

J. KENNEDY
AND
ASSOCIATES, INC.

**PROPOSAL TO THE
LOUISIANA PUBLIC SERVICE COMMISSION**

IN RESPONSE TO RFP 17-05

DOCKET NO. R-34407

**IN RE: RULEMAKING DOCKET TO CONSIDER WHETHER OR NOT
THE COMMISSION SHOULD EXERCISE ITS AUTHORITY OVER
FUTURE UTILITY GENERATION DEACTIVATION AND RETIREMENT
DECISIONS AND THE RULES AND PROCEDURES THAT COULD
APPLY TO ANY SUCH EXERCISE OF AUTHORITY.**

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Roswell, Georgia 30075
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May 15, 2017

Executive Summary

J. Kennedy and Associates, Inc. (“Kennedy and Associates”) is pleased to submit this proposal to assist the Commission Legal and Utilities Staff (“Commission” and “Staff”) in this rulemaking proceeding (Docket No. R-34407) to consider whether or not the Commission should exercise its authority over future utility generation deactivation and retirement decisions and the rules and procedures that could apply to any such exercise of authority. This proposal is structured to meet the requirements of the Commission’s Request for Proposal (“RFP”) dated April 25, 2017 (RFP 17-05).

We understand that this rulemaking was established pursuant to a Commission Directive that was issued at the March 15, 2017 Business and Executive Session (“B&E”). Issues that will be addressed in this rulemaking arose previously in another docket, (“Union Settlement”),¹ which concerned Entergy Louisiana, LLC’s (“ELL”) acquisition of the Union Power Station. As part of the Union Settlement, ELL was required to make a docketed compliance filing (Docket No. U-33950) to review decisions to deactivate some of its oil/gas steam turbine units, specifically Little Gypsy Unit 1, Ninemile Unit 3, Willow Glen Units 2 and 4 (“WG 2&4”).

According to the Administrative Law Judge’s review of the events that transpired in that proceeding,² parties ultimately agreed to retire Little Gypsy Unit 1 and deactivate Ninemile Unit 3. However, the Louisiana Energy User’s Group (“LEUG”) disagreed with aspects of ELL’s decision-making process concerning the deactivation of WG 2&4, though the LEUG did not find ELL’s ultimate decision concerning the deactivation of WG 2&4 to be imprudent. Specifically, the

¹ Docket No. U-33510, *Application of Entergy Gulf States Louisiana, L.L.C. for Approval to Purchase Power Blocks Three and Four of the Union Power Station and Request for Timely Treatment and Cost Recovery.*

² Docket No. U-33950, Referral to Commissioners for Review of Ruling Dismissing Issues Related to Future Retirement and Deactivation Decisions, May 5, 2017, *Compliance Submission Regarding Deactivation of Little Gypsy 1, Ninemile 3, and Willow Glen 2 and 4, as required by Order No. U-33510.*

LEUG's concerns included the amount of time that advance notice should be provided to the Commission concerning a utility's decision to retire or deactivate a unit, the need for a utility to conduct an independent engineering review of the retirement or deactivation decision, and the need for a utility to submit annual sustainability plans for deactivated units. Since the LEUG did not oppose the decision to deactivate WG 2&4, LEUG's additional concerns regarding future retirements were dismissed as issues in that proceeding. At the March B&E, the Commission issued its directive to initiate this generic rulemaking to determine whether the Commission should exercise its authority over future deactivation and retirement decisions for all utilities, and if so, to determine what rules and procedures should apply, which is now the subject of this rulemaking.

Kennedy and Associates Qualifications

Kennedy and Associates has assisted the Commission Staff in numerous rulemaking proceedings related to generation resource planning issues, and thoroughly understands the concerns that arose regarding deactivations and retirements in Louisiana. Furthermore, Kennedy and Associates understands the methods used to perform studies to evaluate the economic viability of continuing to operate, or to retire or deactivate generating units. Our experience in rulemaking proceedings in Louisiana includes assisting Staff to develop the IRP rule (R-30021), the Energy Efficiency Rule (R-31106), and Renewable Energy rules (R-28271). In addition to assisting Staff to develop the IRP rule, Kennedy and Associates also assisted Staff in the review of Entergy's 2015 IRP (Docket I-33014). Kennedy and Associates also has extensive experience working with Staff on evaluating PPAs and assessing Louisiana utility's resource and reliability needs. Kennedy and Associates assisted the Staff in its review of Entergy's 2009 RFP for new renewable resources, and assisted Staff in the resulting certification proceedings of renewable resources that Entergy acquired

including Dockets U-32557 (Rain Certification), U-32785 (Agrilectric Certification), and U-32981 (Montauk Certification). Kennedy and Associates also assisted Staff in the review and evaluation of other resources in Louisiana, including Cleco Power, LLC's ("Cleco Power") 2007 Request for Certification of Purchase Power Agreements in Docket U-30334, Cleco Power's 2007 RFP for Long Term Resources, and in the resulting certification proceeding of the Acadia Combined Cycle resource (Docket U-31157).

In addition to our experience working with the Louisiana utilities concerning their resource needs, Kennedy and Associates also assisted Staff in the review of Entergy's application for approval to join MISO (Docket No. U-32148). As part of that work we evaluated which RTO, MISO or the Southwest Power Pool ("SPP"), would be the best fit for Entergy. As part of that work we became experienced with both the MISO and SPP tariffs.

In addition, we have performed a retirement study evaluating whether it was more beneficial to continue to operate Entergy's aging oil and gas steam turbine units or to retire the units, and purchase additional merchant generation (Docket U-27136 Subdocket A). In Georgia, we have participated in decertification proceedings of aging coal units, reviewed and conducted retirement studies of Georgia Power's fleet of coal and gas units, and assisted the Georgia Public Service Commission Staff in the evaluation of Georgia Power's 2007, 2013 and 2016 IRPs. Our Staff includes recognized experts in resource planning and generation production cost modeling.

In addition, we have been involved in hundreds of regulatory proceedings over more than thirty years in Louisiana, including dozens of proceedings involving all of the investor-owned utilities and many of the cooperative utilities before the Commission.

Our principals and consultants have provided expert testimony on several hundred occasions. These proceedings have included analyzing the operations, books, and records of utility

companies for the purpose of setting just and reasonable rates. As part of these proceedings we have addressed issues related to resource acquisitions, retirement decisions, affiliate transactions and cost-sharing among utility affiliates (regulated and non-regulated), fuel recovery through FAC filings and the base ratemaking process. We have also addressed various intercompany system agreements, prudence, cost/benefit analyses, cost recovery, and rulemaking proceedings. Our principals and consultants have filed testimony on, or have considerable experience with the following subjects, among others:

- 1) Applicable Commission regulations regarding electric utility regulation, including the Commission's 1983 General Order, Market Based Mechanisms ("MBM") General Order, and the Integrated Resource Planning ("IRP") General Order;
- 2) Whether or not a resource will provide reliable service at the lowest reasonable cost;
- 3) Methods to improve the efficiency of a utility's operations and whether the utility is making use of any such methods;
- 4) Public interest criteria for approval of utility investments;
- 5) Commission rules on affiliate transactions and cost recovery mechanism, including ELL's formula Rate Plan, the Commission's Fuel Clause Recovery Order, and the Commission's General Order U-21497 dated November 6, 1997;
- 6) Mid-Continent Independent System Operator ("MISO") and Southwest Power Pool ("SPP") tariffs, rules and planning processes generally; and,
- 7) The MISO Attachment Y process and the equivalent SPP process.

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.

Our Project Team will consist of Mr. Lane Kollen, Vice President, CPA, CMA, CGMA; Mr. Philip Hayet, Vice-President; Mr. Brian Barber, Director, Consulting; and Ms. Leah Wellborn,

Senior Consultant. Their resumes list the regulatory proceedings and subject matters in which they have provided expert testimony.

Scope of Comprehensive Review

Kennedy and Associates proposes to assist Staff in conducting this rulemaking proceeding by performing the following tasks:

1. Conduct a review of Docket Nos. U-33510 and U-33950 to assess the retirement related issues that arose in those proceedings that led to this generic rulemaking for all Louisiana jurisdictional electric utilities. (Completed within 2 weeks of the start date).
2. Review existing Commission Orders including the MBM Order, the 1983 General Order, and the IRP rule to determine Commission requirements that already exist that could impact issues related to retirements and deactivations of generating units. (Completed with 1 month of the start date).
3. Issue a Request for Comments to identify the positions of parties as to whether they support the Commission exercising its authority over deactivation and retirement decisions in advance. According to Staff's Opposition to LEUG's Motion for Immediate Review filed on April 27, 2017, the Commission has never done this before, and "it has to date, chosen to allow review of the prudence of those decisions on an ex post facto basis only."³ This Request for Comments will also seek recommendations for rules and procedures that could be applied in the event that the Commission would desire to exercise its authority over retirements and deactivations. (Completed within 2 months of the start date).

³ Docket No. U-33950, *Compliance Submission Regarding Deactivation of Little Gypsy 1, Ninemile 3, and Willow Glen 2 and 4 as Required by Order No. U-33510*, at page 7.

4. Conduct a Technical Conference to discuss the positions of parties concerning these matters. (Completed within 3 months of the start date).
5. Based on the information gathered in the prior steps, determine whether it would be beneficial for the Commission to implement a new rule to exercise its authority over deactivations and retirements, and if so, develop a draft rule. (Completed within 5 months of the start date).
6. Issue a second Request for Comment focused on Staff's draft rule. (Completed within 6 months of the start date).
7. If Staff determines it would be useful, conduct a second Technical Conference to discuss the draft rule. (Completed within 7 months of the start date).
8. Finalize the draft rule, and send it to the Commissioners for their consideration. When the draft is sent to Commissioners, we would indicate that we would be happy to discuss it with any of them that might have questions. (Completed within 9 months of the start date).
9. At Staff's request, we would plan to attend any B&E sessions in which the rule is considered or voted on. (Completed within 10 months of the start date).

Action Plan to Perform Comprehensive Review

Kennedy and Associates has developed a multi-task action plan, which we believe can be completed in less than 12 months. In addition to the information gathering processes discussed above, we will also be prepared to conduct written discovery, if useful. The process that we have outlined is intended to be a collaborative process in which we will seek input from utilities and other interested parties. Since this is a rulemaking, we have not budgeted for a contested litigated proceeding, and do not believe that such a proceeding would be necessary. However, if such a proceeding does

become necessary, we would be pleased to provide an estimate for those services at the appropriate time.

We will assist the Staff through each task necessary for this proceeding, and we understand that the Commission and its Staff shall have the right to determine how the tasks will be carried out. Furthermore, the timeline specified above may be adjusted in a reasonable way to meet Staff and the Commission's needs.

Budget to Perform Comprehensive Review

We propose a total budget of \$49,000, consisting of \$47,000 for consulting services and \$2,000 for expenses, such as reproduction, courier services, travel, and lodging. This budget assumes the scope identified in the Commission's RFP and reflected in this proposal through a final Commission vote on and issuance of an Order. The costs of such services will be billed at the hourly rates on the Attachment to this proposal.

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, Vice President, at lkollen@jkenn.com or Philip Hayet, Vice-President, at phayet@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; 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



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, power purchase agreement evaluations, the development of commission rules concerning integrated resource planning, renewable energy and energy efficiency policies, and has performed many 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): Vice President and Principal. 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 BRIAN 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 LEAH JUSTIN WELLBORN, SENIOR CONSULTANT



EDUCATION

Georgia Southern University,
Statesboro, GA
B.S. Mathematics, 2012
GPA 3.72, Magna Cum Laude

Georgia Institute of Technology,
Atlanta, GA
Working towards M.S. Operations Research degree
Expected Completion in 2017

PROFESSIONAL AFFILIATIONS

Women's Energy Network, Greater Atlanta Chapter
Institute for Operations Research and the Management Sciences (INFORMS)

EXPERIENCE

Ms. Wellborn has a mathematics and analysis background. She has worked for J. Kennedy and Associates, Inc. on numerous complex projects since early 2013. She has provided critical support in the areas of production cost modeling and data analysis involving utility regulatory proceedings on cases for multiple clients in numerous jurisdictions, including the Commission and FERC. Ms. Wellborn has worked on projects for regulatory commissions and government agencies representing residential and business customers, as well as the U.S. Department of Justice and numerous business customers.

J. Kennedy and Associates, Inc. (2013 to Present): Consultant

Responsible for conducting research, data analysis, production-cost modeling, and performing resource planning analyses.

Project Experience

Analyses and development of commodity forecasts
Use of modeling tools such as STRATEGIST, GRID, Cumulus, and AURORAxmp
Statistical analysis and use of tools such as R and PAST,
State evaluation of the EPA's Clean Power Plan and Integrated Planning Model
Renewable energy studies, including net metering and capacity contribution
Fuel Cost Recovery and Adjustment reviews
Project economic evaluation as part of nuclear construction monitoring process
Integrated Resource Planning and Retirement Study evaluations

Relevant College Coursework (2008-2016)

Energy Optimization, Energy Policy and Technology, Economic Decision Analysis, Regression Analysis,
Deterministic Optimization, Probabilistic Models, Statistical Methods, Number Theory, Linear Algebra,
Differential Equations, Math Structures, Modern Algebra, Java Programming, and Calculus I, II, III

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

<u>Title</u>	<u>Name</u>	<u>Hourly 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
