time of Use; Inclining Block (Tiered) Rates; Conservation and Load Shifting Incentives; Customer Charges; Lifeline Discount for Low-Income Customers; Proposed Revenue Changes by Class; Service and Late Fee Adjustments. (Settlement approved included Demand Response, Interruptible programs).
- **UNS Electric** (Tucson, AZ) – Docket No. 70440
 - Direct – December 15, 2006; Rebuttal – August 14, 2007; Rejoinder – August 31, 2007.
Weather Normalization Adjustments; Customer Annualization Adjustments; Class Cost of Service Studies; Rate Design; Time-of-Use Rates; Determination of Time Periods for TOU; Inverted Block (Tiered) Rates; Conservation and Load Shifting Incentives; Geographical rates, Power Supply Adjustments and Recovery; Rate Unbundling; Demand Side Management Cost Recovery; Low-Income Programs.

- **UNS Electric** (Tucson, AZ) – Docket No. 72213
 - Direct – April 30, 2009. Rebuttal – December 11, 2009. Rejoinder – January 25, 2010.
Weather Normalization Adjustments; Customer Annualization Adjustments; Normalization of Low-Income Program Costs; Class Cost of Service Studies; Rate Design and Customer Charges; Time-of-Use Rates and Differentials; Demand-Response/Super Peak; Rate Reclassification for New Generating Station; Low Income Programs.
- **UNS Gas** (Tucson, AZ) – Docket No. 70011
 - Direct – July 13, 2006 (note: Erdwurm adopted pre-filed testimony of UNSG witness Tobin Voge);
Rebuttal – March 15, 2007; Rejoinder – April 11, 2007.
Weather Normalization Adjustments; Customer Annualization Adjustments; Class Cost of Service Studies; Rate Design; De-coupling Mechanisms; Demand Side Management Cost Recovery; Low-Income Programs.
- **UNS Gas** (Tucson, AZ) – Docket No. 71623
 - Direct – November 07, 2008; Rebuttal – July 8, 2009; Rejoinder – August 5, 2009.

Weather Normalization Adjustments; Customer Annualization; Adjustments; Class Cost of Service Studies; Rate Design; Low-Income Programs.

Prior testimony for Tucson Electric Power

- **1999 Settlement Agreement** - Decision No. 62103 (Unbundling for Direct Access)
- **Application for Rate Increase** - Decisions 61104 & 59594 – July 1995 (Cost Allocation and Rate Design)
- **Application for Rate Increase** - January 1993 (Rate Design)

Prior testimony for Alabama Gas Corporation (Birmingham, AL)

- Testified on Fair Market Value and Impacts of Alabama Gas' Acquisition of Municipal Gas Distribution Systems (East Lauderdale Gas District and Double Springs Gas System) (1989-90).

Prior testimony for Public Utility Commission of Texas (Austin, TX)

Testified on Weather Normalization Adjustments; Customer Annualization; Class Cost of Service Studies; Rate Design (1982-86), Cogeneration/Self-Generation. PUC witness for Gulf States Utilities, Texas-New Mexico Power Company; Texas Power & Light Company; Dallas Power and Light, Texas Electric Service Company, Texas Utilities Electric, West Texas Utilities, Central Power and Light, City of Austin, plus numerous member-owned cooperatives.

COMPANY REFERENCES

Lindil Fowler, Esq.
General Counsel
Texas Railroad Commission
1701 N. Congress Ave., Ste. 1200

Bid Proposal to LaPSC by AEG
For assistance in Docket No.U-33970, RFP 16-05

Austin, TX 78501

(512) 463-6715

(Formerly General Counsel of the Oklahoma Corp. Commission)(The Railroad Commission oversees mineral extraction in Texas including oil and natural gas and regulates natural gas distribution companies).

Norma Eagleton, Esq.

Eagleton, Eagleton & Harrison

320 S. Boston Ave. #1700

Tulsa, OK 74103

(918) 584-0462

(Previously a Commissioner at the Oklahoma Corporation Commission)

John Bervainis

Budget Director

Nebraska PSC

300 The Atrium

1200 N Street

Lincoln, NE 68508

(402) 471-0240

RELATIONSHIP WITH LOUISIANA UTILITIES

The undersigned does hereby certify there is no substantive financial interest by key members of AEG in any Louisiana utility, affiliates, or parent companies of Louisiana utilities. In addition, there is no previous or current employment which could result in a conflict of interest and we have not and are not representing private clients before the LPSC. It is further certified that, should a conflict of employment or financial interest arise by a key member of AEG occur during the period of active involvement in the proceedings, the Commission will be immediately notified and shall have the right to terminate the contract.

Signature

Date

Title

NAME OF ORGANIZATION/ADDRESS

Ariadair Economics Group

414 S. Thompson Ave.

Excelsior Springs, MO 64024

(816) 900-1016

Ariadair Economics Group will use no subcontractors in this engagement.

PROGRESS REPORTS

Throughout all phases of work, we will submit, on a monthly basis, two (2) copies of a work status report to the LPSC that will assess the project progress and notify the LPSC of any significant problems. The report will contain the following information: Comparison of actual or planned progress in carrying out all of our tasks during the previous month. Identification of actual or potential problems in completing the work with an assessment of their probable impacts and any recommended solutions to the problem

INFORMATION TECHNOLOGY CAPABILITIES

AEG personnel are able to use Microsoft Office Systems as well as other systems whose use may be required. AEG has FAX capability. We have a web site at www.ariadaireconomics.com, and are able to communicate and transmit documents via email.

WORK PRODUCTS

As evidence of completion of the major work elements, AEG will provide the following work products: Electronic copies of report drafts, testimonies and/or work papers developed in Microsoft Excel or Word format and, Electronic copies of proposed data requests in Microsoft Word format.

COMPANY EXPERIENCE

ARIADAIR Economics Group has a great deal of experience providing expert witness and consulting service in administrative and judicial litigation. We have provided expert assistance in numerous utility regulatory proceedings including electric utilities. Copies of our prepared direct and rebuttal testimonies are available upon request.

COST PROPOSAL SUMMARY

LABOR HOURS AND COST BY COMPONENT/WORK LOCATION

The following table provides a summary of estimated labor hours by employee, major project component and work location:

	Hours	Cost
T. Fish		
Project Leader		
Missouri	150	\$24,750
Louisiana	48	\$ 7,920
M. Leatherman.		
Analyst		
Missouri	68	\$5,780
Louisiana		

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Stephen King		
Analyst		
Missouri	52	\$4,940
Louisiana	40	\$3,800
M. Wulser		
Analyst		
Missouri	66	\$6,270
Louisiana		
Total	424	\$53,460

PROFESSIONAL LABOR RATES

Team Member	Position	Hourly Rate
T. Fish	Project Leader	\$165
B. Erdwurm	Senior Analyst/supervisor	\$150
R. Duffett	Engineer	\$150
W. Miller	Senior Data Base Administrator	\$150
C. Stewart	Analyst	\$ 85
M. Leatherman	Research Analyst	\$ 95
M. Wulser	Analyst	\$ 95
S. King	Analyst	\$ 95