

J. KENNEDY
AND
ASSOCIATES, INC.

**PROPOSAL TO THE
LOUISIANA PUBLIC SERVICE COMMISSION**

IN RESPONSE TO RFP 23-11

**DOCKET NO. U-36660, 1803 ELECTRIC COOPERATIVE, INC. EX
PARTE.
IN RE: FORMULA RATE PLAN ANNUAL REPORT BASED UPON THE
TEST YEAR ENDING DECEMBER 31, 2022; AND**

**DOCKET TBDs, 1803 ELECTRIC COOPERATIVE, INC. EX PARTE.
IN RE: FORMULA RATE PLAN ANNUAL REPORTS.**

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

April 6, 2023

Executive Summary

J. Kennedy and Associates, Inc. (“Kennedy and Associates”) is pleased to submit this proposal to assist the Louisiana Public Service Commission Staff (“Commission” and “Staff”) in the review and analysis of 1803 Electric Cooperative, Inc.’s (“1803” or “the Company”) Formula Rate Plan (“FRP”) annual reports in response to the Commission’s Request for Proposal (“RFP”) dated March 7, 2023.

The RFP seeks assistance in the Staff review of the Company’s filings for four test years, 2022, 2023, 2024, and 2025. The RFP initially seeks assistance in Docket No. U-36660 for the test year 2022 filing on a limited basis due to the procedural schedule set forth in the FRP tariff approved by the Commission in Docket No. U-36268. The test year 2022 filing in Docket No. U-36660 is the Company’s first FRP filing pursuant to the FRP tariff. The RFP also seeks assistance in subsequent Staff reviews for the test year 2023, 2024, and 2025 filings, which will be docketed and reviewed in 2024, 2025, and 2026 pursuant to the procedural schedule set forth in the FRP tariff.

Kennedy and Associates is well-qualified to assist the Commission in this review in a knowledgeable and efficient manner. We assisted the Staff in the development of 1803’s FRP and the format of the annual Evaluation Report filings. We also assisted the Staff in the design and development of several other utility FRPs, requests to modify other utility FRPs, and in numerous reviews of annual FRP filings. These other utilities include Dixie Electric Membership Cooperative, Inc., South Louisiana Electric Cooperative Association, LLC, Claiborne Electric Cooperative, and Beauregard Electric Cooperative Inc.

We will review the Company’s filing in detail to determine if the requests are appropriate, modifications are necessary, and if so, then what modifications should be made. We will work

closely with the Staff to attempt to reach a consensual settlement with the Company and the other parties to the proceeding to balance 1803's need for timely rate relief with the need to ensure that customer rates are reasonable. We will conduct discovery, participate in meetings with the Commissioners, Staff and other parties as requested, assist the Staff in preparing briefing materials if there is not a settlement, and attend the Commission's Business and Executive Session if requested. In the event that it becomes necessary to litigate this matter, we will also provide expert testimony, and other regulatory support services as part of our services under our proposed budget.

Budget to Perform These Services

Kennedy and Associates proposes a budget of \$89,000, consisting of \$87,000 for consulting services and \$2,000 for expenses. Our services will be billed based on the hourly billing rates attached to this letter. We will bill only for actual hours worked and actual expenses incurred. We will not exceed the total labor and expense budgets based on the scope of work outlined without authorization from the Commission. We will not change our hourly rates on this project during the period of representation without authorization from the Commission. We also acknowledge that any expenses charged will be within the Commission's standard expense allowances.

Kennedy and Associates Qualifications

Kennedy and Associates is well qualified to assist the Staff in this docket due to its familiarity with the 1803 FRP, the Company's approved resource acquisitions and the timing of those acquisitions, as well as other investor owned and cooperative electric utility FRPs. In addition, our firm has provided extensive consulting assistance to the Staff in dozens of other proceedings involving nearly all of the electric and natural gas utilities in the state. These proceedings have involved rate

cases, design and modification of FRPs, annual FRP reviews, rulemakings, acquisitions, fuel clause audits, environmental clause audits, resource acquisitions, and affiliate transactions. Our experience and the expert appearances of our consultants are detailed in our Qualifications package, a copy of which is enclosed with our proposal.

Kennedy and Associates meets all professional qualification requirements specified in the Commission's RFP for technical consultants. We are qualified to prepare and render expert testimony and stand for cross-examination with respect to all of the issues addressed in the RFP and which are likely to arise in this proceeding. Each of our consultants is experienced in analyzing the operations, books and records of utility companies for the purpose of setting just and reasonable rates, is prepared and qualified to render expert testimony, and has knowledge of the following:

- A. Appropriate accounting standards and practices for electric public utilities, public utility accounting, and generally accepted auditing standards;
- B. The appropriate ratemaking adjustments to be made to the utility's accounting records;
- C. The determination and calculation of the appropriate rate base of a utility plant investment dedicated to providing service;
- D. Traditional cost-of-service and cost allocation methodologies supporting the revenue requirements among classes of customers;
- E. The cost allocation methodologies for the allocation of investment and expenses between affiliates, including the relationship of the holding company to its subsidiary operating companies, the transfer of investment and costs between operating companies, and the provision of services between affiliates;
- F. Cost of capital, including capital structure, cost of debt, cost of equity and rates of return, as well as the ability to conduct a cost of capital study;
- G. Just and reasonable costs and prudent investments associated with providing reliable and quality service as recommended by NARUC;
- H. Depreciation and taxation; and

- I. Prior Commission Dockets regarding 1803, including Order Nos. S-35709, U-35927, and U-36268.

Kennedy and Associates Project Team

Mr. Lane Kollen, Vice President, CPA, CMA, CGMA will manage this project. He will be assisted by other Kennedy and Associates personnel as appropriate, including primarily Mr. Randy Futral. Mr. Kollen and Mr. Futral are experienced regulatory consultants and have designed and developed FRPs and performed numerous audits and reviews of FRP filings in conjunction with the Staff. Mr. Kollen and Mr. Futral have both testified on regulatory matters on numerous occasions in multiple jurisdictions, including the Commission.

Mr. Kollen has several decades of experience in nearly all facets of utility operations, including investor owned and cooperative utilities, investor owned and cooperative utility ratemaking, the design and implementation of FRPs, and utility taxes. Mr. Kollen personally assisted the Staff in the design of the Company's FRP and worked with 1803 and its consultant on the development of the FRP tariff and related schedules in Docket No. U-36268. Mr. Kollen and other Kennedy and Associates consultants also assisted the Staff in Docket Nos. S-35709 and U-35927, and U-36268.

Mr. Kollen is an expert in the financial, rate, tax, and planning areas. He specializes in revenue requirements analyses, taxes, evaluation of rate and financial impacts of traditional and nontraditional ratemaking, utility mergers/acquisitions and diversification. Mr. Kollen has expertise in various software systems used by utilities for budgeting, rate case support and strategic and financial planning. Mr. Kollen has testified on hundreds of occasions before federal and state regulatory commissions and courts on utility matters. Mr. Kollen's regulatory experience is

described further in his biography attached to this proposal and his extensive expert testimony and appearances are detailed in the enclosed Qualifications package.

Mr. Randy Futral, Director, Consulting, is an expert on utility ratemaking and analyses, including electric cooperatives. Mr. Futral worked closely with the Staff in the development of the Dixie, Claiborne, and SLECA FRPs and has performed numerous audits in conjunction with the Staff, including numerous annual FRP filings made by various electric cooperatives. Mr. Futral also has assisted in various audits of electric cooperatives, including the review and recovery of storm damage costs by Dixie. Mr. Futral's regulatory experience is described further in his biography attached to this proposal and his expert testimony and appearances are detailed in the enclosed Qualifications package.

Action Plans and Timelines

Kennedy and Associates is prepared to begin work on this project immediately upon being retained by the Commission. We anticipate that there will be four proceedings, consisting of the proceeding in early 2023 to address the Company's filing for the test year 2022, and the subsequent proceedings in 2024, 2025, and 2026 to address the Company's filings for the test years 2023, 2024, and 2025. We already are familiar with the Company's organization and cost structure, as well as its FRP tariff, due to our work with the Staff in Docket No. U-36268. We have developed the following Action Plan and Timeline for the major activities in this proceeding to review each of the Company's filings for compliance with the FRP tariff and to make recommendations potentially resulting in annual rate changes.

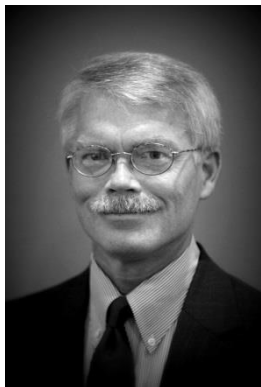
We will assist the Staff in the following actions:

- 1) Review and assess the Company's Annual Report filings for the test years 2022, 2023, 2024, and 2025 in 2023, 2024, 2025, and 2026, respectively in accordance with the procedural timeline set forth in the FRP tariff.
- 2) Prepare discovery and review responses in all four proceedings.
- 3) Assist Staff counsel in negotiating and drafting settlement agreements in all four proceedings;
- 4) Prepare direct testimony in support of the settlement agreements in each of the proceedings and appear at hearing, if necessary; prepare direct testimony addressing litigated issues not resolved by the settlement agreements and appear at hearing, if necessary; assist Staff counsel in preparation for the hearings, as necessary; assist Staff counsel in drafting briefs, as necessary; and appear at the Commission B&E, if requested by Staff counsel, in all four proceedings.

Kennedy and Associates Has No Conflicts of Interest

Kennedy and Associates has no known conflicts of interest in representing the Louisiana Public Service Commission in this proceeding and none of the Project Team members presently represent other clients before the Commission. Kennedy and Associates does not represent investor-owned gas or electric utilities.

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 more than 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 RANDY A. FUTRAL, DIRECTOR OF CONSULTING



EDUCATION

**Mississippi State University, BBS in Business Administration
Accounting**

EXPERIENCE

Mr. Futral has nearly thirty years of utility and related industry experience in the areas of management, accounting, budgeting, forecasting, financial reporting, ratemaking, tax, banking, and both as a management employee and as a consultant. He has conducted utility revenue requirements analyses, affiliate transaction auditing and analysis, fuel adjustment clause auditing, purchase gas adjustment auditing, environmental adjustment clause auditing, and research involving tax and public reporting matters. He has filed reports and/or testimony before state and federal courts and regulatory commissions on numerous occasions addressing revenue requirements, tariff development and compliance, operation and maintenance expenses, and other issues.

J. Kennedy and Associates, Inc. (2003 to Present): Director of Consulting. Mr. Futral provides consulting services that address compliance, performance, and operational issues. Clients include state and regulatory commissions and other government agencies as well as large users of electricity and natural gas.

Telscape International, Inc. (1997 – 2003): Corporate Assistant Controller and Corporate Controller. Mr. Futral had complete responsibility and accountability for the accounting and financial functions of a \$160 million newly public company providing telecommunication and high-end internet access services. Telscape served as a telephony carrier of services domestically and to Latin and Central America targeting other service carriers as well as individuals. Mr. Futral reported directly to the CFO and managed a staff of eleven.

Comcast Communications, Inc. (1988 - 1997): Regional Senior Financial Analyst, Regional Assistant Controller and Regional Controller. Mr. Futral had complete responsibility and accountability for the accounting functions of a \$2.1 billion regional division of then the world's third largest cable television provider serving approximately 490,000 subscribers. Mr. Futral reported to the Regional VP of Finance and managed a staff of twelve.

Storer Cable Communications, Inc. (1987 – 1988): Senior Accountant for Operations. Mr. Futral had responsibility for the accounting, budgeting, and forecasting activities of this 82,000 subscriber area for this cable television concern that was acquired by Comcast listed above.

Tracey-Luckey Pecan & Storage, Inc. (1986 – 1987): Senior Accountant

Tarpley & Underwood, CPA's (1984 – 1986): Staff Accountant

J. Kennedy and Associates, Inc.
Hourly Fee Schedule
For 1803 Electric Cooperative Inc. FRP Annual Reports for
Test Years 2022 (Docket No. U-36660), 2023 (Docket No. TBD), 2024 (Docket
No. TBD), and 2025 (Docket No. TBD)

<u>Title</u>	<u>Name</u>	<u>Hourly Rate</u>
President	Stephen J. Baron	\$300
Vice President	Lane Kollen	\$300
Vice President	Philip Hayet	\$300
Director	Richard A. Baudino	\$285
Director	Brian R. Barber	\$285
Director	Randy Futral	\$285
Manager	Leah Justin Wellborn	\$275
Senior Consultant	Ann Bruccoliere	\$225
Consultant	Evelyn Menendez	\$195
Consultant	Brian Kollen	\$175
Analyst	Jessica Inman	\$140
