

# Louisiana Public Service Commission



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KATHRYN H. BOWMAN  
Executive Counsel

August 2, 2019

JOHNNY E. SNELLGROVE, JR  
Deputy Undersecretary

## VIA EMAIL

**Re: LPSC RFP 19-13, Docket No. TBD - Dixie Electric Member Corporation, Inc. - Upcoming Rate Proceeding to be filed August 15, 2019.**

To all LPSC qualified consultants:

Enclosed please find a Request for Proposals ("RFP") for **outside independent technical consultant** issued by the Louisiana Public Service Commission for the above referenced subject. 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 (5) five copies and an electronic copy** must be received on or before **August 27, 2019 at 4:30 p.m.** Selection of a consultant is anticipated to take place at the Commission's September 18, 2019 **Business and Executive Session.**

Should you have any questions, please do not hesitate to contact me.

Sincerely,

A handwritten signature in blue ink, appearing to read "KHB".

Kathryn H. Bowman  
Executive Counsel

Enclosure

**RFP 19-13**  
**LOUISIANA PUBLIC SERVICE COMMISSION**  
**REQUEST FOR PROPOSALS (“RFP”)**  
**August 2, 2019**

***DOCKET NO. TBD – Dixie Electric Member Corporation, Inc. - Upcoming Rate Proceeding to be filed August 15, 2019***

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 to represent the Commission (the “Contract Order”), issues this Request for Proposals (“RFP”) to **outside consultants** who will assist the Commission in its review of the upcoming rate proceeding of Dixie Electric Member Corporation, Inc. (“DEMCO”). Commission Order Nos. U-34344-B and U-34717-B, require DEMCO to file a complete base rate case no later than August 15, 2019. Also, as required by those Orders, the proceeding will consider DEMCO’s advanced metering program.

**I. Overview**

Commission Order Nos. U-34344-B and U-34717-B, require DEMCO to file a complete base rate case and/or request an FRP extension no later than August 15, 2019 utilizing a test year of calendar year 2018. Furthermore, DEMCO’s filing is required to address the cooperative’s Advanced Metering Program. Based on correspondence submitted by DEMCO on August 2, 2019 regarding its upcoming filing, DEMCO will also be seeking certification of an advanced metering system to replace the current system pursuant to the Commission’s General Order dated September 22, 2009 (Docket Nos. R-29213 and R-29213-A) (“AMS/DR Order”). DEMCO is also requesting an extension of its Formula Rate Plan (“FRP”). DEMCO’s correspondence also indicates that the filing will address a DEMCO Action Plan in response to a recent audit and study resulting in a DEMCO Strategic Plan 2019-2024. See attached correspondence.

DEMCO’s FRP expired with the test year ending September 30, 2017, and pursuant to Joint Stipulation Term Sheets filed in Docket Nos. U-34344 and U-34717, it must submit a complete base rate proceeding prior to any extensions of an FRP. Order Nos. U-34344 and U-34717 were issued on May 10, 2018 with rates approved therein going into effect that summer and remaining until new rates are approved by the Commission.

**II. Scope of Representation**

Bidders will be assisting in-house Staff counsel as well as in-house auditing and utilities Staff with its review of the upcoming proceeding. All proposals shall include an outline of a plan of action for conducting the review of the upcoming proceeding, which includes a request for rate increase, request for advanced metering program certification, and FRP extension. Therefore, this proceeding will determine appropriate rates for DEMCO, whether its proposed advanced metering program meets the requirements of the Commission’s AMS/DR Order, and whether DEMCO’s FRP should be extended and on what terms. The scope of representation will also include any

annual FRP test year reviews, should the Commission approve the FRP extension, and any monitoring associated with the advanced metering program should it be certified.

As part of the review, the consultant must be prepared to assist Staff in drafting, reviewing and responding to discovery; preparing direct and cross-answering testimony; aiding in drafting pleadings and motions; appearing at hearings and open meetings; participating in depositions; assisting with trial preparations, including assistance with drafting cross examination of witnesses; reviewing and analyzing stipulation terms; and, conducting informal meetings with the parties and Commissioners as necessary. However, 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 requirements of this RFP. Deviations from the requirements contained herein, or conditional bid amounts may result in rejection of the bid as non-conforming.

### **III. Period of Representation**

The time period estimated to complete the Scope of Representation is approximately 12 months for the initial proceeding. If the FRP is extended, those proceedings will be initiated each year with the annual FRP filing and will last approximately 8 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 be considered, all bidders must meet the following minimum requirements in addition to those provided in this Commission's 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, and similar practice before this or other regulatory agencies, in addition to the bidder's knowledge of Louisiana ratemaking standards and regulatory law.

Bidders shall at a minimum be experienced in analyzing the operations, books, and records of utility companies, particularly cooperatives, for the purpose of setting just and reasonable rates, including, but not limited to, calculation of rate base, rates of return, capital structure, debt service coverage, times interest earned ratio, formula rates, and all related studies and calculations related to a rate case or rate review. Bidders shall be experienced in or have knowledge of the analyzation of advanced metering systems and be able to apply and determine whether DEMCO's proposed advanced metering system satisfies all requirements of certification pursuant to the AMS/DR Order.

Bidders 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 expert testimony regarding and have knowledge of:

- (1) appropriate accounting standards and practices for electric public utilities and/or electric cooperatives, public utility accounting, and generally accepted auditing standards;
- (2) the appropriate ratemaking adjustments to be made to the utility's accounting records;
- (3) NARUC approved cost-of-service methodologies for cooperatives;
- (4) the determination and calculation of the appropriate rate base of a utility plant investment dedicated to providing service;
- (5) traditional cost-of-service and cost allocation methodologies supporting the revenue requirements among classes of customers;
- (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) depreciation and taxation;
- (9) the Commission's Rules and Orders pertaining to acquisitions and capital outlays;
- (10) the Commission's Rules and Orders pertaining to outage management and service reliability;
- (11) methods to improve the efficiency of a utility's operations and whether the utility is making use of any such methods;
- (12) public interest criteria for approval of utility investments; and
- (13) a detailed understanding of the major functional areas of a regulated electric cooperative.

**V. Estimate of Costs**

All proposals shall include fees and costs associated with the engagement. All bidders responding to this RFP shall quote their rates on an hourly basis and submit a total budget, and shall separate professional fees from costs. However, bidders shall only be allowed to charge for actual hours of work performed and costs incurred. Once selected, a bidder's hourly rates and budget shall not be altered except by formal approval of the Commission.

## **VI. Conflict of Interest**

Bidders shall prominently and separately disclose current, as well as past employment, which could possibly result in a conflict of interest. In addition, bidders 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 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. 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 Contract Order regarding the selection of contract employees, the LPSC has the right to accept other than the lowest offer with regard to price. 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), 5 copies, and e-mail an electronic copy** of the proposal to:

Kim Trosclair  
Louisiana Public Service Commission  
Office of the General Counsel  
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.trosclair@la.gov](mailto:kim.trosclair@la.gov)  
[kathryn.bowman@la.gov](mailto:kathryn.bowman@la.gov)

To be considered, an original, five copies, and the electronic copy of the proposal must be received on or before **4:30 P.M. on Tuesday, August 27, 2019**. **Selection of consultants is anticipated to take place at the Commission's September 18, 2019 Business and Executive Session.** Information concerning billing procedures and the Commission's RFP policy may be obtained from the address listed above, or by calling (225) 342-9888.



SINCE 1912

JAMES L. ELLIS  
Partner  
(225) 381-0229 TELEPHONE  
(225) 215-8711 DIRECT FAX  
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August 2, 2019

Mr. Brandon Frey  
Executive Secretary  
Louisiana Public Service Commission  
Galvez Building - 12<sup>th</sup> Floor  
602 North 5<sup>th</sup> Street  
Baton Rouge, LA 70802

Re: DEMCO Pre-Filing Notice Letter for 2019 Rate Application

Dear Mr. Frey:

As requested by Commission Staff, this letter is to inform the Commission that DEMCO will file a rate application containing the following elements on August 15, 2019:

1. A rate case which will request an overall increase in rates of less than two percent. It will include the following:
  - a. Testimony from the DEMCO CEO addressing results from a Postlethwaite and Netterville (P&N) audit and National Consulting Group (NCG) study done in 2018 which identified several areas of needed improvement and needed additional resources. The testimony will include DEMCO's response to the P & N audit and the NCG study since his arrival in August 2018. DEMCO has restructured its organization, adopted a five-year strategic plan and is working on new policies and training concerning ethics and governance of the cooperative. The CEO will present about five exhibits including the "DEMCO Action Plan" which is in response to the audit and study as well as the "DEMCO Strategic Plan 2019-2024" addressing plans and strategies for the future.
  - b. Testimony from the DEMCO CFO addressing DEMCO's proforma operating statement, the future financial health of the cooperative, and, importantly, a request to continue the formula rate plan structure previously approved by the Commission which is virtually the same formula rate plan that DEMCO has utilized over the past four years. The CFO will present approximately 30 exhibits for Commission consideration.
  - c. Testimony from BHA, Inc., our rate consultant, which will cover revenue determination, individual rates and a recommendation for a minor rate design

August 2, 2019  
Page 2

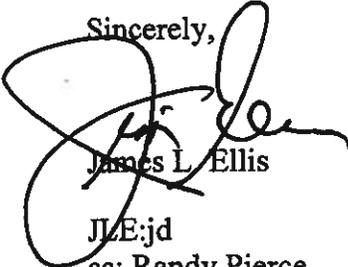
change to raise the needed revenue presented. BHA will present approximately 30 exhibits for Commission consideration.

2. As part of the same filing, DEMCO will request, pursuant to the Commission's September 22, 2009 General Order (Docket No. R-29213 and Docket No. R-29213 Subdocket A), LPSC certification of a new Advanced Meter Infrastructure (AMI) system which will include:
  - a. Testimony from the DEMCO CEO explaining why this AMI project is important to DEMCO and its members/ratepayers. The CEO will present approximately five exhibits regarding AMI.
  - b. Testimony from the DEMCO CFO addressing the financial aspects of the AMI project, a request for a rider to finance the investment in the system, rate calculations for recovery and a proposal concerning how DEMCO proposes to approach requests from members to opt out of the program/project. The CFO will present approximately five exhibits concerning AMI.
  - c. Testimony from DEMCO's meter system consultant which will include a discussion of the history of DEMCO's metering system, cost benefits to members/ratepayers and an explanation of the process DEMCO undertook to select a vendor for the project. The meter system consultant will present approximately 15 exhibits regarding AMI.

This represents DEMCO's best estimate of the major elements of DEMCO'S August 15, 2019, rate application and we do not anticipate any major or substantive changes to the information presented herein.

Please feel free to call me with any questions.

Sincerely,



James L. Ellis

JLE:jd

cc: Randy Pierce  
Melissa Watson  
Mike Johnson