
EXETER

ASSOCIATES, INC.
CONSULTING ECONOMISTS

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REF: 150904

September 18, 2015

Kathleen Richardson
Louisiana Public Service Commission
Office of General Counsel
602 North Fifth Street, 12th Floor
Galvez Building (70802)
P.O. Box 91154
Baton Rouge, LA 70821-9154

Re: Examination of Long-Term Natural Gas Hedging Proposals
Docket No. R-32975

Dear Ms. Richardson:

Exeter Associates, Inc. (Exeter) is pleased to submit this proposal to assist the Louisiana Public Service Commission's (Commission or LPSC) in-house Staff counsel (Staff), and outside counsel, if retained, in reviewing plans submitted by Commission-jurisdictional electric investor-owned utilities (IOUs) under a three-year pilot program to comply with the Commission General Order dated July 13, 2015 (Hedging Order) to establish long-term natural gas hedging programs to provide gas price stability on a portion of the electric IOUs' fuel portfolios.

Overview

The Hedging Order issued by the Commission established a Pilot Program as follows:

Starting July 1, 2015, a three-year pilot program, Long-term Procurement Pilot Program, shall be established for each LPSC-jurisdictional Electric IOU. Electric IOUs shall make reasonable efforts to design a long-term natural gas procurement program plan that utilizes one or more of the long-term natural gas cost stabilization instruments identified herein: (1) long-term, fixed-price contracts with delivery, (2) indexed delivery contracts with price hedging, (3) futures contracts, (4) natural gas supply acquisition through a direct interest or joint ventures, or (5) another type of gas procurement instrument proposed by the Electric IOU

that accomplishes significant long-term natural gas cost stability for ratepayers. The long-term procurement plans developed around the instruments selected shall be designated to provide price stability on a portion of the Electric IOU's fuel portfolios for a minimum of five (5) years.

Under the Pilot Programs, approvals for Electric IOU long-term natural gas procurement hedging programs are to be conducted through an Application, followed by a Request for Certification, that meets certain requirements as specified in the Hedging Order depending on the procurement method applied for in the Application. The procurement methods addressed in the Hedging Order include:

- Utilizing an RFP process to obtain fixed-price, long-term supplies;
- Utilizing bilateral negotiations to secure fixed-price, long-term contracts with special delivery provisions, supplier auctions, or joint ventures for upstream supply acquisition; and
- Utilizing long-term hedges or futures contract purchases on recognized exchanges.

Electric IOUs are required to file three Applications. Each such Application is to utilize a different natural gas cost stabilization instrument. An Electric IOU is under no obligation to undertake any long-term natural gas procurement program plans that it may propose. However, the Electric IOU must file an Application, and it must undertake reasonable efforts to develop and evaluate a procurement process described in that Application.

An Electric IOU who has used reasonable efforts to develop and evaluate a long-term gas rate stabilization instrument as provided in its Application, but which has been unable to procure an instrument pursuant to the procedures specified in the Hedging Order, is required to provide a Notification to the Commission. The Notification filed with the Commission is required to detail the steps the Electric IOU took to develop and evaluate a transaction that meets or exceeds the terms specified in its Application and the reasons why it has been unable to procure such a transaction.

The purpose of the Hedging Order is to provide a procedure for Electric IOUs to attempt to secure long-term natural gas price stability and for the Commission (with participation by the utility, Staff, and Intervenor) to determine whether any proposal for long-term natural gas supply that is presented by an IOU for Certification can provide price stability at a reasonable cost and risk to ratepayers and whether such proposal should be approved by the Commission as being prudent and in the public interest.

Specific gas cost stabilization purchases, or individual contracts that are components of an overall stabilization program, that are certified by the Commission as components of a long-term procurement program may still result in adverse costs to ratepayers, compared to future spot market conditions and/or unforeseen contingencies. However, certification made pursuant to the Hedging Order implies an initial prudency determination of these purchases and contracts that cannot be subsequently overridden by adverse or unforeseen future circumstances.

Electric IOUs have three years from the effective date of the Hedging Order to complete their required obligations. After the three-year active procurement period, the Commission, in conjunction with the Electric IOUs, will evaluate the efficacy of the program and determine if it should be extended; however, such an evaluation shall not revisit the prudency or justness and reasonableness of any transactions entered into pursuant to the Hedging Order.

Scope of Representation

Exeter will assist in-house Staff counsel, and outside counsel if retained by the Commission, in reviewing hedging plans submitted by Commission-jurisdictional Electric IOUs for Certification. Exeter will assist in the preparation of discovery, draft a report for filing into the record of the proceeding, if necessary, and participate in any status conferences and hearings convened as part of the certifications. In the event Exeter is selected, the Commission and its Staff will have the right to determine how the tasks will be carried out.

Period of Representation

The time period (Period of Representation) estimated to complete the Scope of Representation is approximately three years, the term of the Pilot Program. Exeter would begin work shortly after receipt of any Hedging Plans provided by Electric IOUs.

Qualifications

Exeter is well-qualified to provide the assistance that the Commission requires. Exeter has extensive experience addressing utility regulatory matters before the Louisiana Public Service Commission, as well as other state and federal regulatory agencies. The firm's experience includes extensive work in analyzing the operations, books, and records of utility companies and providing expert testimony on all aspects of utility regulation and ratemaking. Exeter has substantial experience in reviewing the hedging practices of utilities in other jurisdictions. This includes review of the hedging practices of the following utilities:

- Central Illinois Public Service Company
- Citizens Gas Light and Coke Company

- Columbia Gas of Ohio
- Dominion East Ohio Gas
- Duke Energy Ohio
- Equitable Gas Company*
- Indiana Gas Company (Vectren North)*
- National Fuel Gas Distribution Corporation*
- North Shore Gas Company
- Northern Indiana Public Service Company*
- Peoples Gas Light and Coke Company
- Peoples Natural Gas Company*
- PECO Energy Company*
- Philadelphia Gas Works*
- Piedmont Natural Gas
- Southern Indiana Gas & Electric Company (Vectren South)*
- UGI Central Penn Gas*
- UGI Penn Natural Gas*
- UGI Corporation*
- Vectren Energy Delivery of Ohio

*Annual or continual review of hedging practices.

Exeter has reviewed proposals by Vectren North (Indiana) and PECO Energy Company (Pennsylvania) to enter into long-term, fixed-price gas supply arrangements, and is familiar with the regulatory process associated with receiving regulatory approval of those arrangements. Exeter also recently made a presentation on natural gas hedging to the Delaware Public Service Commission. Relevant portions of this presentation are included with this proposal as Attachment C. Exeter has also reviewed and provided client guidance on electric and natural gas hedging plans for two Midwestern utilities, including one operating within the Midcontinent Independent System Operator, which is the case with Louisiana's electric utilities.

Exeter is especially well-suited to conduct this investigation because of its directly relevant Louisiana experience. As indicated by the above discussion, Exeter has detailed knowledge of the Commission's Hedging Order, and as subsequently described, has extensive experience with the requirements of the Commission's Purchased Gas Adjustment (PGA) and

Fuel Adjustment Clause (FAC) Orders. Over the past 28 years, Exeter has worked for the Commission on numerous regulatory proceedings dealing with utility fuel purchases and usage. Exeter assisted the Commission in establishing rules for PGA recovery filings and establishing guidelines for cost recovery eligibility in Docket No. U-22407. These rules address the treatment of fixed-price gas purchases. These rules and guidelines are directly analogous to the rules adopted for electric FACs. The directly relevant projects that Exeter has undertaken for the Commission include the following:

- Review of the Purchased Gas Adjustment Rate Stabilization Pilot Program (PGA-RSP) of Trans Louisiana Gas Company (TransLa) and Louisiana Gas Service Company (LGS) for the 2004-05 through 2006-07 winter seasons. The purpose of the PGA-RSP was to minimize the volatility of the PGA component of rates.
- The recently completed investigation of Cleco Power, LLC's FAC filings for the years 2003 through 2008, including the evaluation of the company's hedging program.
- The ongoing review of Entergy Gulf States Louisiana, L.L.C.'s FAC filings for the years 2005 through 2009, including the evaluation of the company's hedging program.
- The ongoing review of the PGA filings of TransLa and LGS for the period April 2012 through March 2014.

In order to ensure the successful completion of this project, Exeter will assign key senior personnel—Mr. Jerome D. Mierzwa and Mr. Dwight D. Etheridge—who have experience in dealing with the specific issues that are to be addressed in this case. Mr. Mierzwa and Mr. Etheridge are both principals of Exeter. Mr. Mierzwa has worked for the Commission on numerous occasions, including the projects described above. Mr. Etheridge has a good understanding of the power supply portfolios of Electric IOUs operating in Louisiana given his prior work with other clients and his understanding of Exeter's long history of providing expert guidance in the State.

Other members of Exeter's staff will also be available to assist with the project as needed. Mr. Mierzwa's resume is on file with the Commission and was recently included in Exeter's proposal to assist with the PGA filing investigations of TransLa and LGS which was awarded to Exeter. Mr. Etheridge's resume is included as Attachment B to this proposal. A brief description of Exeter's corporate qualifications and the qualifications and experience of its senior personnel are included as Attachment A to this proposal. Exeter would be pleased to provide additional copies of the complete resumes of our key project team members or any other additional information the Commission may find helpful.

Cost Proposal

An estimated budget is not required for this RFP pursuant to the Commission's directive at the August 26, 2015 Business and Executive Sessions. The billing rates for personnel assigned to this project are as follows:

<u>Employee</u>	<u>Rate</u>
Dwight D. Etheridge	\$200
Jerome D. Mierzwa	\$180
Research Assistant	\$80

Exeter will only charge for actual hours of work performed and expenses incurred. Expenses, where applicable, will be billed 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 expenses are incurred. **Exeter believes that with our individual gas hedging experience and our billing rates, we will provide the Commission with expert and cost-effective assistance.**

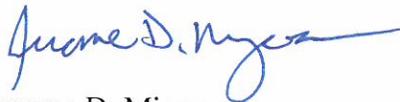
Conflict of Interest

Please note that Exeter has no business relationship with any LPSC-jurisdictional utility or any of its affiliates, nor have we ever had such a relationship. We also have no business relationship with any likely fuel suppliers. Thus, we have no conflict of interest that could impair or restrict our ability to provide assistance and objective advice to Staff.

Conclusion

If you have any questions of either a technical or contractual nature, please do not hesitate to call. We look forward to again being of service to the Commission and the ratepayers of Louisiana.

Very truly yours,



Jerome D. Mierzwa
Vice President

ATTACHMENT A

EXETER ASSOCIATES, INC.

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COLUMBIA, MARYLAND 21044

CORPORATE QUALIFICATIONS

EXETER ASSOCIATES, INC. CORPORATE QUALIFICATIONS -- GENERAL

Exeter Associates, Inc. provides economic and financial consulting services in the areas of public utility regulation, energy, and antitrust economics. The firm maintains the highest standards in the application of economic and financial analysis to both quantitative and policy issues in the electric, gas, and other industries.

Exeter Associates, Inc. is distinguished by the breadth of experience and expertise of its senior professionals. Each holds an advanced degree in economics or a related field with extensive experience in his or her area of expertise, and each is a recognized expert in one or more of the areas of analysis and research shown below.

Public Utility Regulation (Electric, Gas, and Water/Wastewater)

- | | |
|---------------------------------------------------------|------------------------------------------|
| < <i>Alternative regulatory structures</i> | < <i>Structural separation remedies</i> |
| < <i>Local competition</i> | < <i>Rate structure and rate design</i> |
| < <i>Industry restructuring</i> | < <i>Marginal costs and rates</i> |
| < <i>Privatization</i> | < <i>Rate of return</i> |
| < <i>Wholesale/retail wheeling</i> | < <i>Affiliate company relationships</i> |
| < <i>Mergers and acquisitions</i> | < <i>Revenue requirements</i> |
| < <i>Costing methodologies</i> | < <i>Utility financial condition</i> |
| < <i>Imputation standards/non-accounting safeguards</i> | < <i>Utility productivity studies</i> |
| | < <i>Depreciation</i> |

Econometric and Energy Modeling

- | | |
|------------------------------------|------------------------------------------------------|
| < <i>Demand and cost analysis</i> | < <i>Conservation and load management analysis</i> |
| < <i>Energy supply forecasting</i> | |
| < <i>Load forecasting</i> | < <i>Economic analysis of environmental policies</i> |

Industry Analysis

- < *Electric utilities*
- < *Water/sewer utilities*
- < *Oil and natural gas*

Cost/Benefit Analysis

Life-Cycle Cost Analysis

Financial Modeling and Analysis

Evaluation/Acquisition of Alternative Utility Supplies

ELECTRICITY

Exeter staff has been continuously involved in electric utility industry regulatory issues since the Company began operating in 1981, and the experience of its senior staff predates the formation of the Company. Exeter has provided expert witness testimony in hundreds of regulatory proceedings before state and federal regulatory commissions. This testimony has been on behalf of commission staffs, consumer advocates, and federal and state government clients. In addition, Exeter personnel have provided consulting and prepared reports/studies addressing broad policy issues facing particular states and industry-wide regulatory concerns. These testimonies and studies have involved such recent issues as industry restructuring, wholesale and retail open access, privatization of utility systems, stranded costs, contract evaluation/negotiation, and the development or evaluation of performance-based mechanisms (alternative forms of regulation) for electric utilities. Most recently, Exeter has also examined and provided testimony on renewable energy, energy conservation, demand response, procurement of default electricity supply service, and construction and siting of power plants.

Exeter staff has extensive experience in providing expert testimony and consulting on revenue requirements, rate of return, load forecasting, demand side management, depreciation, cost of service, prudence, rate design, fuel costs, purchase power costs, competition (both wholesale and retail), utility resource planning, cogeneration analysis and merger issues.

NATURAL GAS

Exeter Associates has been extensively involved in natural gas regulatory issues since the mid-1970's. After the adoption of Federal Energy Regulatory Commission (FERC) Order No. 636 and subsequent unbundling of interstate pipeline service in 1993, local gas distribution companies (LDCs) have become entirely responsible for the gas procurement function, a responsibility primarily borne by interstate pipelines prior to adoption of FERC Order No. 636. Exeter's engagements have included evaluation of LDC gas procurement practices and policies in the post-Order No. 636 environment on behalf of public utility commission (PUC) staffs and consumer advocates. Exeter has provided expert witness assistance to PUC staffs and consumer advocates in numerous regulatory proceedings before state and federal regulatory authorities addressing revenue requirements, cost allocation and rate design issues. Exeter professionals have advised state and federal clients concerning issues related to natural gas industry restructuring. This includes addressing issues such as performance-based gas procurement programs, stranded costs, unbundling of LDC services, and new regulations to promote competition under conditions of an evolving market structure. Exeter has also assisted clients in the direct procurement of natural gas supplies and contract negotiations in the continually evolving competitive gas acquisition markets.

WATER/WASTEWATER

Exeter Associates' personnel have extensive experience in designing water/wastewater rates, performing cost allocation studies, evaluating revenue requirements, and addressing other aspects of water and wastewater regulation. Because of the substantial capital improvements required by water utilities to comply with the quality standards of the Safe Drinking Water Act (SDWA) and its amendments, significant increases in water rates are often required. Exeter has extensive experience in addressing the allocation and recovery of SDWA-related costs.

In addition to the staff's providing expert testimony in numerous regulatory proceedings throughout the U.S. on behalf of state and federal government clients, Exeter personnel have assisted clients in negotiations for water supply, rates, service characteristics, and billing arrangements. In addition to these issues, Exeter personnel have addressed the adequacy of infrastructure, privatization of federally-owned water treatment and storage facilities and water distribution systems, and issues related to fire protection.

EXETER ASSOCIATES, INC. RECENT CLIENTS

Exeter Associates' professional staff members have served a broad range of client organizations including public service commissions, consumer advocates, government agencies and private firms. Recent clients include:

Arkansas Public Service Commission	National Association of Regulatory Utility Commissioners
Brookhaven National Laboratory	National Nuclear Security Administration
Center for Resource Solutions	National Renewable Energy Laboratory
Colorado River Commission of Nevada	New Hampshire Office of Consumer Advocate
Community Legal Services, Inc.	Northrop Grumman
Defense Logistics Agency Energy	Office of the Ohio Consumers' Counsel
Delaware Public Service Commission	Pennsylvania Office of Consumer Advocate
Fermi National Accelerator Laboratory	Public Utilities Commission of Ohio
General Electric	Regulatory Assistance Project
General Services Administration	Rhode Island Division of Public Utilities & Carriers
Hawaii Public Utilities Commission	SLAC National Accelerator Laboratory
Illinois Citizens Utility Board	Strategic Petroleum Reserve
Imperial Irrigation District	Sustainable Energy Advantage
Indiana Office of Utility Consumer Counselor	Tennessee Attorney General
Lawrence Berkeley National Laboratory	U.S. Air Force – Air Force Civil Engineer Center
Lawrence Livermore National Laboratory	U.S. Army – Commercial Utilities Program, U.S. Army Corps of Engineers
Louisiana Public Service Commission	U.S. Department of Defense
Maine Office of the Public Advocate	U.S. Department of Energy
Maine Public Utilities Commission	Utah Office of Consumer Services
Maryland Department of the Environment	The Utility Reform Network
Maryland Energy Administration	Western Area Power Administration – Desert Southwest Region
Maryland People's Counsel	Western Interstate Energy Board
Maryland Power Plant Research Program	
Maryland Public Service Commission	
Massachusetts Attorney General	

EXETER ASSOCIATES, INC. KEY STAFF MEMBERS

Exeter Associates, Inc. specializes in serving clients engaged in litigative, policy-making, and decision-making activities and in providing the highest quality consulting services to clients in the areas of regulatory policy, industry restructuring, utility supply planning, contract negotiation, and on a wide range of other contemporary economic issues. The senior professional staff has provided expert testimony on numerous occasions before state, federal, and foreign regulatory agencies; state and federal courts, the Federal Energy Regulatory Commission, the U.S. Postal Rate Commission, and U.S. Congress and state legislative committees and subcommittees. Summaries of the qualifications of Exeter's senior staff are presented below:

MR. THOMAS S. CATLIN is a principal of Exeter Associates and a senior utility rate analyst with 35 years of experience in the review and analysis of the operation of public utilities. The emphasis of this work has been on utility rate regulation and has involved telephone, natural gas, electric and water companies. Mr. Catlin specializes in the areas of revenue requirements and class cost-of-service studies. He is thoroughly familiar with all the various aspects of ratemaking, the use of economic and engineering analytical techniques, rate base and operating income determination, and utility accounting. Mr. Catlin has also been involved in analyzing affiliate relations, alternative regulatory mechanisms, and regulatory restructuring issues. Mr. Catlin has testified before numerous state commissions and the Federal Energy Regulatory Commission. He holds a B.S. in physics and mathematics from the State University of New York at Stony Brook, and an M.S. in water resources engineering and management from Arizona State University. He is currently a member of the American Water Works Association (AWWA) Rates and Charges Subcommittee.

DR. STEVEN L. ESTOMIN is a principal of Exeter Associates and is a senior economist more than 30 years of experience in the areas of microeconomic applications, industry analysis, econometric modeling and environmental economics. He specializes in utility load forecasting, computer modeling, financial analysis, utility contract negotiation, cogeneration analysis, electric industry restructuring, power supply acquisition, and issues of competition and antitrust. Dr. Estomin has had major responsibility in evaluating long-term utility power supply options for U.S. Department of Energy and U.S. Air Force installations, and in negotiating long-term utility contracts for the U.S. government. Dr. Estomin has conducted electric sales and load forecasts for individual utility service areas and for the State of Maryland, and has testified on his review of electric sales forecasts prepared by utilities, including Pepco, Baltimore Gas & Electric Company, Commonwealth Edison, Central Maine Power, and Bangor Hydro. He has also testified on issues relating to statistical analysis, rate design, competition, and power supply acquisition for default supply service. Dr. Estomin holds a B.A., M.A., and Ph.D. in economics from the University of Maryland.

MR. DWIGHT D. ETHERIDGE is a principal at Exeter Associates with 29 years of wide ranging experience in the electric utility industry. His areas of expertise include retail competition, energy markets, risk management and control, distributed generation, telecommunications, contract rate negotiations, rate design, cost allocation and forecasting, revenue requirements and benchmarking studies. Mr. Etheridge supports clients on multiple utility issues, including planning and options studies, cost analyses related to negotiations and utility rate cases, power procurement and price projections, risk management and energy price hedging programs, and utility infrastructure analyses. While employed by an investor-owned utility, Mr. Etheridge held increasingly more responsible management positions in strategic, deregulation, pricing, and planning areas, including reporting to the CEO during electric deregulation and a merger of two utilities. Mr. Etheridge has extensive experience developing analytical and strategic solutions on a variety of utility issues and communicating on those issues to regulatory commissions, legislatures, senior management, boards of directors and the public. He has presented expert testimony on over 30 occasions and has acted as a spokesperson numerous times on television, radio and in print. Mr. Etheridge holds a B.S. in business administration from the University of California, Berkeley.

MR. JEROME D. MIERZWA is a principal of Exeter Associates and a senior analyst with 24 years of public utility regulatory experience. At Exeter, Mr. Mierzwa has conducted purchased gas cost allocation analysis and rate design analysis, management audits and similar investigations of the natural gas supply and procurement policies and practices of interstate gas pipelines and local distribution companies (LDCs). Most recently, Mr. Mierzwa has been involved in evaluating performance-based incentive regulation for LDC purchased gas costs and the unbundling of LDC services. Mr. Mierzwa has participated in developing utility class cost-of-service studies, has presented testimony sponsoring gas, water, and wastewater utility cost-of-service studies, least-cost gas procurement and incentive regulation, in addition to presenting testimony addressing utility rate base, expenses and revenues. Mr. Mierzwa holds a B.S. in marketing and an M.B.A. in finance from Canisius College.

MS. CHRISTINA R. MUDD is a principal at Exeter Associates, Inc. with 20 years of experience in energy efficiency, renewable energy, and climate change policy. With Exeter Ms. Mudd provides detailed analysis on the economic impacts of energy and environmental policies. Ms. Mudd participates in the Maryland staff working group for the Regional Greenhouse Gas Initiative, assists the Maryland Department of Natural Resources, Maryland Energy Administration and Maryland Department of Environment reviewing policies and programs related to electricity regulation, energy efficiency, renewable energy, and climate change. Ms. Mudd also provides technical support to federal agencies by reviewing utility supply contracts and rates, and reviewing the economic feasibility of alternative energy projects. Ms. Mudd served as the Executive Director of the National Council on Electricity Policy from January 2005 to December 2006. The National Council is a partnership between the National Association of Regulatory Utility Commissioners, National Association of State Energy Officials, National Governors' Association, and National Conference of State Legislators. Ms. Mudd holds a B.S. in political science and biology from James Madison University and an

M.A. in international affairs with a concentration in economics and energy policy from Johns Hopkins University School for Advanced International Studies.

MR. KEVIN L. PORTER is a principal of Exeter Associates and a senior analyst with nearly 30 years of experience. Mr. Porter has been active in renewable energy analysis and research since 1984. His scope of expertise includes the technical and economic status of renewable energy technologies, design and implementation of state and federal renewable energy policies, transmission access and pricing for renewable energy technologies, and electricity policy in general. He has advised the National Renewable Energy Laboratory, the State of Maryland, the American Wind Energy Association, and other clients on renewable energy and green power procurement and policy design, and has written or co-written over 60 reports, conference papers, and journal articles. He holds a B.S. in environmental studies from Lewis & Clark College in Portland, Oregon, and an M.A. in economics from The American University in Washington, D.C.

ATTACHMENT B

**Resume of
DWIGHT D. ETHERIDGE**

DWIGHT D. ETHERIDGE

Mr. Etheridge is a principal at Exeter Associates, Inc. with 29 years of wide ranging experience in the electric utility industry. His areas of expertise include rate design, class cost-of-service studies, revenue requirements, benchmarking studies, industry restructuring, load forecasting, resource planning, transmission system evaluations, federal facility infrastructure studies, power procurement, distributed generation, telecommunications, and contract negotiations.

His management experience includes reporting to the CEO of a western utility during electric deregulation and a merger of two utilities, advising the CEO on many topics including regulatory issues, legislative negotiations, strategic focus, decision analysis, and merger integration. He also has substantial project management experience gained as a consultant and in various progressively more responsible leadership roles in utility management.

Mr. Etheridge has extensive experience developing analytical and strategic solutions on a variety of utility issues and communicating on those issues to regulatory commissions, legislatures, senior management, board of directors and the public. He has presented expert testimony on over 30 occasions and has acted as a spokesperson numerous times on television, radio and in print.

Education

B.S. (Business Administration) – University of California, Berkeley, 1985

Previous Employment

2004-2005	Independent Strategy and Business Consultant
1999-2004	Strategic Director Sierra Pacific Resources and its Subsidiaries
1986-1999	Nevada Power Company Leader of the Industry Restructuring Team Director, Pricing and Economic Analysis Economist Load Forecast Analyst

Professional Experience

Mr. Etheridge's work at Exeter Associates, Inc. has been focused in the following areas:

Contract negotiations for electricity and natural gas supply for U.S. Department of Energy (DOE) facilities.

Electric utility operations and maintenance expense benchmarking studies.

Fuel switching studies for DOE facilities.

Development of electricity and renewable energy procurement plans and risk management strategies for the DOE's Northern California national laboratories.

Natural gas options analyses and development of models to project implied volatilities.

Review of and client guidance on electricity and natural gas price hedging strategies.

Review of utility procurement strategies for multiple U.S. Air Force bases in an effort to identify areas for potential utility cost savings.

Evaluating the need for new transmission lines in the PJM market on behalf of an agency of the State of Maryland.

Provided analytical support to a southwestern municipal water and power utility in the areas of rate design, load forecasting, wholesale market modeling, and volatility analysis.

Review of the Regional Greenhouse Gas Initiative on behalf of a regulatory agency of the State of Maryland, and the development of technical memoranda on various carbon dioxide emissions related topics.

Development of multiple options studies for DOE facilities that address the power supply and transmission system capabilities of potential alternative suppliers for meeting DOE's long-term electrical requirements.

Review of utility procurement strategies and development of electric and natural gas long-term avoided cost projections for several of DOE's national laboratories.

As an independent consultant, Mr. Etheridge:

Led an engagement for a western consulting firm to review the load forecasting methodologies and forward price curve models employed by a southwestern municipal water and power utility and to recommend improvements.

Led an engagement for a western consulting firm to develop rate design options for a southwestern municipal water and power utility. The rate design recommendation was designed to facilitate the implementation of operational strategies and the achievement of operational savings identified in a previous consulting engagement. It was also designed to accommodate additional electrical loads if other water municipalities decided to jointly participate in wholesale markets.

Worked with a team from an international consulting firm to support a Midwest utility's effort to ensure that its accounting and rates departments were prepared for the Midwest ISO's "Day 2" market opening scheduled for March 1, 2005. The project involved developing process flows of information required by the accounting and rates departments, and significant interaction with the corporate information technology department. The project also involved reviewing rates and regulatory strategies for potential changes under the Day 2 market rules.

Prepared a competitive analysis for a Midwest utility's unregulated subsidiary on behalf of an international consulting firm. The analysis focused on comparing the subsidiary's product and service offerings, and value propositions, against those of its competitors as well as evaluating the dynamics occurring within the various market segments.

Led an engagement for a western consulting firm to identify strategies for maximizing the savings potential of switching electricity suppliers for a southwestern municipal water and power utility. The economic analyses developed as part of the engagement identified multi-million dollar savings potential that could be achieved over ten years through changes in both suppliers and operational strategies. In addition, the client realized thousands in immediate savings from billing errors that were identified during the engagement, as well as the potential for hundreds of thousands in annual savings that could be realized through enforcement of the provisions of existing contracts.

Worked with a team from an international consulting firm to facilitate the development of a strategic plan for a western municipal power and water utility. The project included leading the utility's management team through an all-day planning session to develop divisional strategies consistent with the utility's mission statement.

As a strategic director for Sierra Pacific Resources, Mr. Etheridge:

Developed a forecasting model for power and gas prices that was capable of blending fundamentals-based power and gas price forecasts from multiple vendors while maintaining rational market implied heat rates as well as consistent relationships across various gas market centers and power trading hubs in the western U.S. The models enable forecasters to produce timely forecast updates as gas futures prices change or when vendors update their forecasts, while maintaining an easily audited trail of assumptions across forecast updates.

Developed sophisticated financial models to evaluate the ROI potential of distributed generation projects that might be deployed by large commercial and industrial customers. The models investigated gas-fired reciprocating engines and turbines, as well as multi-unit installations, varying performance characteristics and partial standby requirements. This project was undertaken in conjunction with the redesign of retail standby rates and the introduction of new interconnection rules.

Investigated the potential of using private equity partners to pursue power plant development and/or acquisition in southern Nevada, including the possibility of a public/private partnership to leverage the credit ratings of a local governmental entity.

Gained valuable indirect experience in the development and implementation of risk management and risk control procedures while working on energy supply projects during the period of time when new corporate risk policies were developed, implemented and defended in litigated proceedings.

Supported a telecommunications subsidiary by acting as the lead in the development of business plans for two metro area networks and a long-haul opportunity. Co-presented the business plans with the lead director for the subsidiary to the Board of Directors and obtained the required initial funding of \$44 million.

Supported a telecommunications subsidiary by acting as the lead in the development of a fiber-to-the-home business plan with an external team of consultants. The plan addressed the feasibility of multiple bundled service offerings and a targeted deployment in several western markets. Participated in negotiations with subsidiary management and multiple potential partners, including service providers with a national footprint, technology partners and content providers. The plan was tabled when key partnership agreements could not be put in place to pursue a "beta" test of the technology and business model.

Participated on the team that developed a successful bid for a northwest electric utility, including due diligence, management presentations by the company being acquired, and strategy discussions with the CEO and financial advisors.

As leader of the industry restructuring team at Nevada Power Company, Mr. Etheridge:

Reported to the CEO and led an internal team of directors assigned full-time to electric industry restructuring. Directed and managed the team's development and presentation of company positions on restructuring to the Public Utilities Commission of Nevada ("PUCN") and to the Nevada Legislature.

Presented expert testimony before the PUCN and the Nevada Legislature. Was responsible for hiring multiple consultants and expert witnesses to facilitate the development of corporate strategy and to support the presentation of positions before the PUCN. In this assignment, represented the company on multiple occasions on television, taped and live radio, in press conferences and interviews, in consumer focus groups, and in presentations to large commercial and industrial customers.

As a member of the CEO's staff, participated in senior management discussions on corporate strategy prior to the merger announcement and throughout the merger integration process, including development of corporate strategy and business line focus for the combined company.

One of only several advisors to the CEO that directly participated with the CEOs from both Nevada Power Company and Sierra Pacific Resources in the final legislative negotiations on the merger and associated restructuring legislation.

In his other assignments at Nevada Power Company, Mr. Etheridge:

Directed a department responsible for rate design studies, marginal cost of service studies, the annualization of sales and revenues for general rate case applications, demand-side pricing, economic and load forecasting, tariff administration, wholesale pricing, and development of supporting testimony in these areas. Built a cohesive, progressive thinking team of experts that was well recognized throughout the company.

Made multiple presentations to executives and groups of large commercial and industrial customers on a variety of industry issues.

Represented the company in negotiations with customers considering alternative sources of supply. Negotiated an 8-year retail power purchase contract with Mirage Resorts, Incorporated to keep them from building a distributed generation project. Regularly briefed the Board of Directors during negotiations and gained Board approval for the final contract. Acted as a spokesperson on television and in the press on this highly publicized contract.

Acted as the lead in the development of economic forecasts, econometric load forecasts, weather normalization of sales and peak demand, short-term sales forecasts and testimony in these areas.

Expert Testimony

Before the Public Utility Commission of Texas (PUCT), Docket No. 43895 (May and June 2015), on behalf of the United States Department of Energy (DOE). Testimony addressed operations and maintenance expense benchmarking and cost allocation and rate design.

Before the Missouri Public Service Commission, Case No. ER-2012-0174 (August and October 2012), on behalf of DOE. Testimony addressed off-system sales margins.

Before the PUCT, Docket No. 39896 (March and April 2012), on behalf of DOE. Testimony addressed rate design issues relevant to DOE's Strategic Petroleum Reserve.

Before the Illinois Commerce Commission (ICC), Docket No. 11-0721 (February 2012), on behalf DOE. Testimony addressed proposed distribution loss factors.

Before the Public Utilities Commission of Nevada (PUCN), Docket No. 11-06006 (October 2011), on behalf of the DOE. Direct and rebuttal testimony addressed Nevada Power Company's (NPC) proposed class revenue requirement allocation with respect to DOE's Nevada National Security Site (Security Site, formerly the Nevada Test Site) and the U.S. Air Force's Nellis Air Force Base (Nellis AFB).

Before the Wyoming Public Service Commission, Docket No. 20000-384-ER-10 (May 2011), on behalf of DOE. Testimony addressed class cost of service proposals.

Before the Indiana Utility Regulatory Commission (IRUC), Cause No. 38707 FAC87 (March 2011), on behalf of the Indiana Office of Utility Consumer Counselor (OUCC). Testimony provided comments on Duke Energy Indiana's electric hedging policy.

Before the IRUC, Cause No. 43849 (November 2010), on behalf of the OUCC. Testimony provided comments on an electric hedging policy proposed by the Northern Indiana Public Service Company.

Before the ICC, Docket No. 10-0467 (November and December 2010), on behalf of DOE. Testimony addressed proposed distribution loss factors.

Before the Maryland Public Service Commission (MPSC), Case No. 9179 (December 2009), on behalf of the Maryland Department of Natural Resources. Testimony addressed a proposed transmission line in eastern Maryland.

Before the PUCN, Docket No. 08-12002 (April and May 2009), on behalf of DOE. Direct and supplemental testimony addressed NPC's proposed class revenue requirement allocation with respect to DOE's Nevada Test Site (Test Site) and Nellis AFB.

Before the MPSC, Case No. 9165 (March 2009), on behalf of the Maryland Department of Natural Resources. Testimony addressed a proposed and alternative transmission lines in southern Maryland.

Before the PUCN, Docket No. 06-11022 (March 2007), on behalf of DOE. Testimony addressed NPC's proposed class revenue requirement allocation with respect to the Test Site and Nellis AFB.

Before the PUCN in NPC's last deferred energy case before a rate freeze, Docket No. 99-7035, February 2000. Rebuttal testimony addressed the issue of splitting purchased power capacity payments out of deferred energy cases and into general rate cases for cost recovery purposes.

Before the Nevada Legislature, Senate Commerce and Labor Committee, March 1999. Testimony responded to questions on deregulation.

Before the PUCN in NPC's application to provide potentially competitive services as part of industry restructuring, Docket No. 98-12009, June 1999 and December 1998. Testimony addressed steps being taking to establish an arms length affiliate to provide potentially competitive services.

Before the PUCN in its Investigation of Issues to be Considered as a Result of Restructuring of the Electric Industry (pursuant to Assembly Bill 366), Docket No. 97-8001, September 1997. Testimony addressed NPC's efforts to address restructuring issues and cost unbundling issues.

Before the PUCN in NPC's deferred energy case, Docket No. 97-7030, July 1997. Testimony addressed matching deferred energy rates with rapidly changing deferred energy balances given upward swings in market prices for fuel and purchased energy.

Before the Nevada Legislature, Senate Commerce and Labor Committee, February 1997. Testimony addressed rates during hearings on deregulation.

Before the Public Service Commission of Nevada (PSCN) in a gas utility's filing for approval of a residential gas air conditioning rate schedule, Docket No. 96-10005, February 1997. Testimony on behalf of NPC addressed the potential benefits of pricing strategies that support technological innovation.

Before the PSCN in NPC's deferred energy case and request to move capacity costs into general rates, Docket No. 96-7020, July 1996. Testimony addressed competition, marginal costs, confidentiality issues, and rate design in support of the largest ever-proposed rate reductions for large customers.

Before the PSCN in support of NPC's proposed line extension policies, Docket No. 95-6076, February 1996. Testimony addressed line extension policies in light of competition and marginal costs.

Before the PSCN in a proposed rate schedule in response to DOE's competitive solicitation for the Test Site, Docket No. 95-8038, November 1995 and January 1996. Direct and supplemental testimony addressed a proposal to serve the Test Site under a new partial requirements rate schedule. The case was withdrawn when DOE did not award contracts.

Before the PSCN in NPC's deferred energy case, Docket No. 95-7021, July 1995 and November 1995. Direct testimony and supplemental testimony addressed a request to implement improved cost allocation procedures for calculating base tariff energy rates across rate classes.

Before the PSCN in NPC's application for approval of a negotiated service agreement with Mirage Resorts, Incorporated, Docket No. 95-4061, July 1995. Testimony addressed competition, and the negotiations and cost studies that supported the service agreement.

Before the PSCN in NPC's application for approval of a resource plan, Docket No. 94-7001, February 1995. Testimony addressed load forecasting, competition, long-term avoided costs and econometric modeling.

Before the PSCN in NPC's proposed line extension rules, Docket No. 94-4085, October 1994. Testimony addressed marginal costs relative to line extensions and in total.

Before the PSCN in NPC's application for approval of a resource plan, Docket No. 94-7001, July 1994 and August 1994. Direct and supplemental testimony addressed economic and load forecasting issues.

Before the PSCN in an over-earnings investigation involving NPC, Docket No. 93-11045, June 1994. Direct and supplemental testimony addressed rate design and cost of service.

Before the PSCN in a complaint case brought by a rural cooperative over service to the Test Site, Docket No. 92-9055, January 1994. Testimony addressed the impact of lost sales to the Test Site on remaining retail customers.

Before the PSCN in NPC's general rate case, Docket No. 92-1067, January 1992. Direct and rebuttal testimony addressed rate design and cost of service.

Before the PSCN in NPC's general rate case, Docket No. 91-5055, May 1991. Testimony addressed rate design and cost of service.

Before the PSCN in NPC's application for approval of a resource plan, Docket No. 88-701, July 1988. Testimony addressed economic and load forecast

ATTACHMENT C