
EXETER

ASSOCIATES, INC.

CONSULTING ECONOMISTS
10480 Little Patuxent Parkway
Suite 300
Columbia, Maryland 21044
(410) 992-7500
(410) 992-3445 FAX
tcatlin@exeterassociates.com

Thomas S. Catlin
Steven L. Estomin
Dwight D. Etheridge
Jerome D. Mierzwa
Christina R. Mudd
Kevin L. Porter

REF: 160101

January 14, 2016

Kathleen Richardson
Louisiana Public Service Commission
Galvez Building, 12th Floor
602 North Fifth Street
P.O. Box 91154
Baton Rouge, LA 70821-9154

Re: RFP 15-18 Docket No. U-33848 Cleco Power LLC, *ex parte*.
In re: Formula Rate Plan – June 2015 Monitoring Report

Dear Ms. Richardson:

Exeter Associates, Inc. (Exeter) is pleased to submit this proposal to assist the Commission Staff with the review of the Application of Cleco Power, LLC (Cleco or the Company) to extend its Formula Rate Plan for the June 2015 Monitoring Report. Our proposal addresses all issues including accounting/revenue requirements and policy issues.

Proposed Services

The services that Exeter will provide in assisting the Commission Staff will include:

- Reviewing Cleco's filing and testimony;
- Conducting discovery, including preparing written data requests and conducting follow-up discovery conferences, as necessary;
- Reviewing the responses to discovery requests, workpapers and financial data;
- Conducting technical conferences, as necessary, to confirm facts, collect additional information, and obtain Company explanations for various positions;
- Preparing pre-filed testimony in support of Staff's position and recommendations;

- Participating in settlement negotiations on some or all issues as deemed appropriate by Staff during the course of the proceedings;
- Participating in pre-trial conferences, depositions and hearings, as necessary;
- Assisting with the preparation of applicable motions, exceptions, briefing sheets and orders of the Commission; and
- Participating in conference calls, meetings and conferences with Staff and Commissioners, and attending Business and Executive Sessions, as necessary and appropriate.

Qualifications

Exeter is uniquely qualified to provide assistance with respect to Cleco's June 2015 Formula Rate Plan Monitoring Report. We worked with Staff in formulating Cleco's current FRP and we have reviewed each of the annual filings under the current FRP as well as Cleco's filings under its previous Rate Stabilization Plan dating back to 2005. We have also assisted with the reviews of similar rate stabilization plans of other gas and electric utilities in Louisiana. In addition, Exeter has assisted Staff in the review of various Cleco filings for approval of projects for which cost recovery takes place through the FRP. Finally, Exeter recently conducted a cost of equity study for Entergy Louisiana Gulf States, L.L.C. gas operations (EGSL Gas) and has addressed return on equity for numerous other gas and electric utilities in Louisiana and other jurisdictions.

Exeter'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. The issues addressed in this work have included:

- Appropriate accounting standards and practices for electric public utilities, public utility accounting, and generally accepted accounting standards;
- The appropriate ratemaking adjustments to be made to the utility's accounting records;
- The determination and calculation of the appropriate rate base of a utility plant investment dedicated to providing service;
- Traditional cost-of-service and cost allocation methodologies supporting the revenue requirements among classes of customers;

- 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;
- Cost of capital, including capital structure, cost of debt, cost of equity, and rates of return;
- Familiarity with just and reasonable costs and prudent investments associated with providing reliable and quality service as recommended by NARUC;
- Depreciation and taxation; and
- A detailed understanding of the major functional areas of a regulated electric utility.

Mr. Thomas S. Catlin, a principal of Exeter, will be responsible for overseeing Exeter's efforts and will be primarily responsible for addressing revenue requirement and policy issues. Other members of Exeter's staff will be available to assist as necessary. A brief description of Exeter's corporate qualifications is included as Attachment A to this proposal. In addition, we would be pleased to provide complete resumes of our key project team members or any other information the Commission may find helpful.

Cost Proposal

Exeter proposes to assist the Commission Staff with the review of the Cleco June 2015 Formula Rate Plan Monitoring Report for a combined budget not to exceed \$17,000 for professional services and \$1,700 for direct expenses. Exeter will bill for professional services at our standard hourly billing rates which range from \$80 per hour for research assistants to \$220 for principals. Direct expenses will be billed at cost in accordance with the State of Louisiana's Travel Policies and Procedures.

Conflict of Interest

Please note that Exeter has no business relationship with Cleco, nor has Exeter ever had such a relationship. Thus, our firm does not have a conflict of interest that could impair or restrict our ability to provide assistance and objective advice to Staff.

Kathleen Richardson
January 17, 2016
Page 4

Exeter Associates, Inc.

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,



Thomas S. Catlin
Vice President

TSC/ccc

ATTACHMENT A

EXETER ASSOCIATES, INC.

**10480 LITTLE PATUXENT PARKWAY
SUITE 300
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>Economic analysis of environmental policies</i> |
| < <i>Load forecasting</i> | |

Industry Analysis

- | | |
|--------------------------------|------------------------------|
| < <i>Electric utilities</i> | < <i>Oil and natural gas</i> |
| < <i>Water/sewer utilities</i> | |

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, prudency, 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 Division of the Public Advocate	Pennsylvania Office of Consumer Advocate
Delaware Public Service Commission	Public Utilities Commission of Ohio
Fermi National Accelerator Laboratory	Regulatory Assistance Project
General Electric	Rhode Island Division of Public Utilities & Carriers
General Services Administration	SLAC National Accelerator Laboratory
Hawaii Public Utilities Commission	Strategic Petroleum Reserve
Illinois Citizens Utility Board	Sustainable Energy Advantage
Imperial Irrigation District	Tennessee Attorney General – Consumer Advocate and Protection Division
Indiana Office of Utility Consumer Counselor	Tennessee Regulatory Authority
Lawrence Berkeley National Laboratory	Township of Bedminster, New Jersey
Lawrence Livermore National Laboratory	U.S. Air Force – Air Force Civil Engineer Center
Louisiana Public Service Commission	U.S. Army – Commercial Utilities Program, U.S. Army Corps of Engineers
Maine Office of the Public Advocate	U.S. Department of Defense
Maine Public Utilities Commission	U.S. Department of Energy
Maryland Department of the Environment	Utah Office of Consumer Services
Maryland Energy Administration	The Utility Reform Network
Maryland People's Counsel	Western Area Power Administration – Desert Southwest Region
Maryland Power Plant Research Program	Western Interstate Energy Board
Maryland Public Service Commission	
Massachusetts Attorney General – Office of Ratepayer Advocacy	
Midwest Renewable Energy Tracking System	

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.