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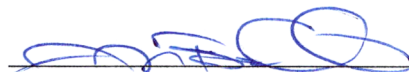
Louisiana Public Service Commission
Records and Recordings
602 N. Fifth Street
Galvez Building, 12th Fl.
Baton Rouge, LA 70802

Re: Docket U-37801, Entergy Louisiana, LLC, ex parte. In re: Application for approval to acquire Cottonwood Generation Facility, including cost recovery.

To whom it may concern:

The Direct Testimony of R. Lane Sisung is enclosed for filing in the above-captioned matter. HSPM and AEO versions of this filing are being provided under seal. Please file the enclosed into the record of the above-captioned docket and provide a copy to the Administrative Hearings Division. If you have any questions regarding this filing, please do not hesitate to contact me.

Respectfully submitted,


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Staff

**BEFORE THE
LOUISIANA PUBLIC SERVICE COMMISSION**

DOCKET NUMBER U-37801

ENTERGY LOUISIANA, LLC, EX PARTE.

*In re: Application of Entergy Louisiana, LLC for Approval to Acquire
Cottonwood Generation Facility and for Cost Recovery*

DIRECT TESTIMONY

OF

R. LANE SISUNG

**ON BEHALF OF THE
STAFF OF THE
LOUISIANA PUBLIC SERVICE COMMISSION**

PUBLIC REDACTED VERSION

JUNE 5, 2026

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I. INTRODUCTION

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Q1. PLEASE STATE YOUR NAME, PLACE OF EMPLOYMENT, TITLE, AND BUSINESS ADDRESS.

A. My name is R. Lane Sisung. I am President of United Professionals Company, LLC (“UPC”). My business address is 3850 North Causeway Boulevard, Suite 1930, Metairie, Louisiana 70002.

Q2. PLEASE DISCUSS YOUR EDUCATIONAL AND PROFESSIONAL BACKGROUND.

A. I hold a Bachelor of Science degree in Accounting from Louisiana State University in Baton Rouge, Louisiana, and I sat for and passed the Certified Public Accounting Examination. I attended Loyola School of Law, where I was a member of the Law Review and received my Juris Doctor degree. I then furthered my legal and accounting education at the University of Florida where I received an L.L.M. in Tax Law. I am a fully licensed General Securities Representative (Series 7), General Securities Principal (Series 24), Options Principal (Series 4), Financial and Operations Principal (Series 27), and Registered Investment Adviser (Series 65). I am a member of the Society of Utility Regulatory Financial Analysts, by which I have been qualified as a Certified Rate of Return Analyst (“CRRA”).

Q3. PLEASE BRIEFLY DESCRIBE YOUR PRIOR REGULATORY EXPERIENCE.

A. I have more than thirty years of experience in financial, investment, and regulatory matters. I began my career in the highly regulated areas of investment banking and investment management and later expanded my experience to include venture capital and project development/management. I have spent the past fifteen years primarily focused on utility

1 regulation. I currently serve as the principal of UPC, where I manage and provide
2 regulatory consulting services to public utility commissions. In that role, I regularly advise
3 on complex regulatory and financial issues and have provided consulting and expert
4 testimony in numerous proceedings, including rate determinations, generation and
5 transmission certifications, mergers and acquisitions, prudence reviews, forensic
6 investigations, and general rulemakings. I am also currently advising the Louisiana Public
7 Service Commission on matters related to the participation of its investor-owned utilities¹
8 in the Midcontinent Independent System Operator (“MISO”) and Southwest Power Pool
9 (“SPP”) regional transmission organizations, including issues involving transmission
10 planning, market design, and cost allocation. An illustrative list of the utility regulatory
11 dockets in which I have provided services is attached as Exhibit RLS-001.

12 **Q4. ON WHOSE BEHALF ARE YOU APPEARING IN THIS DOCKET?**

13 A. I am appearing on behalf of the Commission Staff (“Staff”).

14 **Q5. WHY ARE YOU SUBMITTING THIS DIRECT TESTIMONY?**

15 A. UPC was retained by the Commission to review and evaluate Entergy Louisiana, LLC’s
16 (“ELL” or “Company”) Application (the “Application”) seeking certification, in
17 accordance with the Louisiana Public Service Commission’s (“LPSC” or “Commission”)
18 General Order dated September 20, 1983 (the “1983 General Order”),¹ that the public
19 convenience and necessity would be served by ELL’s acquisition of the assets that

¹ See, LPSC General Order dated September 20, 1983 (*In re: In the Matter of the Expansion of Utility Power Plant; Proposed Certification of New Plant by the LPSC*), as amended by General Order (Corrected) in Docket No. R-30517 (*In re: Possible modifications to the September 20, 1983 General Order to allow (1) for more expeditious certifications of limited-term resource procurements and (2) an exception for annual and seasonal liquidated damages block energy purchases*) dated May 27, 2009.

1 comprise the Cottonwood generating facility (“Cottonwood” or the “Facility”) located in
2 Deweyville, Texas, from Cottonwood Energy Company LP (“Seller”). UPC’s review is
3 directed toward determining whether ELL’s acquisition of Cottonwood serves the public
4 convenience and necessity, is in the public interest, and is therefore prudent, as well as
5 addressing related matters presented in the Application.

6 **Q6. PLEASE DESCRIBE COTTONWOOD.**

7 A. Cottonwood is a 2003 natural gas-fired combined-cycle power generation plant configured
8 in four 1x1 power blocks with a net rating of 1,263 MW (nominal, latest GVTC² 1,166 Net
9 MW). The Facility consists of four General Electric Company (“GE”) Frame 7FA.03
10 combustion turbines (“CTs”), four Foster Wheeler heat recovery steam generators
11 (“HRSG”) with duct firing, four Alstom condensing steam turbines (“ST”), and four split
12 box condensers. Each of the four CT/ST generator pairs at Cottonwood are interconnected
13 to the adjacent switchyard at a Generation Step Up (“GSU”) transformer that step up the
14 generated voltage from 18 kV to 500 kV. A 500 kV interconnection then occurs at the
15 Entergy Texas, Inc. (“ETI”) Hartburg Substation where the Facility delivers power to
16 MISO markets.³

² GVTC (Generator Verification Test Capacity) refers to the verified net generating capability of a power plant as demonstrated through performance testing under specified operating conditions. GVTC is commonly used by utilities and regional transmission organizations as a measure of the amount of generating capacity a resource can reliably deliver and often serves as an input to resource adequacy and capacity accreditation determinations.

³ Direct Testimony of Demetrius Davis at 17-18.

1 **Q7. PLEASE SUMMARIZE YOUR UNDERSTANDING OF ELL'S FRAMING OF**
2 **THIS PROCEEDING.**

3 A. ELL frames the Cottonwood acquisition as a response to a growing capacity need driven
4 by increasing load obligations and tightening reserve requirements. According to the
5 Company, additional accredited capacity resources are required to support projected load
6 growth and maintain resource adequacy, and Cottonwood provides a unique opportunity
7 to obtain a large quantity of dispatchable capacity several years earlier than comparable
8 new-build alternatives. ELL argues that the principal benefit of Cottonwood is its ability
9 to provide accredited capacity beginning in 2027, whereas the Company's modeled
10 alternative combined cycle combustion turbine ("CCCT") resources would not enter
11 service until 2030-2031. ELL further contends that acquiring Cottonwood reduces
12 exposure to future capacity shortages and associated market risks during this interim period
13 and that the acquisition is economically preferable to delayed new-build alternatives
14 notwithstanding the associated acquisition premium. Accordingly, ELL presents
15 Cottonwood not merely as an additional generating resource, but as a near-term solution to
16 the Company's projected capacity shortfall during the years preceding the availability of
17 new generation resources.

18 **Q8. DOES ELL'S FRAMING OF THE PROCEEDING RAISE QUESTIONS THAT**
19 **SHOULD BE CONSIDERED BY THE COMMISSION?**

20 A. Yes. While ELL's framing appropriately identifies the Company's asserted need for
21 additional capacity resources and the timing advantages associated with Cottonwood, it
22 also raises several additional questions that are central to the Commission's review. These
23 include the extent to which the asserted need is driven by specific large-load additions,

1 whether the proposed acquisition represents a prudent response to that need, whether the
2 acquisition premium and associated risks are reasonable, and how the costs and risks
3 associated with satisfying the Company's capacity obligations should be allocated. My
4 testimony therefore examines each of these issues.

5 **Q9. CAN THE PROPOSED COTTONWOOD ACQUISITION BE EVALUATED IN**
6 **ISOLATION FROM ELL'S OTHER RECENTLY CERTIFIED, PROPOSED, OR**
7 **PLANNED RESOURCES AND LOAD ADDITIONS?**

8 A. No. ELL's application for Cottonwood cannot be considered as a stand-alone resource
9 acquisition. Rather, the Company's justification for Cottonwood is based upon projected
10 capacity needs arising from a broader portfolio of generation additions and purchased-
11 capacity agreements associated with industrial load commitments and generator
12 retirements. Accordingly, evaluation of the Cottonwood acquisition necessarily requires
13 consideration of related proceedings and resource decisions, including LPSC Docket No.
14 U-37425 (the Meta-Laidley Certification Proceeding), LPSC Docket No. U-37882 (the
15 Meta-Evest Certification Proceeding), LPSC Docket No. U-37872 (the proposed Oxy PPA
16 and Bayou Cove, Big Cajun, and Zydeco Capacity Agreements Certification Proceeding),
17 LPSC Docket No. U-37853 (the Waterford 6 and Westlake Certification Proceeding), and
18 the broader portfolio of industrial load additions reflected in the Company's planning
19 studies and load forecasts that are not directly associated with a certification proceeding.
20 ELL's claimed need for Cottonwood is derived from the interaction of all of those
21 resources and anticipated new industrial loads. Therefore, the Commission cannot
22 reasonably determine whether Cottonwood is needed, whether Cottonwood is prudent, or
23 who should bear the associated costs of acquiring Cottonwood without understanding how

1 Cottonwood fits within the broader portfolio that ELL is simultaneously developing.
2 Accordingly, while this testimony primarily focuses on the proposed Cottonwood
3 acquisition, many of the issues presented by this proceeding cannot be evaluated solely
4 within the four corners of the Cottonwood application. Rather, the issues must be
5 considered in the context of the broader resource planning, procurement, and industrial
6 load commitments that form the basis of ELL's asserted capacity need.

7 **Q10. WHAT DID YOU RELY ON IN PREPARING YOUR TESTIMONY?**

8 A. I reviewed and relied on ELL's filed Application and supporting exhibits, including the
9 direct testimony and exhibits of the Company's four witnesses. I also reviewed and
10 analyzed the information provided by ELL in response to numerous data requests
11 propounded by Staff and intervenors.⁴ I also relied upon the applications, testimony, and
12 discovery responses in the other dockets referenced in Question 9 above.

13 **II. REGULATORY FRAMEWORK**

14 **Q11. PLEASE DESCRIBE THE REGULATORY FRAMEWORK WITHIN WHICH**
15 **THE APPLICATION IS FILED.**

16 A. ELL is requesting that its acquisition of Cottonwood be certified pursuant to the 1983
17 General Order as serving the public convenience and necessity, in the public interest, and
18 prudent. Typically, the 1983 General Order requires an asset such as Cottonwood to have
19 been selected from a request for proposals pursuant to the Market-Based Mechanisms

⁴ The Louisiana Energy Users Group ("LEUG") intervened in this proceeding and propounded discovery requests on the Company.

1 (“MBM”) Order.⁵ However, the MBM Order allows for alternative market-based
2 mechanisms to be proposed and the Commission can consider a request for a waiver of the
3 MBM Order in cases such as where the Company has received an unsolicited offer.

4 **Q12. WAS COTTONWOOD IDENTIFIED THROUGH A COMPETITIVE MARKET**
5 **BASED MECHANISM?**

6 A. It was not.

7 **Q13. HOW DOES ELL ADDRESS THE ABSENCE OF A COMPETITIVE PROCESS**
8 **IDENTIFYING COTTONWOOD?**

9 A. ELL explains that the Cottonwood acquisition arose from an unsolicited offer from South
10 Central Generating, an affiliate of the Seller, dated January 16, 2025. Ms. Beauchamp
11 states that the offer contained a short response deadline and that ELL moved quickly to
12 evaluate the proposal, respond, conduct due diligence, and proceed with arm’s-length
13 negotiations. The Application also states that recent ELL RFPs provided market
14 information and that the timing of ELL’s recent RFPs were not compatible with the Seller’s
15 timeline, but that pricing was comparable to proposals selected through those RFPs.

⁵ See, LPSC General Order, Docket No. R-26172 Subdocket A, *In re: Development of Market-Based Mechanisms to Evaluate Proposals to Construct or Acquire Generating Capacity to Meeting Native Load. Supplements the September 20, 1983 General Order*, dated February 16, 2004 (as amended by General Order No. R-26172 Subdocket B, dated November 3, 2006, and further amended by the April 26, 2007 General Order, and further amended by General Order No. R-26172, Subdocket C, dated October 29, 2008).

1 **Q14. DOES THE COMMISSION PROVIDE GUIDANCE ON UNSOLICITED OFFERS?**

2 A. Yes. The Commission has issued a General Order addressing unsolicited offers received
3 outside of a traditional MBM process (the "Unsolicited Offer Order").⁶ The Unsolicited
4 Offer Order establishes procedures governing the submission, evaluation, and retention of
5 unsolicited offers and recognizes that utilities may occasionally receive potentially
6 valuable opportunities outside of a competitive solicitation process.

7 **Q15. DOES THE UNSOLICITED OFFER ORDER ELIMINATE THE REQUIREMENT**
8 **OF A REVIEW FOR CERTIFICATION?**

9 A. No. The Unsolicited Offer Order provides a framework for the consideration of unsolicited
10 offers, but it does not create a presumption that an unsolicited offer is prudent, reasonable,
11 or in the public interest. Nor does the Unsolicited Offer Order require a utility to accept
12 an unsolicited offer simply because one has been received. Rather, pursuant to the 1983
13 General Order, the Commission must still determine whether the proposed transaction,
14 represents the public convenience and necessity, is a prudent and reasonable course of
15 action, and whether the resulting costs should be borne by customers.

16 **Q16. HOW DO YOU INTERPRET THE PURPOSE OF THE UNSOLICITED OFFER**
17 **ORDER?**

18 A. The Unsolicited Offer Order primarily acts as a procedural mechanism intended to ensure
19 that potentially valuable unsolicited opportunities are identified, documented, and
20 evaluated rather than automatically rejected because they arise outside of a traditional

⁶ See, LPSC General Order, Docket No. U-30703 LPSC, ex parte. *In re: Consideration of procedures whereby jurisdictional electric utilities must provide the Commission Staff with notice of unsolicited offers, as well as their response to, and analysis of, unsolicited offers.* Dated October 28, 2008.

1 competitive process. Implicit in the Unsolicited Offer Order is the expectation that a utility
2 will reasonably consider such opportunities and determine whether they warrant further
3 review. The Unsolicited Offer Order provides a mechanism through which the utility may
4 consider opportunities arising outside of a traditional MBM process. However, where a
5 resource has not been subjected to direct competitive procurement, the Commission does
6 not receive the benefit of the market information and pricing discipline ordinarily provided
7 by the MBM framework. Under such circumstances, careful prudence review becomes
8 particularly important in determining whether the proposed acquisition represents a
9 reasonable and lowest-cost response to an appropriately identified need.

10 **Q17. DOES THE UNSOLICITED OFFER ORDER REQUIRE ANY EXPLANATION**
11 **REGARDING WHY THE GENERATION WAS NOT OFFERED THROUGH A**
12 **COMPETITIVE PROCESS?**

13 A. Yes. My understanding is that the Unsolicited Offer Order contemplates additional
14 information be provided where an unsolicited offer involves a product substantially similar
15 to a product that the utility is seeking to procure through a publicly noticed competitive
16 process. In that circumstance, the offer should include a detailed explanation stating the
17 reasons the bidder failed to offer the product through the competitive process.

18 **Q18. DID THE COTTONWOOD UNSOLICITED OFFER INCLUDE SUCH AN**
19 **EXPLANATION?**

20 A. I have not identified such an explanation in the January 16, 2025 unsolicited offer included
21 as HSPM Exhibit LKB-3. That offer shortly followed the November 2025 conclusion of
22 an RFP that was issued by ELL for offers of capacity from existing generation resources
23 and resulted in the selection of a Power Purchase Agreement (“PPA”) for existing

1 generation (the “2024 Existing Resource RFP”).⁷ The offer states that South Central
2 Generating submitted the offer to Entergy Services rather than to Entergy’s operating
3 subsidiaries because South Central Generating understood Entergy’s central long-term
4 planning team to be best positioned to allocate potential purchases and contracts among
5 Entergy subsidiaries. The offer identifies the proposed transaction, price, exclusivity
6 period, and next steps, but it does not appear to provide a detailed explanation for why
7 Cottonwood was not submitted through the recently ended competitive process.

8 **Q19. DOES THAT INFORMATION FULLY RESOLVE THE MBM ISSUE?**

9 A. No. ELL’s evidence may explain why the Company chose to pursue the opportunity after
10 receiving the unsolicited offer, and it may provide some market context for the
11 Commission’s review. But it does not convert Cottonwood into a resource selected through
12 a MBM process. Nor does the information provided by ELL appear to supply the seller-
13 side explanation contemplated by the Unsolicited Offer Order for why the resource was
14 not offered through a competitive process.

15 **Q20. WHAT CONCLUSION DO YOU DRAW FROM THIS?**

16 A. The Unsolicited Offer Order implicitly recognizes that utilities should evaluate unsolicited
17 offers rather than ignore them. However, the Unsolicited Offer Order does not require ELL
18 to accept such offers, nor does it require the Commission to approve them. Because
19 Cottonwood was not selected through a MBM process, and because no explanation has
20 been provided as to why an offer for Cottonwood was not submitted into the then recent

⁷ See, LPSC Docket No. U-37872, Direct Testimony of Michael Plaisance at 12-13 which indicates that an RFP for existing resources was initiated on April 5, 2024 with selections announced November 14, 2024.

1 RFP, the Commission should treat any requested waiver or exception from the MBM
2 requirements with heightened scrutiny.

3 **Q21. WHAT SHOULD THAT HEIGHTENED SCRUTINY REQUIRE?**

4 A. At minimum, it should require the Company to demonstrate that its acquisition of
5 Cottonwood represents a prudent, reasonable, and lowest-reasonable-cost response to the
6 identified need after considering the extraordinary acquisition premium, the condition and
7 remaining life of the asset, operational and accreditation risks, post-acquisition capital
8 requirements, and the allocation of resulting risks to customers.

9 **III. EVALUATION OF ELL'S ASSERTED CAPACITY NEED**

10 **Q22. WHAT HAS ELL SUBMITTED TO SUPPORT ITS CLAIM OF A NEED FOR THE**
11 **CAPACITY REPRESENTED BY COTTONWOOD?**

12 A. ELL presented a Load and Capability Report ("L&C"), together with supporting testimony,
13 to demonstrate that the Company faces both a near-term and long-term need for additional
14 accredited capacity resources. According to ELL, projected load growth, increasing
15 reserve requirements, and generator retirements will result in substantial capacity
16 deficiencies absent additional resource additions. ELL further contends that Cottonwood
17 provides a unique opportunity to obtain a large quantity of dispatchable capacity beginning
18 in 2027, several years before comparable new-build combined-cycle resources could be
19 placed into service. ELL states that failure to acquire Cottonwood would expose customers
20 to increased reliability risks, potential curtailment risk, and significant exposure to MISO
21 Planning Resource Auction ("PRA") capacity prices during a period in which capacity
22 prices are expected to remain elevated due to tightening supply-demand conditions. ELL
23 further projects that, even after considering the other planned resource additions reflected

1 in its supply plan, seasonal accredited-capacity deficiencies would remain during the 2028
2 through 2030 period ranging from approximately █████ MW to █████ MW during the
3 Summer season and from approximately █████ MW to █████ MW during the Spring season
4 absent the proposed acquisition. Accordingly, ELL contends that Cottonwood is necessary
5 to satisfy its resource adequacy obligations, maintain reliability, and reduce customer
6 exposure to future capacity-market risks.⁸

7 **Q23. HAVE YOU REVIEWED ELL'S MOST RECENT LOAD AND CAPABILITY**
8 **REPORT?**

9 A. Yes. I reviewed ELL's most recent L&Cs, including the updated L&C provided in
10 response to discovery.⁹ The L&C reflects ELL's forecasted load obligations, reserve
11 requirements, available capacity resources, and projected capacity surpluses and
12 deficiencies under the Company's planning assumptions.

13 **Q24. DOES THE L&C SUPPORT ELL'S POSITION THAT ADDITIONAL CAPACITY**
14 **RESOURCES WILL BE REQUIRED?**

15 A. Yes. The L&C demonstrates that ELL will require additional accredited capacity resources
16 to satisfy generation retirements and projected future load obligations and associated
17 reserve requirements. Accordingly, I do not dispute that ELL faces a legitimate need for
18 additional capacity resources.

⁸ Application at 2, 12, and 13; Direct Testimony of Laura Beauchamp at 3, 9 and 24.

⁹ Exhibit RLS-002 (ELL response to Data Request LEUG 1-3 with attachment (HSPM) and ELL Response to Data Request Staff 3-31 with attachment (HSPM)).

1 **Q25. DOES THAT CONCLUSION DETERMINE WHETHER COTTONWOOD**
2 **SHOULD BE APPROVED?**

3 A. No. The existence of a capacity need does not, by itself, determine the appropriate resource
4 solution. The question is not only whether capacity is needed, but also what capacity is
5 needed, when it is needed, and what is driving the need for that capacity.

6 **Q26. WHY ARE THE TIMING AND DRIVERS OF THE NEED IMPORTANT?**

7 A. Because ELL's justification for Cottonwood is heavily dependent upon timing. ELL
8 repeatedly emphasizes that Cottonwood can provide accredited capacity beginning in
9 2027, whereas the Company's modeled replacement combined-cycle resources are
10 assumed to become available several years later. Accordingly, a substantial portion of
11 Cottonwood's asserted value is attributable to its ability to provide capacity during the
12 projected ramp period of new industrial loads before other generation resources become
13 available.

14 **Q27. DID YOU PERFORM ANY ANALYSIS TO BETTER UNDERSTAND THE**
15 **DRIVERS OF THAT RAMP-PERIOD CAPACITY NEED?**

16 A. Yes. Using ELL's most recent L&C as a starting point, I prepared an analysis to evaluate
17 the extent to which the projected ramp-period capacity shortfall is driven by specific load
18 additions and associated resource commitments.¹⁰

¹⁰ Exhibit RLS-003 (Staff L&C Analysis (HSPM)).

1 **Q28. PLEASE DESCRIBE YOUR ANALYSIS.**

2 A. My analysis begins with ELL's most recently updated L&C provided in response to Staff
3 Data Request 3-31 and removes the load associated with the Meta Laidley and Meta Evest
4 projects ("Meta-Related Load Additions").¹¹ Consistent with that adjustment, the analysis
5 also removes the generation resources that were certified, or are proposed for certification,
6 to support those projects. These adjustments leave remaining all other planned resources
7 that should be available to serve ELL's remaining load whether or not the Meta-Related
8 Load Additions materialize. The purpose of this exercise is not to recreate a hypothetical
9 resource plan, but rather to use ELL's own planning assumptions to evaluate the extent to
10 which the projected capacity need relied upon by ELL to support the Cottonwood
11 acquisition is attributable to the Meta-Related load additions.

12 **Q29. WHY DID YOUR ANALYSIS CENTER ON THE META LOAD ADDITIONS?**

13 A. For several reasons. First, the Meta-Related Load Additions are by far the largest
14 individual load additions reflected in ELL's planning assumptions. Based on ELL's
15 forecasts, the projected peak Laidley load is approximately [REDACTED] of ELL's 2025 peak load
16 and the projected Evest load is approximately [REDACTED] of ELL's 2025 peak load. Collectively,
17 the two projects represent an increase approaching [REDACTED] of ELL's 2025 peak load. Given
18 Meta's projected size alone, it is appropriate to evaluate the extent to which the Meta-
19 Related Load Additions contribute to ELL's asserted capacity need.

¹¹ ELL has entered into two ESAs with Laidley, LLC ("Laidley") and Evest, LLC ("Evest") both of which are affiliated with Meta Platforms Inc. ("Meta"). Laidley had, and Evest is proposed to, have its obligations guaranteed by Meta. References to electric service being provided to Meta in this testimony is referencing the electric service to be provided to Laidley and Evest.

1 Second, the impact of the Meta-Related Load Additions extend beyond simple peak
2 load growth. Because the Meta facilities [REDACTED]
3 [REDACTED], their contribution to ELL's capacity obligation is disproportionately
4 large during seasons in which other loads decline and planning reserve margin
5 requirements increase. Based on my analysis, depending upon the season and applicable
6 reserve requirement, the extraordinary Meta-Related Load Additions account for
7 approximately [REDACTED] to [REDACTED] of the increase in ELL's load obligation once the facilities are
8 fully ramped and in service.

9 Third, the relationship between the extraordinary Meta-Related Load Additions and
10 ELL's future capacity obligations was specifically recognized in Docket No. U-37425
11 related to Laidley. In that proceeding, it was acknowledged that additional capacity
12 resources beyond the planned generation facilities ultimately certified in that docket would
13 likely be required to fully serve the Laidley's load. At the same time, the settlement
14 expressly preserved the Commission's authority to review future prudence,
15 implementation, and cost-allocation issues associated with serving the Laidley load.¹² As
16 a result, the extent to which the Meta-Related Load contributes to ELL's current capacity
17 need is not merely an academic question. It is directly relevant to issues the Commission
18 expressly reserved for future consideration, including the prudence of capacity
19 procurement decisions and the appropriate allocation of the costs and risks associated with
20 serving the Meta-Related Load.

21 Fourth, the Commission has repeatedly emphasized that large-load customers,
22 specifically data centers, should bear the costs reasonably attributable to serving those

¹² See, LPSC Order No. U-37425, Attachment A, at 5.

1 loads. In the Laidley proceeding, the Commission approved generation and transmission
2 facilities needed to serve the extraordinary Meta-Related Load Additions while expressly
3 preserving future review of cost allocation, prudence, and implementation issues associated
4 with the underlying agreements.¹³ Since that time, the Commission has further articulated
5 its expectation that large-load customers should be responsible for the costs associated with
6 serving their load.¹⁴

7 Accordingly, given the size of the extraordinary Meta-Related Load Additions,
8 their disproportionate impact on ELL's capacity obligations, and the Commission's prior
9 recognition that future capacity-related issues associated with serving the Laidley load
10 remained subject to Commission review, I determined it was appropriate to focus my
11 analysis on the extent to which the Meta-related load additions contribute to the capacity
12 need relied upon by ELL to support the Cottonwood acquisition.

13 **Q30. WHAT WERE THE RESULTS OF YOUR ANALYSIS?**

14 A. The results indicate that once the Meta-Related Load Additions and associated Meta-
15 related generation resources are removed from the L&C, the projected short-term capacity
16 shortfall relied upon by ELL as justification for the need for Cottonwood disappears. In
17 fact, in both the short term and the long term, in nearly every planning year and season
18 examined, the system remains in surplus even after Cottonwood is removed from the
19 resource portfolio.¹⁵ Accordingly, the results of my analysis indicate that the extraordinary

¹³ *Id.*

¹⁴ Exhibit RLS-004 (LPSC Large Load Additions Non-Binding Guidelines).

¹⁵ Exhibit RLS-003.

1 magnitude and timing of the Meta-Related Load Additions are the predominant drivers of
2 the near-term capacity need identified by ELL.

3 **Q31. DO YOU ACKNOWLEDGE THAT THERE ARE OTHER INDUSTRIAL LOADS**
4 **THAT ARE PROJECTED TO RAMP DURING THE SAME PERIOD AS THE**
5 **META-RELATED LOAD ADDITIONS ARE PROJECTED TO RAMP?**

6 A. Yes. My analysis does not assume that Meta related load is the only industrial rate schedule
7 load projected to come onto the system during the relevant period. ELL provided the
8 projected ramp of those loads in response to Staff Data Request 3-31.¹⁶ All of those other
9 projected industrial load additions are reflected in ELL's most recent L&C on a probability
10 adjusted basis and remain in the analysis after the Meta-Related Load Additions are
11 removed. Accordingly, the analysis isolates the impact of the Meta-related load additions
12 while preserving ELL's assumptions regarding the remaining industrial growth. Under
13 those assumptions, ELL remains capable of serving the other projected industrial loads
14 with all of its other planned resource additions without Cottonwood and maintains
15 substantial capacity surpluses in nearly every planning year and season evaluated. This
16 result is significant because it indicates that the near-term capacity shortfall ELL relies
17 upon to justify Cottonwood is not primarily driven by the collection of the numerous other
18 projected large-load additions. Rather, the shortfall is predominantly attributable to the
19 Meta-Related Load Additions and the timing of those additions. In addition, the existence
20 of substantial surplus planning capacity once the extraordinary Meta-Related Load
21 Additions and planned generation are removed suggests that the market conditions
22 underlying ELL's scarcity-pricing concerns would be materially different than the current

¹⁶ Exhibit RLS-005 (Staff 3-31 Add 1 BP26 ELL PART_AB_HSPM_MW_HSPM).

1 market conditions. While I have not attempted to quantify the resulting impact on capacity
2 prices, the reduction in capacity need in MISO Local Resource Zone 9 (“LRZ9”) would
3 generally be expected to reduce upward pressure on capacity values and scarcity-related
4 pricing for LRZ9.

5 **Q32. WHAT CONCLUSIONS DO YOU DRAW FROM YOUR ANALYSIS?**

6 A. The analysis suggests that the near-term capacity need ELL relies upon to justify
7 Cottonwood is not being driven by general system load growth. Rather, the need appears
8 to be driven primarily by the timing and magnitude of the extraordinary Meta-Related Load
9 Additions.

10 **Q33. WHY IS THAT DISTINCTION IMPORTANT?**

11 A. Because it raises an important question regarding the role Cottonwood is intended to serve.
12 If Cottonwood is primarily being acquired to satisfy a general system need that would exist
13 regardless of the Meta-Related Load Additions, that presents one set of issues. However,
14 if Cottonwood is primarily being acquired now to predominantly satisfy the ramp-period
15 capacity requirements associated with Meta-related load growth, that presents a different
16 set of issues regarding prudence, cost causation, and allocation of resulting costs and risks.

17 **Q34. DOES YOUR ANALYSIS SUGGEST THAT ELL HAS NO LONG-TERM
18 CAPACITY NEED?**

19 A. No. My analysis should not be interpreted as suggesting that ELL has no future need for
20 capacity resources. The Company will continue to require additional accredited capacity
21 resources to support long-term load growth and reserve requirements and the L&C
22 accounts for such need with planned resources. Rather, my analysis indicates that the
23 specific near-term capacity need used to justify Cottonwood is directly related to the

1 extraordinary Meta-Related Load Additions and the timing of those additions relative to
2 the availability of other resources.

3 **Q35. HOW IS THIS ISSUE RELEVANT TO THE COMMISSION'S REVIEW OF**
4 **COTTONWOOD?**

5 A. Because the answer to the question "Why is Cottonwood needed?" affects both the
6 prudence analysis and the cost-allocation analysis. If Cottonwood is primarily addressing
7 a Meta-related ramp-period capacity obligation, the Commission must carefully consider
8 whether existing customers should bear the costs and risks associated with that resource
9 and how those costs should be treated under the broader framework governing service to
10 Meta.

11 **IV. PRUDENCE OF THE PROPOSED COTTONWOOD ACQUISITION**

12 **A. FACILITY CONDITION AND REQUIRED REHABILITATION**

13 **Q36. BEFORE DISCUSSING THE PURCHASE PRICE OR POTENTIAL NET**
14 **BENEFITS OF COTTONWOOD, WHAT SHOULD THE COMMISSION**
15 **UNDERSTAND ABOUT THE FACILITY ITSELF?**

16 A. Before evaluating whether the proposed purchase price is reasonable, it is important to
17 understand what ELL is proposing to acquire. Cottonwood is not a new generating
18 resource. The facility entered commercial operation in 2003 and is now approximately
19 twenty-two years old. As part of its evaluation of Cottonwood, ELL conducted an
20 extensive due diligence review utilizing Entergy personnel and a broad range of other
21 engineering, operational, maintenance, environmental, insurance, and other assessments
22 relating to the Facility. The results of those efforts were compiled into ELL's
23 Comprehensive Due Diligence Report, which provides a detailed assessment of the

1 facility's condition, historical performance, projected capital needs, operational risks,
2 environmental issues, insurance considerations, and other matters relevant to the proposed
3 acquisition.¹⁷

4 It is that report, together with the underlying assessments upon which it relies, that
5 forms the basis for much of ELL's evaluation of Cottonwood and the asset condition issues
6 discussed below. Those reviews identified existing equipment-condition issues, major
7 rehabilitation projects, historical reliability concerns, and future capital requirements that
8 must be successfully addressed if the facility is to achieve the level of performance
9 assumed in ELL's economic analysis.

10 **Q37. DID THE DUE DILIGENCE REPORTS IDENTIFY SIGNIFICANT HISTORICAL**
11 **EQUIPMENT FAILURES?**

12 A. The engineering due diligence report [REDACTED]
13 [REDACTED]. According to the report, [REDACTED]
14 [REDACTED]
15 [REDACTED]
16 [REDACTED]
17 [REDACTED].¹⁸ [REDACTED]
18 [REDACTED]
19 [REDACTED]

¹⁷ Exhibit RLS-006 (Cottonwood Due Diligence Report produced in response to Data Request Staff 3-23 (HSPM)).

¹⁸ Exhibit RLS-006 at EV708-EV709.

1 [REDACTED]

2 [REDACTED]

3 [REDACTED]¹⁹

4 **Q38. DID THE DUE DILIGENCE REPORT IDENTIFY MAJOR HEAT RECOVERY**
5 **STEAM GENERATOR (“HRSG”) ISSUES?**

6 A. Yes. In fact, the HRSGs appear to be one of the most significant areas of concern identified
7 in the diligence process. The report describes [REDACTED]

8 [REDACTED]

9 [REDACTED]

10 [REDACTED] The report also identifies [REDACTED]

11 [REDACTED]

12 [REDACTED]²⁰

13 ELL does not dispute the existence of these issues. Mr. Davis explains that the
14 identified conditions are generally known age-related degradation mechanisms that have
15 been evaluated through the due diligence process and incorporated into Entergy’s
16 rehabilitation plan. According to Mr. Davis, Entergy believes the necessary repairs and
17 replacements can be performed and that the HRSGs can continue to operate reliably
18 following completion of those projects.²¹ The significance of these findings is reflected in

¹⁹ *Id.* at EV708-EV709; Direct Testimony of Demitrius Davis at 27.

²⁰ *Id.* at EV734-EV739.

²¹ Direct Testimony of Demitrius Davis at 26.

1 ELL's projected capital plan. [REDACTED]

2 [REDACTED].²²

3 Accordingly, my concern is not that the HRSGs are completely incapable of
4 continued operation. Rather, my concern is that a substantial portion of the value ELL
5 attributes to Cottonwood depends upon the successful execution of an extensive and costly
6 rehabilitation program for the HRSGs whose benefits have not yet been realized.

7 **Q39. WERE SIGNIFICANT GENERATOR OR TRANSFORMER ISSUES**
8 **IDENTIFIED?**

9 A. Yes. [REDACTED]

10 [REDACTED]. With respect to the steam turbine
11 generators, [REDACTED]

12 [REDACTED].²³ [REDACTED]

13 [REDACTED] the catastrophic failure of the Unit 1
14 generator step-up transformer in 2025 and the subsequent catastrophic failure of the Unit
15 2 generator step-up transformer later that same year.²⁴ The report further notes that

16 [REDACTED]

17 [REDACTED].²⁵

²² Exhibit RLS-006 at EV749-EV751.

²³ *Id.* at EV727.

²⁴ Exhibit RLS-006 at EV742-EV744; Direct Testimony of Dimitrius Davis at 28-29.

²⁵ Exhibit RLS-006 at EV753.

1 **Q40. DOES ELL BELIEVE THESE ISSUES CAN BE ADDRESSED?**

2 A. Yes. Mr. Davis explains that replacement transformers have been procured and that
3 Entergy believes the identified generator and transformer issues can be addressed through
4 equipment replacement, maintenance activities, and normal fleet management practices.²⁶

5 **Q41. DOES THAT ELIMINATE THE RISKS ASSOCIATED WITH THESE EVENTS?**

6 A. No. The concern is not whether ELL has identified a path forward. The concern is that
7 two of the facility's four units recently experienced catastrophic transformer failures severe
8 enough to result in catastrophic outage declarations. These are not hypothetical risks
9 identified through engineering review. They are actual failures that have already occurred.
10 In addition, the future performance assumed in ELL's analysis depends upon successful
11 completion of the remaining replacement and rehabilitation work, successful return of the
12 affected units to service, and the continued reliable operation of the remaining major
13 electrical equipment. While ELL believes those objectives can be achieved, they have not
14 yet been demonstrated. Further, the occurrence of catastrophic failures involving two
15 generator step-up transformers within a relatively short period naturally raises questions
16 regarding the condition, maintenance history, and future reliability of other similarly
17 situated major equipment at the facility such as the other two GSUs. I am not aware of any
18 analysis in the materials produced by ELL that conclusively demonstrates that the
19 circumstances resulting in the Unit 1 and Unit 2 failures are unique to those units or
20 incapable of affecting other major equipment in the future. Accordingly, I believe the
21 recent transformer failures should be viewed as evidence of meaningful future performance

²⁶ Direct Testimony of Demetrius Davis at 28-29.

1 risk rather than merely historical events that can be disregarded once replacement
2 equipment is installed.

3 **Q42. DID THE DUE DILIGENCE PROCESS IDENTIFY FLOOD OR SITE-RELATED**
4 **RISKS?**

5 A. Yes. [REDACTED]
6 [REDACTED]
7 [REDACTED]
8 [REDACTED].²⁷ The report further notes that [REDACTED]
9 [REDACTED].²⁸

10 **Q43. DID THE DUE DILIGENCE PROCESS IDENTIFY ENVIRONMENTAL RISKS**
11 **OR POTENTIAL ENVIRONMENTAL LIABILITIES ASSOCIATED WITH THE**
12 **FACILITY?**

13 A. Yes. As part of the due diligence process, ELL reviewed due diligence materials that
14 included a Phase I Environmental Site Assessment and Limited Environmental
15 Compliance Review prepared by Ramboll Environ for NRG, as well as subsequent
16 environmental due diligence reviews(the "Phase I Report").²⁹ Phase I Report concluded
17 [REDACTED]
18 [REDACTED]

²⁷ Exhibit RLS-006 at EV703-EV704.

²⁸ *Id.*

²⁹ Exhibit RLS-007 (Staff 2-1 9.10.1 NRG Cottonwood Deweyville Tx Phase 1 and LECR Report_HSPM)

1 [REDACTED]
2 [REDACTED]
3 [REDACTED]³⁰
4 Q44. [REDACTED]
5 [REDACTED]
6 A. [REDACTED]
7 [REDACTED]
8 [REDACTED]
9 [REDACTED]³¹ [REDACTED]
10 [REDACTED]
11 [REDACTED]
12 [REDACTED]
13 [REDACTED]
14 [REDACTED]
15 [REDACTED]
16 [REDACTED]
17 [REDACTED]
18 [REDACTED]³²

³⁰ Exhibit RLS-007 at EV297-EV300.

³¹ *Id.*

³² *Id.* at EV322-EV323.

1 Q45. [REDACTED]

2 [REDACTED]

3 A. [REDACTED]

4 [REDACTED]

5 [REDACTED]

6 [REDACTED]

7 [REDACTED]

8 [REDACTED]

9 [REDACTED]

10 [REDACTED]

11 [REDACTED]

12 [REDACTED]

13 [REDACTED]

14 [REDACTED]³³

15 [REDACTED]

16 Q46. [REDACTED]

17 [REDACTED]

18 A. [REDACTED]

19 [REDACTED]

20 [REDACTED]

21 [REDACTED]

³³ *Id.* at EV312, EV323.

1 [REDACTED]

2 [REDACTED]

3 [REDACTED]³⁴

4 Q47. [REDACTED]

5 [REDACTED]

6 A. [REDACTED]

7 [REDACTED]

8 [REDACTED]

9 [REDACTED]

10 [REDACTED]³⁵

11 Q48. DID THE COMPLIANCE REVIEW IDENTIFY ANY OTHER MATTERS OF
12 CONCERN?

13 A. [REDACTED]

14 [REDACTED]

15 [REDACTED]

16 [REDACTED]

17 [REDACTED]

18 [REDACTED]

19 [REDACTED]³⁶

³⁴ *Id.* at EV323.

³⁵ *Id.* at EV305 and EV312.

³⁶ *Id.* at EV299-EV300 and EV331-EV334.

1 **Q49. DOES THE DISCUSSED ENVIRONMENTAL ISSUES MAKE THE FACILITY**
2 **UNACCEPTABLE?**

3 A. No. The environmental consultants did not conclude that the facility is incapable of
4 continued operation, and Mr. Davis testified that a subsequent Phase I Environmental Site
5 Assessment completed in 2025 identified no environmental condition that would impede
6 closing the acquisition.³⁷ My concern is not that Cottonwood cannot continue operating in
7 compliance with environmental requirements. Rather, my concern is that customers are
8 being asked to assume ownership of a twenty-two-year-old industrial facility [REDACTED]

9 [REDACTED]
10 [REDACTED]
11 [REDACTED].³⁸

12 Those risks should be considered together with the operational, rehabilitation,
13 accreditation, and economic risks associated with the acquisition when evaluating whether
14 the proposed purchase price is reasonable.

15 **Q50. DOES THE INFORMATION PROVIDED BY ELL CONTAIN ANY**
16 **INFORMATION REGARDING THE MAGNITUDE OF LOSSES THAT MAY**
17 **RESULT FROM MAJOR EQUIPMENT FAILURES AT THE FACILITY?**

18 A. Yes. As part of the insurance due diligence process, the facility's insurers evaluated
19 potential loss scenarios associated with major equipment failures. For example, [REDACTED]

³⁷ Direct Testimony of Dimitrius Davis at 30.

³⁸ Exhibit RLS-007 at EV296-EV300.

1 [REDACTED]

2 [REDACTED]

3 [REDACTED]³⁹ While these
4 estimates were developed for underwriting purposes and do not represent expected
5 outcomes, they illustrate the magnitude of the financial consequences that may result if
6 major equipment failures occur at the facility.

7 **Q51. DOES ELL ACKNOWLEDGE THE CONDITION AND RELIABILITY ISSUES**
8 **IDENTIFIED IN THE DUE DILIGENCE REVIEWS?**

9 A. ELL does not ignore these issues and attributes them to the prior merchant plant status of
10 the unit whereby without an obligation to server maintenance assumes more risk and was
11 mostly driven by economics.⁴⁰ To the contrary, ELL's witnesses and consultants have
12 identified the condition and reliability issues and developed a substantial rehabilitation plan
13 intended to address them. The due diligence report [REDACTED]

14 [REDACTED]⁴¹ [REDACTED]

15 [REDACTED]

16 [REDACTED]⁴²

17 In addition, Mr. Davis states that the estimated capital expenditures for the first six years
18 of ELL ownership are over \$300 million.⁴³ Mr. Davis further explains throughout his

³⁹ Exhibit RLS-008 (Staff 2-1 2.8.45.1 NRG-Cottonwood-AllRisk-2022Apr05 HSPM)

⁴⁰ Direct Testimony of Demetrius Davis at 35.

⁴¹ Exhibit RLS-006 at EV749-EV750

⁴² *Id.* at EV749-EV751.

⁴³ Direct Testimony of Demetrius Davis at 33.

1 testimony that Entergy has extensive experience operating aging thermal facilities and
2 believes the identified issues can be appropriately managed through planned maintenance
3 and capital investment programs.

4 **Q52. DOES THE EXISTENCE OF A REHABILITATION PLAN ELIMINATE THE**
5 **RISKS IDENTIFIED IN THE INFORMATION PROVIDED BY ELL?**

6 A. No. The existence of a rehabilitation plan demonstrates that ELL recognizes the issues and
7 has developed a strategy to address them. However, the Facility's future performance
8 remains dependent upon the successful execution of hundreds of millions of dollars of
9 planned capital investment. There is no way to know today whether all necessary issues
10 have been identified, whether future costs will ultimately exceed current projections, or
11 whether the planned rehabilitation program will enable the Facility to achieve the
12 operational performance and accredited capacity levels assumed in ELL's economic
13 analysis. Those uncertainties are particularly important because ELL's claimed benefits,
14 which we question in Section IV.C. below, are heavily dependent upon Cottonwood's
15 ability to deliver accredited capacity during the very years in which ELL contends capacity
16 is most needed.

17 **Q53. WHAT SHOULD THE COMMISSION TAKE FROM THIS REVIEW OF THE**
18 **FACILITY'S CONDITION?**

19 A. The Commission should recognize that customers are not being asked to purchase a new
20 generating resource with minimal near-term capital requirements. Rather, customers are
21 being asked to purchase a twenty-two-year-old facility that has experienced significant
22 equipment failures, requires substantial rehabilitation, and is expected to undergo over
23 \$300 million of capital investment during the first several years of ownership. While ELL

1 has developed a plan to address those issues, the success of that plan remains a critical
2 assumption underlying the economic value ELL attributes to the acquisition, and the
3 Commission needs to include that uncertainty in its overall public interest analysis.

4 **B. FUTURE PERFORMANCE RISK AND ACCREDITATION RISK**

5 **Q54. DOES ELL'S ECONOMIC ANALYSIS DEPEND UPON FUTURE**
6 **PERFORMANCE ASSUMPTIONS FOR THE FACILITY?**

7 A. Yes. The economic benefits attributed to Cottonwood are dependent upon the Facility's
8 ability to provide energy, capacity, and accredited capacity at the levels assumed in ELL's
9 modeling. Accordingly, the value ELL attributes to the acquisition depends not only upon
10 the purchase price and planned rehabilitation investments, but also upon the Facility's
11 future operational and accreditation performance.

12 **Q55. HAS ELL PROVIDED INFORMATION REGARDING THE FACILITY'S**
13 **HISTORICAL PERFORMANCE?**

14 A. Yes. The information provided by ELL contains information regarding Cottonwood's
15 historical equivalent availability factor ("EAF"),⁴⁴ equivalent forced outage rate demand
16 ("EFORd"),⁴⁵ historical outage events, capacity test results, heat-rate performance, and
17 operating history.

⁴⁴ Equivalent Availability Factor ("EAF") is a standard power-industry reliability metric that measures the percentage of time a generating unit is available to produce electricity, adjusted for both full outages and partial reductions in output. Higher EAF values indicate greater operational availability and reliability.

⁴⁵ Equivalent Forced Outage Rate Demand ("EFORd") is a standard power-industry reliability metric that measures the percentage of time a generating unit is unavailable due to unplanned outages or equipment problems when the unit is expected to be available to serve demand. Lower EFORd values indicate better reliability performance.

1 **Q56. WHAT DOES THE INFORMATION PROVIDED BY ELL SHOW REGARDING**
2 **HISTORICAL RELIABILITY PERFORMANCE?**

3 A. The Black & Veatch Technical Due Diligence Report states that Cottonwood's historical
4 EAF averaged approximately [REDACTED] and that its historical EFORd averaged approximately
5 [REDACTED] between 2019 and 2021. The report further notes that [REDACTED]
6 [REDACTED]
7 [REDACTED].⁴⁶

8 **Q57. DOES THE INFORMATION PROVIDED IDENTIFY REASONS FOR THAT**
9 **PERFORMANCE?**

10 A. Yes. The report notes that [REDACTED]
11 [REDACTED]
12 [REDACTED].⁴⁷ Mr. Davis also explains that many of the operational challenges
13 experienced by the Facility are known issues that have been evaluated through Entergy's
14 due diligence efforts and incorporated into the Company's rehabilitation and maintenance
15 plans.

16 **Q58. IS THE FACILITY CAPABLE OF PRODUCING SIGNIFICANT AMOUNTS OF**
17 **CAPACITY AND ENERGY?**

18 A. The Facility has operated for more than two decades and has historically provided
19 substantial amounts of energy and capacity to the system. In addition, recent capacity
20 testing demonstrates that the Facility is capable of producing output levels generally

⁴⁶ Exhibit RLS-009 at EV224 (Staff 2-1 1.6 IE Report - Black & Veatch (July 2022)_vF_HSPM produced in response to Data Request Staff 2-1).

⁴⁷ *Id.*

1 consistent with its design characteristics when operating. Mr. Davis further explains that
2 Entergy's due diligence review concluded that the Facility can continue to provide
3 substantial value if the identified rehabilitation and maintenance activities are successfully
4 completed.⁴⁸

5 **Q59. ARE THERE MORE RECENT PERFORMANCE CONCERNS IDENTIFIED IN**
6 **THE INFORMATION PROVIDED BY ELL?**

7 A. Yes. The information provided by ELL reflects that Units 1 and 2 experienced catastrophic
8 outage declarations associated with generator step-up transformer failures. In fact, ELL's
9 own evaluation of Cottonwood includes separate accreditation scenarios because of those
10 outages.⁴⁹

11 **Q60. WHY ARE THOSE EVENTS IMPORTANT?**

12 A. Because they demonstrate that major equipment failures are not merely hypothetical risks.
13 Two of the facility's four units recently experienced catastrophic transformer failures
14 significant enough to affect accreditation assumptions and require separate evaluation
15 scenarios in ELL's analysis. Those events occurred notwithstanding the maintenance,
16 inspection, and operating programs already in place at the facility.

17 **Q61. DOES ELL BELIEVE THESE RISKS CAN BE MANAGED?**

18 A. Yes. Mr. Davis explains that Entergy has extensive experience operating aging thermal
19 facilities and believes the identified issues can be addressed through planned maintenance,
20 equipment replacement, rehabilitation projects, and normal fleet management practices.⁵⁰

⁴⁸ Direct Testimony of Demetrius Davis at 27-30; Exhibit RLS-009 at EV224.

⁴⁹ Exhibit PDN-2 HSPM to the Direct Testimony of Phong Nguyen, Evaluation Scope at 2.

⁵⁰ Direct Testimony of Demetrius Davis at 27-30.

1 **Q62. DO YOU DISAGREE WITH THAT ASSESSMENT?**

2 A. Not necessarily. I agree that Entergy has substantial experience operating aging thermal
3 facilities and that the rehabilitation plan may ultimately prove successful. I also agree that
4 the existence of historical equipment issues does not automatically establish that the facility
5 will be unable to perform at the levels assumed by ELL.

6 **Q63. THEN WHAT IS YOUR CONCERN?**

7 A. My concern is that a substantial portion of the value ELL attributes to Cottonwood depends
8 upon future performance that has not yet occurred. The acquisition assumes successful
9 completion of hundreds of millions of dollars of rehabilitation projects, successful
10 management of known equipment issues, successful recovery from recent major outage
11 events, and the facility's ability to maintain accredited capacity and operational
12 performance over many years of future operation. Those outcomes may occur. However,
13 they remain assumptions rather than demonstrated results, which adds risks to the
14 acquisition.

15 **Q64. WHAT SHOULD THE COMMISSION TAKE FROM THIS?**

16 A. The Commission should recognize that a substantial portion of the value ELL attributes to
17 Cottonwood depends upon future operational and accreditation performance rather than
18 existing demonstrated performance. While ELL has developed a comprehensive plan
19 intended to improve reliability and address identified concerns, customers nevertheless
20 assume the risk that future outage rates, accreditation levels, repair costs, rehabilitation
21 outcomes, and operational performance may differ from those assumed in the Company's
22 analysis. In my opinion, that risk is particularly relevant in this proceeding because ELL
23 is not proposing to acquire Cottonwood at depreciated book value or replacement cost.

1 Rather, ELL is proposing to pay a substantial acquisition premium based in large part upon
2 the future value it expects the Facility to provide. The reasonableness of that premium has
3 to be considered in combination with the risks that future performance assumptions are
4 ultimately able to be realized.

5 **C. ECONOMIC REVIEW OF PROPOSED TRANSACTION.**

6 **1. ACQUISITION COST AND ACQUISITION PREMIUM**

7 **Q65. WHAT IS THE TOTAL INVESTMENT ELL PROPOSES CUSTOMERS**
8 **UNDERTAKE THROUGH THE COTTONWOOD ACQUISITION?**

9 A. According to ELL, the proposed transaction involves a total estimated investment of
10 approximately \$1.82 billion. ELL's estimate consists of three primary components. First,
11 ELL proposes paying approximately \$1.43 billion for the acquisition of Cottonwood itself.
12 Second, ELL estimates approximately \$80 million of transaction costs and contingency
13 amounts associated with the acquisition. Third, ELL projects approximately \$309.3
14 million of post-acquisition capital expenditures to rehabilitate, upgrade, and improve the
15 facility following closing.⁵¹ Accordingly, customers are not simply being asked to
16 purchase an existing generating facility for \$1.43 billion. Customers are being asked to
17 assume responsibility for an overall investment approaching \$1.82 billion, including
18 substantial post-acquisition rehabilitation and improvement costs.

19 **Q66. WHAT IS THE PROJECTED CUSTOMER RATE IMPACT FOR A CUSTOMER**
20 **USING 1,000 KWH/MONTH?**

21 A. The proposed customer rate impact of inclusion in the revenue requirement of the
22 acquisition price, the transaction costs and contingency, and just a first year projection of

⁵¹ Direct Testimony of Laura Beauchamp at 34.

1 \$91 million of the projected \$309.3 million of new capital is \$7.27/month for a customer
2 using 1,000 kWh/month.⁵² As more capital is added and O&M expenses increase the
3 customer rate, that impact will grow.

4 **Q67. DOES THE PROPOSED ACQUISITION RESULT IN A SIGNIFICANT**
5 **ACQUISITION ADJUSTMENT?**

6 A. Yes. ELL's evidence indicates that the proposed \$1.43-billion purchase price substantially
7 exceeds Cottonwood's underlying net book value and would result in an acquisition
8 adjustment approaching \$1 billion. As a result, a significant portion of the amount
9 customers would be asked to pay is not associated with the original cost of constructing
10 the facility but rather reflects a scarcity premium being paid to acquire the asset from its
11 current owner.⁵³

12 **Q68. WHAT DOES THE INFORMATION PROVIDED BY ELL INDICATE**
13 **REGARDING THE AMOUNT OF INVESTMENT EXPECTED TO REMAIN**
14 **UNRECOVERED AT THE END OF THE FACILITY'S PLANNED LIFE?**

15 A. ELL's own discovery responses indicate that a substantial portion of the acquisition
16 investment is projected to remain unrecovered at the end of the facility's assumed
17 retirement life. Specifically, ELL stated that assuming a \$1.43 billion acquisition closing
18 in early 2027 and depreciation at the proposed 3.12% annual rate, the facility would still
19 have an undepreciated book value of approximately \$672 million at the assumed

⁵² Exhibit PAS-2 to the Direct Testimony of Patrick Sullivan.

⁵³ Exhibit RLS-010 (ELL Response to Data Request LEUG 2-3).

1 2043/2044 retirement date. Importantly, ELL further stated that this estimate does not
2 include any undepreciated plant associated with ongoing capital expenditures incurred after
3 acquisition.⁵⁴

4 **Q69. WHY IS THE ACQUISITION ADJUSTMENT AND THE PROJECTED**
5 **STRANDED ASSET VALUE IMPORTANT?**

6 A. The acquisition adjustment reflects the extent to which customers are being asked to pay
7 above the underlying depreciated value of the facility. Accordingly, the acquisition
8 adjustment provides a useful measure of the premium embedded in the proposed
9 transaction. Likewise, even under ELL's own planning assumptions, customers would
10 remain responsible for recovering \$672 million of acquisition-related investment at the end
11 of the facility's planned operating life, before considering any additional post-acquisition
12 capital investments. In my opinion, that fact illustrates both the magnitude of the
13 acquisition premium being paid and the long-term recovery risk associated with the
14 proposed transaction.

15 **Q70. DOES THE RECORD CONTAIN INFORMATION REGARDING THE RECENT**
16 **OWNERSHIP HISTORY OF COTTONWOOD AND OTHER GENERATION**
17 **ASSETS ASSOCIATED WITH ITS CURRENT OWNER?**

18 A. Yes. Publicly available information indicates that affiliates of Atlas Holdings ("Atlas")
19 acquired the Cleco Cajun generation portfolio in 2024 for approximately \$600 million.
20 That transaction included fourteen generating units (including Cottonwood) totaling
21 approximately 3,379 MW together with associated wholesale contracts.⁵⁵

⁵⁴ Exhibit RLS-011 (ELL Response to Data Request LEUG 4-1).

⁵⁵ Exhibit RLS-012 (Cleco Press Release Nov 30, 2023).

1 **Q71. WHY IS THAT RELEVANT TO THE COMMISSION'S EVALUATION OF**
2 **COTTONWOOD?**

3 A. Because the Commission is not evaluating Cottonwood in a vacuum. The same ownership
4 group that acquired the Cleco Cajun portfolio is now proposing to separately monetize
5 multiple components of that portfolio through separate proposed transactions being
6 presented to Louisiana ratepayers. In addition to Cottonwood, ELL has separately
7 proposed long-term capacity purchase agreements associated with the Bayou Cove and Big
8 Cajun facilities, both of which were part of the Atlas-acquired Cleco Cajun generation
9 portfolio. According to Mr. Plaisance, the Bayou Cove Capacity Credit Purchase
10 Agreement ("CCPA") has an estimated nominal value of approximately [REDACTED] and
11 the Big Cajun CCPA has an estimated nominal value of approximately [REDACTED].⁵⁶

12 **Q72. WHAT CONCERN DOES THAT RAISE?**

13 A. My concern is not that private investors should be prohibited from earning profits on
14 investments. Rather, my concern is that the Commission must determine whether the
15 prices being paid continue to bear a reasonable relationship to the value being received by
16 customers. Viewed collectively, the transactions presently before the Commission
17 represent nearly [REDACTED] of customer-funded payments or investments associated with
18 assets that were part of a portfolio acquired only a few years earlier for approximately \$600
19 million.

⁵⁶ See, Direct Testimony of Michael Plaisance in LPSC Docket No. U-37872 (HSPM).

1 **Q73. ARE YOU SUGGESTING THAT HISTORICAL PURCHASE PRICE SHOULD**
2 **CONTROL THE COMMISSION'S DECISION?**

3 A. No. The value of generation assets can change significantly over time due to market
4 conditions, resource adequacy concerns, and scarcity of accredited capacity. The fact that
5 an asset was previously acquired at a lower price does not by itself establish that a
6 subsequent transaction is unreasonable. However, neither does the existence of a capacity
7 shortage relieve the Commission of its obligation to determine whether customers are being
8 asked to pay an unreasonable price for the benefits expected to be received.

9 **Q74. DO YOU DISPUTE THAT COTTONWOOD HAS VALUE?**

10 A. No. Cottonwood has a value. It is a dispatchable generating resource that can provide
11 accredited capacity and energy. In addition, the facility may provide timing advantages
12 relative to certain new-build alternatives. The issue is not whether Cottonwood has value.
13 The issue is whether the value reasonably supports the extraordinary premium customers
14 are being asked to pay.

15 **Q75. WHAT CONCLUSION DO YOU DRAW FROM THESE TRANSACTIONS?**

16 A. My conclusion is not that asset owners should be denied the opportunity to earn profits.
17 Nor do I contend that generation assets have not increased in value as reserve margins have
18 tightened and concerns regarding resource adequacy have increased. However, there must
19 be a practical limit to the amount of scarcity value that can reasonably be transferred to
20 captive regulated customers. In my opinion, the level of value being extracted through the
21 proposed Cottonwood acquisition, together with the separate monetization of other assets
22 acquired as part of the same portfolio, far exceeds that limit. Less than three years after
23 affiliates of Atlas acquired the entire Cleco Cajun generation portfolio for approximately

1 \$600 million, Louisiana customers are being asked to fund approximately \$1.43 billion for
2 Cottonwood alone, invest at least \$300 million for additional rehabilitation capital, and
3 support separate long-term capacity transactions associated with other assets from that
4 same portfolio which have a nominal value of over [REDACTED]. In my opinion, that level of
5 value transfer reflects scarcity pricing that exceeds what captive regulated customers
6 should reasonably be required to bear. The Commission's obligation is not to ensure that
7 every potentially beneficial transaction is approved regardless of price. Rather, the
8 Commission's obligation is to determine whether the price being paid remains reasonable
9 in light of the benefits expected to be received and the risks to be assumed by the Louisiana
10 customers it serves. In my opinion, as evidenced in my discussion below on the economic
11 analysis of the proposed transaction, the amounts being proposed to be paid by Louisiana
12 customers for acquisition of benefits raise serious concerns.

13 **Q76. WHY IS THAT A PARTICULAR CONCERN IN THIS PROCEEDING?**

14 A. Because the proposed transaction transfers a significant amount of risk to customers.
15 Customers would be responsible not only for the acquisition premium itself, but also for
16 the risks associated with facility performance, accreditation outcomes, future rehabilitation
17 costs, and the possibility that the facility does not ultimately provide the benefits assumed
18 by ELL's modeling. In my opinion, those risks must be considered together with the
19 extraordinary premium embedded in the proposed transaction when determining whether
20 the acquisition is reasonable and in the public interest.

21 **2. EVALUATION OF ELL ECONOMIC ANALYSIS**

1 **Q77. DID ELL PROVIDE AN ECONOMIC EVALUATION TO SUPPORT THE**
2 **COTTONWOOD ACQUISITION?**

3 Yes, but it is limited analysis. ELL did not perform a general comparison of its Cottonwood
4 acquisition to the costs of alternative resources as it had done in prior resource certification
5 proceedings and IRP proceedings. It does not state a standard figure for the levelized cost
6 of Cottonwood that could be compared to other generation alternatives. Instead, the
7 Company has presented an economic analysis that it describes as “an assessment of the
8 potential net benefit (or the potential net cost) of the Company acquiring Cottonwood and
9 closing on the transaction in early 2027 as compared to the alternative of the Company
10 building two new-build CCCT facilities that would come online in 2031 (Base Case).”
11 The Company’s economic assessment compares customers’ costs in these two scenarios
12 for the period 2027-2044 and concludes that the Cottonwood acquisition would provide a
13 net benefit of approximately \$167 million to \$270 million (NPV, 2025\$). The range of
14 benefits depends on which seasonal accredited capacity (“SAC”) methodology is used for
15 calculating Cottonwood’s accredited capacity. The lower figure represents ELL’s estimate
16 under the “ramp up” view and the higher under the “class average” view.⁵⁷

17 **Q78. WHY DOES ELL BELIEVE THAT THIS IS THE CORRECT METHOD OF**
18 **EVALUATING THE ECONOMIC BENEFITS OF COTTONWOOD?**

19 A. According to Mr. Nguyen, ELL selected the two-CCCT Base Case as the comparison point
20 on the theory that, absent Cottonwood, the Company would need to build new generation
21 to meet its long-term resource-adequacy needs, and that a new-build CCCT is the “next
22 best alternative” providing comparable capacity and energy. Company witness Laura

⁵⁷ Direct Testimony of Phong Nguyen at 10.

1 Beauchamp supports that premise by pointing to declining surplus capacity in MISO and
2 in Local Resource Zone 9, and to a 2024 market solicitation that, in ELL's words, returned
3 little to no available existing supply.⁵⁸

4 **Q79. IS THIS THE TYPE OF ANALYSIS USUALLY PERFORMED TO EVALUATE**
5 **WHETHER A RESOURCE IS THE LOWEST REASONABLE COST?**

6 A. No. Traditionally, when ELL and other utilities have compared resources for purposes of
7 determining whether a resource is the lowest reasonable cost, they do so by comparing the
8 levelized costs of the assets. A levelized cost comparison in the conventional sense
9 expresses the total present-value cost of a resource as a constant payment per unit of
10 capacity per year over the resource's full operating life. The accepted regulatory
11 convention is to express the levelized cost as a real (inflation-adjusted) value in year-one
12 dollars that grows with inflation in nominal terms. The purpose of levelization is precisely
13 to enable the apples-to-apples comparison of resources with different operating lives. A
14 resource with an 18-year life and a resource with a 30-year life can be directly compared
15 on this basis because levelization normalizes for asset life – it expresses what each resource
16 costs per kW of capacity per year of service in constant purchasing power, regardless of
17 how long the resource operates.

⁵⁸ Direct Testimony Laura Beauchamp at 14.

1 **Q80. HAS ELL USED LEVELIZED RESOURCE COSTS TO COMPARE OTHER**
2 **RESOURCES AND PRESENTED THOSE COMPARISONS TO THE**
3 **COMMISSION?**

4 A. Yes. Indeed, in Docket No. U-37872, where ELL is seeking certification of two CCPAs
5 running through 2042, ELL has stated that “[g]iven the long-term nature of the Bayou Cove
6 CCPA and Big Cajun CCPA, the comparison to the BP26 30-year levelized CT is the
7 appropriate comparison point, which shows that the Bayou Cove CCPA and Big Cajun
8 CCPA are lower cost.”⁵⁹ And, ELL has performed this same type of analysis in numerous
9 other proceedings before the Commission.

10 **Q81. WHY HAS ELL NOT PERFORMED THAT TYPE OF ANALYSIS HERE?**

11 A. ELL does not explain why it elected not to perform a conventional levelized-cost
12 comparison. When asked to provide an analysis reflecting a comparison of the value of
13 the resources over the life cycle of the assumed new-build CCCTs, ELL responded that its
14 economic assessment was a “life-cycle” analysis over the life of Cottonwood (2027-
15 2044).⁶⁰

16 **Q82. DO YOU HAVE ANY CONCERNS REGARDING THIS ECONOMIC ANALYSIS**
17 **THAT ELL HAS PRESENTED TO SUPPORT THE COTTONWOOD**
18 **ACQUISITION?**

19 A. Yes. I have two primary concerns with the analysis ELL has presented. First, the Company
20 inappropriately ends its analyses for the CCCTs in 2044 at the assumed end of
21 Cottonwood’s life, ignoring the fact that the alternative new-build CCCTs in its Base Case

⁵⁹ See, Direct Testimony of Christian Smith in LPSC Docket No. U-37872 at 21.

⁶⁰ Exhibit RLS-013 (ELL Response to Data Request Staff 3-1).

1 scenario would continue to provide energy and capacity benefits to customers well beyond
2 that date. Second, ELL has used generic O&M expenses for the two alternative CCCTs
3 that well exceed the actual O&M expenses that ELL has projected for the two self-build
4 CCCTs it has proposed in Docket No. U-37853 (Waterford 6 and Westlake). Both of these
5 concerns bias the analysis in favor of the Cottonwood acquisition, and when corrected,
6 produce results that are inconsistent with ELL's claim that the acquisition provides net
7 customer savings.

8 **Q83. REGARDING YOUR FIRST OBSERVATION THAT ELL'S ECONOMIC**
9 **ANALYSIS IMPROPERLY ENDS IN 2044, PLEASE EXPLAIN YOUR**
10 **CONCERN.**

11 The 2044 truncation is the more consequential methodological choice in ELL's economic
12 analysis, and it is the choice that drives the claimed net benefit. ELL's \$167 million to
13 \$270 million net benefit reflects costs and benefits only through the assumed retirement of
14 Cottonwood in 2044. But the Base Case alternative against which Cottonwood is being
15 compared – two new-build CCCTs placed in service in 2031 – would have a 30-year
16 operating life extending through 2061. The Base Case therefore would provide 16
17 additional years of capacity and energy benefits to customers that ELL's analysis ignores
18 entirely. This asymmetric treatment biases the comparison in favor of Cottonwood. ELL's
19 2027-2044 window captures essentially all of Cottonwood's life but only the first 14 years
20 of the new CCCTs' 30-year life. By 2044, Cottonwood has no remaining value to provide
21 to customers. The new CCCTs, in contrast, would still have more than half of their useful
22 lives remaining. A fair comparison should address that asymmetry rather than ignore it.

1 **Q84. HAVE YOU PERFORMED AN ANALYSIS THAT VIEWS THE ECONOMICS**
2 **OVER THE LIFE OF THE CCCTS INSTEAD OF STOPPING AT 2044?**

3 A. Yes. To quantify the effect of ELL's choice to end its analysis in 2044, I have extended
4 ELL's economic analysis through 2061, capturing the full natural 30-year operating life of
5 the Base Case CCCTs. For each line item in the Base Case, I carried forward the cost and
6 benefit streams ELL itself uses through 2044 and extended them through 2061 using ELL's
7 own data wherever possible. Levelized installed costs, transmission costs, insurance,
8 property tax, and gas transportation demand charges all continue as ELL has modeled them.
9 The avoided capacity cost benefit escalates at 2% per year, consistent with ELL's inflation
10 convention, with the final year halved to reflect partial-year end-of-life retirement.

11 Because ELL did not analyze variable supply cost savings beyond 2044, it was
12 necessary to develop an estimate of those benefits for the remaining life of the CCCTs. In
13 evaluating the best estimate to utilize, I found that ELL has provided variable supply cost
14 savings estimates for the Westlake and Waterford 6 generators – two self-build CCCTs
15 that ELL has asked the Commission to certify in Docket No. U-37853. I used these ELL-
16 provided estimates to populate the 2045-2061 variable supply cost savings along with all
17 offsetting O&M (both fixed and variable) in the Base Case two-CCCTs scenario.

18 **Q85. DO YOU BELIEVE WESTLAKE AND WATERFORD 6 SERVE AS GOOD**
19 **PROXIES FOR ELL'S ASSUMED CCCTS?**

20 A. Yes. I believe these cost estimates are the closest analogs available. Westlake and
21 Waterford 6 are proposed to be placed in service in 2030, and both are 1x1 CCCTs of
22 similar size to the generic Base Case CCCTs ELL assumes it would otherwise build in the
23 Cottonwood economic analysis.

1 **Q86. DID YOU INCLUDE ANY REPLACEMENT CAPACITY IN YOUR ANALYSIS**
2 **TO ACCOUNT FOR THE FACT THAT COTTONWOOD WOULD CEASE**
3 **OPERATION IN 2044?**

4 A. No. Consistent with ELL's methodology, I have not included any replacement generation
5 or related cost after Cottonwood's 2044 retirement, even though the Company would have
6 to address any resource adequacy gap left by Cottonwood's retirement through new
7 construction or market purchases.

8 **Q87. WHY DOES ELL'S AND YOUR ANALYSIS NOT NEED TO INCLUDE EXPLICIT**
9 **REPLACEMENT GENERATION AFTER COTTONWOOD'S RETIREMENT?**

10 A. Because under the structure of ELL's economic model, replacement-capacity costs are
11 offset by the avoided-capacity values already embedded in the analysis. ELL's economic
12 model is not structured as a direct comparison between Cottonwood and two new-build
13 CCCTs. Instead, it compares the net present value of two alternative portfolios over the
14 period 2027 through 2044.

15 Under the base case, ELL includes an annual levelized cost of two new CCCTs
16 together with production costs derived from a portfolio that assumes those units are
17 operating. ELL then offsets those costs using an avoided-capacity value based upon the
18 levelized cost of a generic combustion turbine contained in its BP26 planning assumptions
19 and calculates an NPV for that portfolio (the "Base Case").

20 Under the change case, ELL performs the same calculation using the projected
21 annual costs of Cottonwood rather than the annual levelized cost of the two new-build
22 CCCTs. The same avoided-capacity value is applied and a separate NPV is calculated.
23 (the "Change Case")

1 ELL then compares the two portfolio NPVs to determine the claimed economic
2 benefit of acquiring Cottonwood in 2027 rather than constructing two new CCCTs in 2031.
3 Importantly, both portfolios receive the same type of avoided-capacity credit. That credit
4 is based on ELL's estimated avoided cost of new combustion-turbine capacity and is scaled
5 to match the amount of accredited capacity provided by the resource being evaluated.

6 This structure has an important implication for the replacement-capacity question.
7 Because ELL values capacity using the cost of a new combustion turbine, any assumed
8 replacement resource should be priced at that same avoided-capacity value and thus would
9 create an equal and offsetting cost and benefit within the model. As a result, adding a
10 replacement-capacity assumption would have no effect on the outcome of the analysis.

11 This is effectively the approach ELL used during the 2027-2030 period. Although
12 the Base Case did not include operating CCCTs during those years, ELL did not separately
13 model replacement generation because the implied cost of replacement capacity would
14 have been offset by the avoided-capacity value used in the analysis. Likewise, my
15 treatment of the post-2044 period follows the same logic. If Cottonwood was replaced
16 with a combustion turbine or a capacity purchase agreement priced at ELL's assumed
17 avoided-capacity value, the replacement cost would be offset by the corresponding
18 avoided-capacity credit already embedded in the model. Accordingly, adding an explicit
19 replacement-generation assumption would not materially change the outcome of the
20 analysis because the associated capacity costs would be offset by the corresponding
21 avoided-capacity values already embedded in ELL's methodology.

1 **Q88. BY EXPLAINING ELL'S ANALYSIS ARE YOU ACCEPTING THAT ELL'S**
2 **CAPACITY VALUE IS APPROPRIATELY STATED?**

3 A. No. Because ELL applies the same avoided-capacity value in both the Base Case and the
4 Change Case, my analysis does not depend upon accepting the reasonableness of that value.
5 Accordingly, nothing in my discussion of ELL's methodology should be interpreted as an
6 endorsement of the avoided-capacity value used by ELL. To the contrary, the avoided-
7 capacity value utilized by ELL appears high to me, and I discuss that issue later in my
8 testimony.

9 **Q89. WHAT ARE THE RESULTS OF YOUR ECONOMIC ANALYSIS THAT**
10 **EXTENDS ELL'S ANALYSIS THROUGH 2061?**

11 A. Just shifting the viewpoint of ELL's life-of-asset analysis from the life of Cottonwood to
12 the life of the two CCCTs, changes the economics from a \$167 million NPV benefit in
13 favor of Cottonwood to a \$211 million NPV cost to customers for acquiring Cottonwood
14 as opposed to the proposed two new CCCTs.

15 **Q90. RETURNING TO YOUR SECOND OBSERVATION REGARDING THE O&M**
16 **EXPENSES INCLUDED IN THE CASE, CAN YOU EXPLAIN YOUR CONCERN?**

17 A. The O&M issue that I raise results from an apparent inconsistency in how ELL's economic
18 analysis treats the two sides of the comparison. For Cottonwood, ELL has used plant-
19 specific O&M estimates supported by Company witness Demetrius Davis. For the two
20 CCCTs in the Base Case, by contrast, ELL has used generic Business Plan 2026 ("BP26")
21 O&M assumptions, which are formulaic estimates not tied to any specific filing or specific
22 plant. The two sides of the comparison are therefore developed using fundamentally
23 different methodologies, and the comparison is not apples-to-apples.

1 **Q91. HOW DO THE FORMULAIC O&M EXPENSE ASSUMPTIONS USED FOR THE**
2 **TWO CCCTS COMPARE TO OTHER O&M ESTIMATES YOU HAVE SEEN?**

3 They appear materially higher than other O&M estimates recently presented by ELL for
4 comparable CCCT resources. As I noted earlier, ELL currently has before this
5 Commission a proposal to construct two CCCTs and place them in service in 2030 – one
6 year before the generic CCCTs would go in service in the scenario depicted in ELL’s Base
7 Case.⁶¹ There, the Company has provided detailed O&M expense estimates for the
8 proposed CCCTs. Those estimates are supported by testimony from a Company witness
9 who provides the breakdown of costs much in the same way as Mr. Demetrius Davis has
10 done in this proceeding.

11 The O&M estimates provided for Westlake and Waterford 6 are significantly lower
12 than those ELL has included for the two CCCTs in the Cottonwood economic analysis.
13 Through 2044, ELL has included \$449 million more in O&M for the two hypothetical
14 CCCTs than it would have included if it had utilized its own O&M estimates for Westlake
15 and Waterford 6. In my opinion, the Westlake and Waterford 6 estimates provide a more
16 appropriate basis for evaluating CCCT O&M because they are project-specific estimates
17 developed by ELL for actual CCCT projects currently before the Commission. Utilizing
18 those estimates would also make the treatment of O&M expenses more consistent with the
19 plant-specific methodology ELL used for Cottonwood.

⁶¹ See, LPSC Docket No. U-37872.

1 **Q92. HAVE YOU PERFORMED AN ANALYSIS TO ACCOUNT FOR THIS O&M**
2 **DISCREPANCY?**

3 A. Yes. I have replaced ELL's generic variable and fixed O&M assumptions for the two
4 CCCTs with the actual O&M estimates that ELL has provided for CCCTs currently under
5 development. As I noted earlier, shifting the analysis to a view through 2061 results in a
6 \$211 million cost to customers on an NPV basis resulting from the Cottonwood acquisition
7 (when compared to two CCCTs). Adjusting the O&M estimates as I have done to
8 incorporate actual O&M estimates that ELL has provided for CCCTs currently under
9 development and before the Commission further increases this cost another \$212 million
10 on an NPV basis, resulting in a total net cost to customers of acquiring Cottonwood of \$423
11 million more than the alternative of adding two new CCCTs.

12 **Q93. WHAT DO YOU TAKE AWAY FROM YOUR REVISED ANALYSIS?**

13 A. Both adjustments incorporated into my analysis are based on ELL's own assumptions and
14 estimates. Collectively, those adjustments modify the net cost of acquiring Cottonwood
15 on an NPV basis by approximately \$590 million, converting ELL's claimed net benefit of
16 the Cottonwood acquisition into a net cost to customers. In my opinion, the magnitude of
17 that change demonstrates that the claimed economic benefit of the Cottonwood acquisition
18 is not an inherent characteristic of the transaction itself, but rather is highly dependent upon
19 the specific assumptions selected for the analysis.

20 **Q94. EARLIER YOU STATED THAT THE CAPACITY VALUE ELL HAS USED IN**
21 **ITS ECONOMIC MODEL APPEARS HIGH. CAN YOU EXPLAIN FURTHER?**

22 A. Yes. One observation from my review is that the cost assumptions used in ELL's
23 Cottonwood analysis are materially higher than the costs associated with the actual CCCT

1 projects ELL has recently selected and proposed for certification. Table RLS-001 below
2 shows the gross levelized real cost per kW-yr (in 2025 dollars) for Cottonwood, ELL's
3 generic CCCT and CT capacity benchmarks, and the two actual CCCT proposals ELL
4 selected from its 2024 RFP solicitation and proposed for certification by ELL (Westlake
5 and Waterford 6 self-builds).

6 **TABLE RLS-001**

Resource	Gross Levelized Cost (\$/kW-yr, 2025\$ real) UCAP
Cottonwood	[REDACTED]
Generic 1x1 CCCT from Analysis	[REDACTED]
ELL Westlake RFP Proposal	[REDACTED]
ELL Waterford 6 RFP Proposal	[REDACTED]
ELL CT capacity benchmark (UCAP)	[REDACTED]

7
8 As shown above, Cottonwood's levelized cost exceeds the cost of the generic CCCT used
9 in ELL's analysis by \$4/kW-year. More importantly, both Cottonwood and ELL's generic
10 CCCT assumptions are more than \$20/kW-year above the levelized costs associated with
11 the actual Westlake and Waterford 6 projects. These figures reflect gross costs only and
12 do not yet account for the relative energy benefits associated with each resource.

13 **Q95. HAVE YOU PREPARED A SIMILAR COMPARISON THAT REFLECTS THE**
14 **RELATIVE VARIABLE SUPPLY COST SAVINGS THAT EACH FACILITY**
15 **WOULD BE EXPECTED TO PROVIDE?**

16 A. Yes. Through various responses to discovery, ELL has provided the variable supply cost
17 savings (or energy margins) for each of the resources reflected in Table RLS-002. Because
18 of the relative heat rate difference – [REDACTED]

1 [REDACTED]⁶² [REDACTED]
 2 [REDACTED]⁶³ – Cottonwood consumes more fuel per MWh of energy produced than a
 3 comparable new-build CCGT. Thus, as would be expected, Cottonwood produces less
 4 energy benefits on a \$/kWh basis. This physical reality plays out in the calculations of net
 5 levelized costs shown in Table RLS-002:

6 **TABLE RLS-002**

Resource	Gross Levelized Cost (\$/kW-yr, 2025\$ real)	Net Levelized Cost (\$/kW-yr, 2025\$ real)
Cottonwood	[REDACTED]	[REDACTED]
Generic 1x1 CCGT from Analysis	[REDACTED]	[REDACTED]
ELL Westlake RFP Proposal	[REDACTED]	[REDACTED]
ELL Waterford 6 RFP Proposal	[REDACTED]	[REDACTED]
ELL CT capacity benchmark (UCAP)	[REDACTED]	[REDACTED]

7
 8 Once the relative energy benefits are incorporated, the cost differences become even more
 9 pronounced. The two new-build CCGTs ELL actually selected in its 2024 RFP – Westlake
 10 and Waterford 6– fall below [REDACTED], while Cottonwood falls to approximately
 11 [REDACTED]. Even ELL’s generic CCCT assumption remains materially more expensive
 12 than the actual CCCT projects ELL proposes to construct. In other words, after accounting
 13 for both capacity and energy value, Cottonwood remains more than \$30/kW-year more
 14 expensive than the new-build CCCTs ELL is currently seeking to construct. This is
 15 consistent with my revised results from of ELL’s economic model, which I discussed in
 16 above in this section.

⁶² Direct Testimony of Demetrius Davis at 22.

⁶³ Exhibit RLS-014 (Excerpt from ELL Response to Data Request LEUG 1-13 Pelican Cottonwood Analysis_2025_HSPM).

1 **Q96. DO YOU HAVE AN OBSERVATION REGARDING ALL OF THESE COST**
2 **COMPARISONS YOU HAVE DISCUSSED?**

3 A. Yes. My first observation is that these costs are all ELL's costs – derived from the
4 Company's modelling assumptions and, in the case of the proposed Waterford 6 and
5 Westlake plants, the Company's own estimates of the cost of construction, ongoing capital,
6 and O&M expense. Another observation is that ELL's estimate of the cost of new
7 generation has increased dramatically in a very short period. Entergy's 2023 Business Plan
8 estimated that the cost of a CT would be ██████████.⁶⁴ Its 2025 Business Plan estimated
9 that cost at ██████████.⁶⁵ And now, in the economic evaluation in this proceeding, ELL
10 relies on a CT cost of ██████████ (2031\$),⁶⁶ and its most recently reported cost of a CT has
11 risen to \$2,660/kW (2033\$).⁶⁷

12 This matters to ELL's Cottonwood evaluation because a substantial portion of the
13 economic value attributed to Cottonwood is driven by the Company's assumption that
14 future replacement capacity will be extraordinarily expensive. The higher the assumed
15 cost of the new-build alternative, the greater the apparent advantage of acquiring
16 Cottonwood today. To the extent those cost assumptions prove overstated, the economic
17 advantage ELL attributes to Cottonwood would decline correspondingly.

⁶⁴ See, Direct Testimony of R. Lane Sisung in LPSC Docket No. U-37193 at 23

⁶⁵ *Id.*

⁶⁶ Exhibit RLS-015 (Excerpt from ELL response to Data Request LEUG 1-13 ELLBP26
Avoided Capacity Cost Curves_HSPM).

⁶⁷ See, LPSC Docket No. U-37725 (ELL IRP Assumptions filed January 21, 2026).

1 **Q97. HOW DO ELL'S MOST RECENT ESTIMATES OF GENERATING CAPACITY**
 2 **COSTS COMPARE TO OTHER FIGURES YOU HAVE SEEN?**

3 A. As an initial manner, ELL's planning figures appear to be at the high end of those being
 4 used by Louisiana's other investor-owned utilities, particularly with the CT technology that
 5 ELL uses to establish its capacity benefits and avoided capacity costs. Each of those
 6 utilities has submitted recent cost assumptions in its IRP process. In Table RLS-003
 7 below, I have taken those figures and adjusted them to account for differences in timing
 8 and to account for variances in contingency amounts.

9 **TABLE RLS-003⁶⁸**

IOU IRP Resource Cost Estimates (\$2031, 10% Contingency)				
	Class Type	ELL	Cleco	SWEPCO
CTs	Frame CT, F-class (no SCR)	\$2,846	\$2,191	\$2,020
	Frame CT, H-class		\$1,952	\$1,959
	Frame CT, J-class	\$2,557		
CCCTs	1x1 CCGT	\$2,705	\$2,690	\$2,546
	2x1 CCGT	\$2,332	\$2,636	\$2,583

10
 11 ELL's currently assumed CT cost of \$2,557/kW (2031\$) exceeds both other utilities, and
 12 its assumed CCCT cost of \$2,705/kW is at the upper end of this group.

13 Beyond ELL's Louisiana peers, the broader public record confirms that capital
 14 costs for new natural-gas generation have risen materially over the last several years.
 15 Accordingly, my concern is not that ELL recognizes rising costs, but rather where ELL's
 16 assumptions fall within the range of available estimates.

17 As to the magnitude of the increase, a recent 2025 Cost of New Entry study
 18 performed by the Brattle Group and Sargeant and Lundy found that the cost of new gas-

⁶⁸ Exhibit RLS-016 (IOU Filed IRP Assumptions compiled).

1 fired generation has risen 43% to 46% relative to the comparable study conducted
2 approximately two and a half years earlier, after adjusting for inflation, with an increase of
3 15% to 21% in the period since August 2024 alone.⁶⁹ The study attributes these increases
4 to national supply chain issues, including scarcity of gas turbines, transformers, and
5 switchgear, and to the rising labor and construction costs. Similarly, the U.S. Energy
6 Information Administration's April 2026 Annual Energy Outlook assumptions raise the
7 overnight capital cost of a reference combined-cycle plant by approximately 20 percent,
8 and that of a simple-cycle combustion turbine by approximately 40 percent, above the prior
9 assumption.⁷⁰

10 As to where the upper end of the market sits, Lazard's June 2025 Levelized Cost
11 of Energy+ analysis reports that the capital cost of building a new combined-cycle gas
12 turbine has reached a ten-year high.⁷¹ In its report, Lazard includes an "illustrative high
13 case" that reflects recent market quotes of approximately \$2,400 to \$2,600 per kW for
14 projects entering service after 2028.⁷² A September 2025 white paper by GridLab, Energy

⁶⁹ See, Brattle 2025 CONE Report for PJM at 2-3, available at <https://www.pjm.com/-/media/DotCom/committees-groups/committees/mic/2025/20250411-special/item-1-02-revised-cone-report-final.pdf>.

⁷⁰ See, U.S. Energy Information Administration, Assumptions to the Annual Energy Outlook 2026: Electricity Market Module (April 2026) at 4, available at https://www.eia.gov/outlooks/aeo/assumptions/pdf/EMM_Assumptions.pdf

⁷¹ See, Lazard Releases 2025 Levelized Cost of Energy+ Report (June 26, 2025), available at <https://www.lazard.com/news-announcements/lazard-releases-2025-levelized-cost-of-energyplus-report-pr/>.

⁷² *Id.*

1 Futures Group, and Halcyon report draws on capital-cost data from utility IRP and
2 certification proceeding to report costs of actual 2026-2031¹ projects with cost between
3 \$1,300 and \$2,256/kW, reporting one project just under \$2,500/kW.⁷³

4 By contrast, the lower-end public references sit well below all of these figures.
5 EIA's most recent generating-technology cost study assumes approximately \$1,248/kW
6 (2032 COD) for a 1x1 combined-cycle plant,⁷⁴ and the National Renewable Energy
7 Laboratory's 2024 Annual Technology Baseline projected roughly \$1,704/kW (2032
8 COD) for a comparable 2030 plant.⁷⁵ The authors of the GridLab analysis I discussed
9 earlier have observed, like others, that these widely used public datasets have not kept pace
10 with current market conditions and therefore understate present costs. But the relevant
11 point for this proceeding is that ELL's assumptions exceed not only these lagging public
12 references, but also the elevated current-market figures reported by Lazard and the actual
13 project data compiled by GridLab.

⁷³ See, *The New Reality of Power Generation: An Analysis of Increasing Gas Turbine Costs in the U.S.* (September 2025), available at https://gridlab.org/wp-content/uploads/2025/09/GridLab_Gas-Turbine-Costs-Report-1.pdf.

⁷⁴ I have converted EIA's reported \$1,086/kW (\$2026) to 2032 dollars to be comparable to the figures in ELL's business plan. See, U.S. Energy Information Administration, *Assumptions to the Annual Energy Outlook 2026: Electricity Market Module* (April 2026) at 6. available at https://www.eia.gov/outlooks/aeo/assumptions/pdf/EMM_Assumptions.pdf

⁷⁵ I have converted NREL's reported \$1,398/kW (\$2022) to 2032 dollars to be comparable to the figures in ELL's business plan.

1 **Q98. RECOGNIZING THESE INCREASING MARKET PRICES, HOW DO ELL'S**
 2 **MOST RECENT ESTIMATES COMPARE TO OTHER FIGURES YOU HAVE**
 3 **SEEN?**

4 A. ELL's estimates of capacity costs appear to sit at or above the upper end of the range
 5 reflected in publicly available market information. The table below collects publicly
 6 reported capital cost per kW (nominal dollars at commercial operation, transmission
 7 interconnection excluded) for combined-cycle projects with commercial operation dates of
 8 2026 through 2031, drawn from the GridLab/EFG/Halcyon dataset,⁷⁶ with ELL's two
 9 proposed CCGTs shown for comparison at the bottom:

10 **TABLE RLS-004**

Plant / Unit	Owner	Region	COD	MW	Capital Cost (\$/kW, nom. at COD)
Orange County (OCAPS)	Entergy Texas	MISO (TX)	2026	1,215	\$1,300
Mill Creek 5 (actual)	Louisville Gas & Electric	PJM (KY)	2027	640	\$1,427
Cooper CCGT	East Kentucky Power Coop	PJM (KY)	2030	745	\$1,768
Legend Power Station	Entergy Texas	ERCOT (TX)	2028	754	\$2,125
Brown 12	Kentucky Utilities	PJM (KY)	2030	645	\$2,144
Mill Creek 6	Louisville Gas & Electric	PJM (KY)	2031	645	\$2,194
Homer City	Homer City Generation	PJM (PA)	2028/29	4,500	\$2,222
McNew Gen. Station	Evergy Kansas Central	SPP (KS)	2030	710	\$2,255
Cayuga CC	Duke Energy Indiana	MISO (IN)	2029/30	1,476	\$2,256
ELL CCGT (2x1) — proposed	Entergy Louisiana	MISO (LA)	2031	1,466	\$2,332
ELL CCGT (1x1) — proposed	Entergy Louisiana	MISO (LA)	2031	733	\$2,705

⁷⁶ See, The New Reality of Power Generation: An Analysis of Increasing Gas Turbine Costs in the U.S. (September 2025), available at https://gridlab.org/wp-content/uploads/2025/09/GridLab_Gas-Turbine-Costs-Report-1.pdf.

1 Among the ten reported third-party projects with commercial operation dates between 2026
2 and 2031, the highest reported cost is approximately \$2,256 per kW. That figure remains
3 below ELL's proposed 2x1 CCGT at \$2,332 per kW and substantially below ELL's
4 proposed 1x1 CCGT at \$2,705 per kW.

5 A similar pattern holds for simple-cycle combustion turbines. Across ten CT
6 projects with commercial-operation dates of 2025 through 2029 in the same dataset,
7 reported capital costs range from approximately \$728 to \$1,969 per kW; Entergy Texas's
8 Lone Star Power Station (453 MW, 2028 commercial operation) sits within that range at
9 \$1,699 per kW. ELL's proposed CT-J at \$2,660 per kW (2033 commercial operation),
10 and its BP26 F-class CT at \$2,790 per kW (2030 commercial operation) both exceed the
11 highest publicly reported CT costs identified in the dataset.

12 **Q99. ARE THERE ANY RECENT CONSTRUCTION PROJECTS THAT ARE**
13 **INFORMATIVE?**

14 A. Yes. Entergy Texas has two combined-cycle plants in the public record: Legend Power
15 Station (754 MW, 2028 commercial operation) at \$2,125/kW, and Orange County
16 Advanced Power Station (1,215 MW, 2026 commercial operation) at \$1,300/kW.⁷⁷
17 Comparing these projects to ELL's current BP26 assumptions illustrates how dramatically
18 the Company's estimate of new-generation costs has increased in a relatively short period
19 of time. While some increase is expected as market conditions evolve, the comparison
20 highlights the extent to which ELL's current planning assumptions depend upon continued
21 escalation in the cost of future replacement capacity.

⁷⁷ *Id.*

1 **Q100. WHAT IS YOUR OVERALL TAKEAWAY FROM THESE COMPARISONS?**

2 A. ELL is correct that the cost of new gas-fired generation has increased significantly across
3 the industry over the last several years, and that trend is reflected consistently in the public
4 record. ELL's specific BP26 cost assumptions, however, sit at or above the upper end of
5 nearly every public benchmark I have reviewed, including estimates developed by other
6 utilities and, in some instances, the estimates associated with comparable projects being
7 pursued by Entergy Texas. These assumptions directly affect the economic benefits
8 attributed to Cottonwood because they establish the value of the replacement capacity
9 against which Cottonwood is being compared. The higher the assumed cost of future
10 capacity, the greater the apparent economic advantage of acquiring Cottonwood today. At
11 the same time, these are also the costs ELL proposes customers bear for future generation
12 additions. In my opinion, the fact that Cottonwood's levelized cost exceeds even these
13 elevated replacement-capacity estimates raises significant questions regarding the
14 reasonableness of the acquisition price being paid for the facility.

15 As discussed earlier in my testimony, I believe there must be a practical limit to the
16 amount of scarcity value that can reasonably be transferred to captive regulated customers.
17 The elevated replacement-capacity assumptions used by ELL are important because they
18 increase the economic value attributed to Cottonwood and therefore help support the
19 extraordinary premium embedded in the proposed acquisition price.

20 Less than three years after affiliates of Atlas acquired the entire Cleco Cajun
21 generation portfolio for approximately \$600 million, Louisiana customers are being asked
22 to fund approximately \$1.43 billion for Cottonwood alone, invest at least \$300 million of
23 additional rehabilitation capital, and support separate long-term capacity transactions

1 associated with Bayou Cove and Big Cajun having a combined nominal value of more than
2 [REDACTED]. Collectively, the transactions associated with that portfolio now exceed [REDACTED]
3 [REDACTED].

4 I am not suggesting that generation assets have not increased in value or that
5 investors should be denied the opportunity to earn profits. However, the Commission
6 should be cautious about relying upon replacement-capacity assumptions that sit at the
7 upper end of the range of available estimates to justify transferring such a substantial
8 scarcity premium to the current owner of the facility. In my opinion, the fact that
9 Cottonwood remains expensive even when compared against ELL's own elevated
10 replacement-capacity assumptions reinforces my concern that the amount being paid for
11 the facility exceeds what captive regulated customers should reasonably be required to
12 bear.

13 **D. PRUDENCE OF COTTONWOOD AS A GENERAL SYSTEM RESOURCE**

14 **Q101. WHAT CONCLUSION DO YOU REACH REGARDING THE PROPOSED**
15 **ACQUISITION?**

16 A. After considering the condition of the facility, the substantial rehabilitation requirements,
17 the operational and accreditation risks, the extraordinary acquisition premium, the
18 economic evaluation, and the concentration of risk being transferred to customers, I
19 conclude that Cottonwood is not a prudent acquisition for general system customers.

20 **Q102. PLEASE EXPLAIN THE BASIS FOR THAT CONCLUSION.**

21 A. My conclusion is not based on any single issue. Rather, it is based on the cumulative effect
22 of the concerns discussed throughout this section of my testimony. Customers are being
23 asked to fund an overall investment approaching \$1.82 billion, including a purchase price

1 of approximately \$1.43 billion, approximately \$80 million of transaction and contingency
2 costs, and more than \$300 million of projected rehabilitation and capital expenditures. The
3 proposed purchase price results in an acquisition adjustment approaching \$1 billion, and
4 ELL's own projections indicate that if its proposed depreciation is adopted approximately
5 \$672 million of acquisition-related investment would remain unrecovered at the end of the
6 facility's assumed operating life before considering additional post-acquisition capital
7 expenditures.

8 At the same time, customers would be assuming the risks associated with ownership
9 of a 22-year-old facility that has experienced significant equipment failures, requires
10 extensive rehabilitation, recently experienced catastrophic transformer failures affecting
11 two of its four units, and whose future value depends heavily upon successful execution of
12 hundreds of millions of dollars of planned capital improvements. The record demonstrates
13 that Cottonwood may provide value to customers; however, in my opinion, the magnitude
14 of the acquisition premium being paid, when considered together with the age and
15 condition of the facility, as well as the risks customers are being asked to assume,
16 outweighs the benefits identified by ELL.

17 **Q103. DOES ELL'S ECONOMIC ANALYSIS CHANGE THAT CONCLUSION?**

18 A. No. If anything, it supports my conclusion. As discussed previously, my review of ELL's
19 economic analysis identified significant concerns regarding the treatment of asset life,
20 O&M assumptions, and replacement-capacity values. Using ELL's own assumptions and
21 estimates, correcting those issues changes the result from a claimed customer benefit to a
22 substantial customer cost. In addition, even under ELL's elevated assumptions regarding
23 the future cost of replacement capacity, Cottonwood remains more expensive than the

1 actual, new CCCT resources ELL has recently selected and proposed for certification.
2 Accordingly, I do not believe the economic evidence presented by ELL overcomes the
3 concerns associated with the acquisition premium, facility condition, future performance
4 risks, and long-term recovery risks discussed throughout this section. For these reasons, I
5 do not recommend certification of Cottonwood as a general system resource whose costs
6 and risks would be borne by ELL's general body of customers.

7 **V. META, COST CAUSATION, AND CAPACITY RESPONSIBILITY**

8 **Q104. EARLIER IN YOUR TESTIMONY, WHAT CONCLUSION DID YOU REACH**
9 **REGARDING THE RELATIONSHIP BETWEEN THE META LOAD**
10 **ADDITIONS AND THE CAPACITY NEED RELIED UPON BY ELL TO**
11 **SUPPORT THE COTTONWOOD ACQUISITION?**

12 A. My analysis indicates that the specific near-term capacity shortfall relied upon by ELL to
13 justify the acquisition of Cottonwood is driven primarily by the extraordinary Meta Load
14 Additions and the timing of those additions. While ELL undoubtedly faces a long-term
15 need for additional capacity resources, the evidence indicates that the near-term capacity
16 deficiency relied upon to support Cottonwood largely disappears once the Meta-Related
17 Load Additions and associated Meta-related generation resources are removed from the
18 analysis.

19 **Q105. WHY IS THAT FINDING IMPORTANT?**

20 A. Because once it is established that a particular capacity obligation is being created primarily
21 by a specific load addition, the Commission must determine who should bear the costs and
22 risks associated with satisfying that capacity obligation. In my opinion, that question is
23 one of the central issues presented by this proceeding.

1 **Q106. IS THIS THE FIRST TIME STAFF HAS RAISED CONCERNS REGARDING THE**
2 **COST OF SERVING THE META LOAD?**

3 A. No. These concerns were raised during the Laidley certification proceeding in Docket No.
4 U-37425. In that proceeding, Staff consistently focused on ensuring that the customer
5 creating the need for additional infrastructure and capacity resources bore the costs
6 associated with those requirements and that existing customers were protected from
7 unreasonable cost shifting.

8 **Q107. DID ELL PRESENT THOSE COST CAUSATION CONCEPTS IN THE LAIDLEY**
9 **PROCEEDING?**

10 A. Yes. In his direct testimony in that proceeding, Mr. Ryan Jones explained that when service
11 is not readily available and additional investment is required to serve a prospective
12 customer, ELL may require contributions, minimum bills, facilities charges, or other
13 compensation to make service available. Mr. Jones further testified that:

14 If a prospective new customer is unwilling to pay the costs to make service
15 available, ELL is under no obligation to serve that customer.⁷⁸

16
17 Mr. Jones also testified that:

18 [a reasonable limit exists on the costs that the Company should incur to
19 serve a new customer in relation to the revenue to be received from the new
20 customer so that existing customers are not unfairly burdened with the costs
21 to attract new load. Once that limit is exceeded, ELL can require the new
22 customer to bear the costs.⁷⁹

23

⁷⁸ See, Direct Testimony of Ryan Jones in LPSC Docket No. U-37425 at 11.

⁷⁹ *Id.* at 12.

1 These principles are consistent with the traditional cost-causation concept that the customer
2 creating the need for additional facilities should bear the costs necessary to make service
3 available when those costs would otherwise unfairly burden existing customers.

4 **Q108. WHAT DO THOSE STATEMENTS INDICATE?**

5 A. They indicate that ELL itself recognizes that the obligation to serve new load is not
6 unlimited and that service to large customers must be structured in a manner that protects
7 existing customers from bearing unreasonable costs incurred to attract or serve that load. I
8 agree with that principle.

9 **Q109. DID ELL ADDRESS THE TREATMENT OF CAPACITY COSTS IN THE**
10 **LAIDLEY PROCEEDING?**

11 A. Yes. Mr. Jones testified in the Laidley proceeding that the billing framework was designed
12 to ensure that revenues collected from the Customer would ultimately reflect the actual
13 cost of the capacity resources necessary to serve the Customer's load. Specifically, he
14 testified:

15 Per the ESA terms, this value will be adjusted as needed, once the actual
16 cost of the capacity resources is known, to ensure that the revenue collected
17 is sufficient to cover the actual costs.⁸⁰

18
19 Mr. Jones further testified that:

20 The agreed-upon true-up methodology ensures that whatever the actual cost
21 of both transmission and system generation capacity may be, the CIAC
22 amounts (for the transmission) and the total minimum bill charges (for the
23 system generation capacity) cover the full incremental cost to serve
24 Customer's load...⁸¹
25

⁸⁰ *Id.* at 20-21.

⁸¹ *Id.* at 22.

1 Thus, ELL represented that the contractual framework would ultimately be tied to the
2 actual cost of the capacity and transmission resources required to serve the Customer.

3 **Q110. DID STAFF RAISE CONCERNS REGARDING THE PRICE OF FUTURE**
4 **CAPACITY FOR THE UNCOVERED PORTION OF THE LAIDLEY LOAD IN**
5 **ITS TESTIMONY IN THE LAIDLEY PROCEEDING?**

6 A. Yes. In response to Question 161-162 of my Direct Testimony in the Laidley proceeding,
7 I stated:

8 ELL has included an assumption for the price of purchased power in their
9 workpapers and analysis, which I discuss further below in Section VIII.
10 Further, ELL has stated that while the Customer has agreed that its revenues
11 should be sufficient to offset the actual costs of the purchased capacity, and
12 that their billing terms and minimum monthly charges should be true-up
13 based on the actual costs of purchased capacity that the Company procured,
14 it is unclear if there is adequate information available today to develop a
15 concrete ratemaking proposal.

16
17 I recommend that any Commission approval of the Application should
18 expressly state that no certification or other approval is granted for any
19 purchased power to be acquired to satisfy the deficit between the Customer
20 load requirements and the Planned Generation. Further, in conjunction with
21 my prior recommendation regarding a potential Commission approval of
22 future amendments to the Related Documents, I recommend that any future
23 true-ups of the Minimum Monthly Charges be approved by the Commission
24 or alternatively ELL expressly assumes the risk for any harm experienced
25 by ratepayers due to the use of an imprudent purchase power price or any
26 other assumptions used in the true-up calculation.⁸²

27
28 In response to Question 215, I stated:

29 ELL has included \$[] million in 2028 to purchase additional capacity to
30 serve the customer. This number inflates through the term of the 15-year
31 ESA. It is not clear exactly how ELL determined this amount. In response
32 to discovery, ELL stated that it is based on [] MW at \$[]/kW-yr, but it is not
33 clear why ELL thought it should fill the capacity needed to serve the
34 customer with [] MW or why \$[]/kW-yr is the appropriate value. The actual
35 difference between the Customer's load and the output of the Planned

⁸² See, Direct Testimony of R. Lane Sisung in LPSC Docket No. U-37425 at 92-93.

1 Generators is [] MW. And, when a reasonable reserve margin of 20% is
2 added to the Customer's load, the total capacity deficiency between the
3 Customer's needs and the output of the Planned Generators rises to
4 approximately [] MW. Moreover, the price that ELL used to price the
5 capacity is not a value I have seen used by ELL for other analyses nor what
6 I have seen in other utility agreements recently approved by the
7 Commission. Using pricing more consistent with pricing I have seen for
8 recent capacity purchases and accounting for the [] MW needed to serve the
9 Customer, I believe the model should include \$[] million for additional
10 capacity to serve the Customer, with this amount increasing at the amount
11 of inflation during the period of service.⁸³
12

13 In my response to Question 238, I finally concluded that:

14 Any future true-ups of the Minimum Monthly Charges should be approved
15 by the Commission or alternatively ELL expressly assumes the risk for any
16 harm experienced by ratepayers due to the use of an imprudent purchase
17 power price or any other assumptions used in the true-up calculation.⁸⁴
18

19 **Q111. DID STAFF RAISE OTHER CONCERNS REGARDING RAMP-PERIOD RISKS**
20 **DURING THE LAIDLEY PROCEEDING?**

21 A. Yes. In my Direct Testimony in the Laidley proceeding, I proposed:

22 Moreover, given the extreme size of the Customer's demand and the on-site
23 generation that will be operating to support that demand, there will be times
24 when the centrality and size of this load and generation could cause
25 operational issues. The unexpected loss of generation at the site could be
26 one such example. Given these newly created and unique operational
27 issues, I believe that the Customer and ELL should propose measures
28 through which they could work together to support reliability of the region
29 if needed during emergency conditions. In its rebuttal testimony, ELL
30 should provide a specific explanation of how its emergency load-shed plans
31 will incorporate this unique large load and/or any agreements that Customer
32 and ELL may reach regarding demand reductions during times of
33 emergency for the Commission to consider as part of its overall public
34 interest determination.⁸⁵
35

⁸³ *Id.* at 116-117. This excerpt excludes Attorneys Eyes Only information that was included in that testimony that is unnecessary for the purpose used herein.

⁸⁴ *Id.* at 130.

⁸⁵ *Id.* at 133.

1 In my cross-answering testimony in the Laidley proceeding, I further explained that:

2 Nevertheless, the presentation does not answer clearly the question of the
3 risk of energy market exposure in the ramp years. ELL should clearly
4 present ELL's energy market exposure from the addition of the Customer
5 in its rebuttal testimony, so that the risk can be adequately considered and
6 addressed in the Commission's public interest determination. If the
7 Commission were to determine this risk material to its public interest
8 determination it may impose a condition that such risks be mitigated by ELL
9 and Customer with potential solutions such as economic curtailment during
10 the ramp period.⁸⁶

11
12 The purpose of these recommendations was to recognize that capacity and energy risks
13 associated with serving rapidly increasing load should not automatically be transferred to
14 existing customers.

15 **Q112. DID ELL ULTIMATELY AGREE TO THE SPECIFIC COST-ALLOCATION OR**
16 **CURTAILMENT MITIGATION POSITIONS ADVOCATED BY STAFF IN THE**
17 **LAIDLEY PROCEEDING?**

18 A. No. That proceeding was resolved through a settlement wherein ELL ultimately elected to
19 retain responsibility for ensuring that future decisions regarding capacity procurement and
20 service to the Customer are implemented in a prudent manner that does not unfairly burden
21 other customers. The settlement left those issues for future Commission consideration
22 rather than resolving them in advance.

⁸⁶ See, Cross-Answering Testimony of R. Lane Sisung in LPSC Docket No. U-37425 at 36-37.

1 **Q113. HOW DID THE SETTLEMENT LEAVE THOSE ISSUES FOR FUTURE**
2 **CONSIDERATION RATHER THAN RESOLVING THEM IN ADVANCE?**

3 A. The settlement adopted by LPSC Order No. U-37425 states that ELL was not seeking
4 approval of its Electric Service Agreement (“ESA”) or the Related Agreements (as defined
5 therein) with Laidley. The settlement further provides that Staff was not expressing
6 approval of, nor recommending approval of, the ESA and Related Agreements.⁸⁷

7 The settlement also expressly states that it does not address or determine any issue
8 relating to purchased capacity that may be required to serve the Customer’s load. Instead,
9 the settlement provides that any such purchased capacity would be acquired subject to any
10 Commission approvals that may be required.⁸⁸

11 Finally, the settlement preserves all rights of the parties and recognizes that the
12 Commission retains its full authority to evaluate prudence issues associated with the ESA,
13 the Related Agreements, and the manner in which ELL ultimately elects to serve the
14 Customer’s load.⁸⁹

15 Accordingly, while the settlement resolved ELL’s requests for the certification of
16 the Planned Generators and Planned Transmission requested therein, it did not constitute
17 Commission approval of the ESA, did not resolve future capacity procurement issues, and
18 did not limit the Commission’s authority to review the prudence of future decisions
19 affecting other customers.

⁸⁷ See, LPSC Order No. U-37425, Exhibit A – Final Stipulated Settlement at 14-15.

⁸⁸ *Id.* at 5.

⁸⁹ *Id.* at 10.

1 **Q114. WHY IS THAT IMPORTANT?**

2 A. Because the settlement adopted in the Laidley proceeding did not resolve the issues
3 presented in this proceeding. To the contrary, that settlement expressly preserved the
4 Commission's authority to consider future purchased capacity for the Customer load and
5 to evaluate prudence issues associated with implementation of the ESA and Related
6 Agreements in future proceedings. Accordingly, based upon the language of the ESA and
7 the terms of the settlement in the Laidley proceeding, neither ELL nor Meta can reasonably
8 contend that the Commission has already approved the ultimate treatment of future
9 capacity costs associated with serving the Laidley load additions.

10 **Q115. HOW DOES THAT RELATE TO THE COTTONWOOD PROCEEDING?**

11 A. Cottonwood is being justified primarily on the basis of a near-term capacity need that my
12 analysis indicates is principally attributable to the extraordinary Meta-related ramp load.
13 Accordingly, this proceeding presents precisely the type of future prudence and cost-
14 allocation issue for which I sought a specific condition in testimony in the Laidley
15 proceeding but that was ultimately addressed in settlement by specifically preserving the
16 issue for future review.

17 **Q116. DOES THE LAIDLEY ESA ITSELF RECOGNIZE THAT ADDITIONAL**
18 **GENERATION CAPACITY RESOURCES WOULD BE REQUIRED TO SERVE**
19 **THE CUSTOMER'S LOAD?**

20 The ESA Rider 1 expressly acknowledges that additional generation capacity resources
21 would be required to serve Laidley. [REDACTED]

22 [REDACTED]

1 [REDACTED]⁹⁰ [REDACTED]

2 [REDACTED]

3 [REDACTED]⁹¹ [REDACTED]

4 [REDACTED]

5 [REDACTED]⁹² This is

6 consistent with Mr. Jones' testimony that that the Average Demand was to be established
7 at a value sufficient to generate revenues from the Customer that cover the estimated cost
8 of the incremental capacity necessary to serve the Customer's Project plus a reasonable
9 contribution to embedded FRP costs in excess of the estimated incremental revenue
10 requirement. And, per the ESA terms this value will be adjusted as needed, once the actual
11 costs of the capacity resources is known, to ensure that revenue collected is sufficient to
12 cover the actual costs.⁹³

13 **Q117. WHY IS THAT LANGUAGE IMPORTANT?**

14 A. Because it demonstrates that the parties (i.e., ELL and Laidley) understood from the
15 beginning that additional capacity resources would be required to serve the extraordinary
16 Meta-Related Load Additions. More importantly, the focus of the agreement was not on a
17 particular capacity resource. The focus was on ensuring that sufficient capacity resources
18 existed to serve the Customer.

⁹⁰ Exhibit RLS-017 (Exhibit LKB-2 Laidley ESA Rider 1 from LPSC Docket U-37425 (designated AEO pursuant to protection agreement in Docket No. U-37425)) at 27.

⁹¹ *Id.*

⁹² *Id.* at 28-29.

⁹³ Direct Testimony Ryan Jones at 20-21.

1 **Q118. HOW WERE THE COSTS OF THOSE CAPACITY RESOURCES INTENDED TO**
2 **BE TREATED?**

3 A. The record in the Laidley proceeding consistently reflects that the customer was expected
4 to bear the actual costs associated with those resources. Mr. Jones testified that the
5 customer's billing determinants would be adjusted based upon actual capacity costs and
6 that the true-up mechanism would ensure recovery of the full incremental cost necessary
7 to serve the Customer's load. Likewise, Rider 1 to the ESA provides for future adjustments
8 based upon actual costs once those costs become known.

9 **Q119. WHY IS THE EMPHASIS ON ACTUAL COST IMPORTANT?**

10 A. Because the concept repeatedly presented to the Commission was that the Customer would
11 ultimately bear the actual cost of the capacity required to serve its load. The concept was
12 not that the Customer would bear a forecasted cost, an estimated cost, or a selectively
13 assigned cost. Rather, the concept presented was that the Customer would bear the actual
14 cost of the capacity resources necessary to serve its load.

15 **Q120. HAVE DATA CENTER DEVELOPERS, INCLUDING META, MADE PUBLIC**
16 **COMMITMENTS REGARDING COST RESPONSIBILITY?**

17 A. Yes. Meta and other large data-center developers have publicly supported principles
18 designed to ensure that new data center load does not increase costs for existing customers.
19 In particular, participants in the White House Data Center Ratepayer Protection Initiative
20 (resulting in a voluntary Ratepayer Protection Pledge signed, among other major tech
21 companies, by Meta) pledged that companies will "build, bring, or buy the new generation
22 resources and electricity needed to satisfy their new energy demands, paying the full cost

1 of those resources whether by building, or buying from, new or otherwise additive power
2 plants.”⁹⁴

3 **Q121. WHY IS THAT STATEMENT RELEVANT?**

4 A. Because it reflects the same fundamental cost-causation principle that has long existed in
5 utility regulation. Customers that create the need for new infrastructure and new capacity
6 resources should generally bear the full costs associated with those requirements. Existing
7 customers should not be required to subsidize the costs associated with serving new load
8 that would not otherwise exist.

9 **Q122. WHAT PRINCIPLE DO YOU BELIEVE SHOULD GOVERN THE ALLOCATION**
10 **OF CAPACITY COSTS IN THIS PROCEEDING?**

11 A. I believe that an extraordinary capacity obligation should follow the load creating the need
12 for that capacity.

13 **Q123. WHAT DOES THAT MEAN?**

14 A. It means that if ELL determines that additional capacity resources are necessary to satisfy
15 obligations associated with the extraordinary Meta-Related Load Additions, including
16 resources acquired to avoid exposure to capacity scarcity pricing or to support
17 uninterrupted service during the Meta ramp period, then according to the pledge agreed to
18 by Meta (i.e., the White House’s Ratepayer Protection Pledge) and Rider 1 to the ESA, the
19 resulting costs and risks should generally be borne by the extraordinary Meta-Related Load
20 Additions rather than by existing customers. This is the consistent base principle contained

⁹⁴ Exhibit RLS-018 (Ratepayer Protection Pledge – The White House).

1 in this testimony that as a base proposition the incremental costs caused by a new
2 extraordinary large load should be allocated to that new load.

3 **Q124. DOES THAT PRINCIPLE APPLY ONLY TO COTTONWOOD?**

4 A. No. The principle applies regardless of the specific resource selected by ELL. If ELL
5 acquires Cottonwood for the reasons stated in the Application, the principle applies. If
6 ELL instead relies upon purchased capacity agreements, bilateral contracts, PRA
7 purchases, market purchases, replacement resources, or any other capacity arrangement
8 necessary to satisfy Meta-related ramp obligations, the principle still applies. The relevant
9 issue is not the identity of the resource. The relevant issue is the load creating the need for
10 that resource.

11 **Q125. HAS ELL IDENTIFIED A CAPACITY RESOURCE THAT IT PROPOSES TO**
12 **ASSOCIATE WITH THE META LOAD?**

13 A. Yes. In LPSC Docket No. U-37872, ELL proposes to associate a proposed PPA agreement
14 with Occidental Chemical Corporation (the "Oxy PPA") with the Meta load for purposes
15 of implementing its customer-capacity framework.

16 **Q126. DOES THE FACT THAT ELL PROPOSES TO ASSOCIATE THE OXY PPA**
17 **WITH THE META LOAD END THE INQUIRY?**

18 A. No. To the contrary, ELL's proposal only emphasizes the need for Commission review.
19 My concern is not whether the Oxy PPA may be associated with Meta. My concern is
20 whether the Oxy PPA accurately reflects the actual capacity costs incurred to satisfy the
21 capacity obligation created by Meta. Those are two very different questions.

1 **Q127. DID STAFF OBJECT TO THE USE OF THE OXY PPA PRICE AS A MODELING**
2 **ASSUMPTION IN THE LAIDLEY PROCEEDING?**

3 A. No. At the time of the Laidley proceeding, neither ELL nor Staff knew what specific
4 capacity resources ultimately would be procured to satisfy the capacity deficiency
5 associated with serving the Meta, and paid for by Meta. As a result, both parties necessarily
6 relied upon proxy assumptions with the understanding that the actual cost of capacity is
7 ultimately what would be used. ELL may have utilized assumptions based upon the Oxy
8 PPA procurement while I utilized assumptions based upon other recent capacity
9 acquisitions of ELL. The use of such assumptions was reasonable because the actual
10 capacity resources that would be needed to serve the Meta load and their ultimate costs
11 were not yet known and both parties were using the recent information available to them.

12 **Q128. IF THE USE OF THE OXY PPA AS A MODELING ASSUMPTION WAS**
13 **REASONABLE, WHY IS IT RELEVANT TO THIS PROCEEDING?**

14 A. Because there is a significant difference between using a proxy assumption in an economic
15 model and determining the actual capacity costs that should ultimately be assigned to Meta.
16 The Laidley record emphasized that future true-ups would be based upon actual costs once
17 those costs became known. My concern is therefore not that ELL may have used Oxy as
18 a proxy for modeling in the Laidley docket. My concern is whether the Oxy PPA now
19 accurately reflects the actual capacity costs associated with serving the Meta load.

20 **Q129. WHY IS THE TIMING OF THE OXY PPA PROCUREMENT IMPORTANT?**

21 A. The Oxy PPA solicitation was issued in June 2024, and the selected resources from that
22 solicitation were announced in November 2024, prior to the public announcement of the
23 Meta project in December 2024. As a result, the Oxy PPA was not procured in response

1 to the Meta-related capacity need identified in this proceeding. The fact that the need for
2 the Oxy PPA was identified prior to the Meta project demonstrates that it was not procured
3 in response to the capacity obligation created by Meta but more appropriately assigned to
4 the load that was driving that need. Therefore, the existence of the Oxy PPA does not
5 resolve the separate question of what capacity resources ELL must ultimately acquire to
6 satisfy the additional obligation created by the extraordinary Meta load and what those
7 resources will actually cost.

8 **Q130. WHAT DOES YOUR ANALYSIS INDICATE REGARDING THE**
9 **RELATIONSHIP BETWEEN META AND ELL'S CURRENT CAPACITY NEED?**

10 A. My analysis indicates that the near-term capacity shortfall relied upon by ELL to justify
11 Cottonwood is driven primarily by the Meta-Related Load Additions that materialized after
12 the need for the Oxy PPA was already established. When the Meta-Related Load Additions
13 are removed from the analysis, substantial capacity surpluses remain even after
14 Cottonwood is removed. This result suggests that the scarcity conditions and resulting
15 capacity needs relied upon by ELL are being driven principally by the Meta-related ramp
16 period rather than by general system load growth.

17 **Q131. WHY IS THAT FINDING IMPORTANT TO THE OXY PPA DISCUSSION?**

18 A. Because if the extraordinary Meta-Related Load Additions are the principal driver of the
19 near-term capacity deficiency, then the Commission must evaluate the actual capacity
20 resources required to satisfy that deficiency. The relevant question is not whether the Oxy
21 PPA exists. The relevant question is what capacity resources ELL ultimately must rely
22 upon because it elected to serve the Meta load.

1 **Q132. HOW DOES THAT RELATE TO COTTONWOOD?**

2 A. ELL contends that Cottonwood is necessary because the Company faces a significant near-
3 term capacity shortfall and exposure to scarcity pricing. If Cottonwood is in fact required
4 to satisfy obligations predominantly associated with the extraordinary Meta-Related Load
5 Additions, then Cottonwood becomes part of the actual capacity cost associated with
6 serving that load. Under those circumstances, it would be inappropriate to treat the Oxy
7 PPA as the capacity cost attributable to any Meta-Related Load Additions while assigning
8 the scarcity priced Cottonwood and other scarcity-driven capacity costs to existing
9 customers.

10 **Q133. WHY WOULD THAT BE INAPPROPRIATE?**

11 A. Because doing so would disconnect cost responsibility from cost causation. The record in
12 the Laidley proceeding focused on actual capacity costs and full incremental cost
13 responsibility. It did not contemplate a framework under which the lowest-cost capacity
14 resource would be assigned to Meta related customers while higher-cost capacity resources
15 acquired to satisfy the same underlying capacity obligation would be socialized to existing
16 customers.

17 **Q134. WHAT IS YOUR CONCERN WITH ELL'S PROPOSED APPROACH?**

18 A. My concern is that ELL appears to be treating the Oxy PPA as the capacity cost attributable
19 to Meta while simultaneously relying upon scarcity conditions and the need for additional
20 capacity resources, including Cottonwood, to justify this proceeding. If the actual cost of
21 serving Meta includes capacity resources acquired at scarcity-driven prices, then those
22 costs should be reflected in the determination of Laidley's actual capacity obligation rather
23 than being shifted to existing customers.

1 **Q135. WHAT PRINCIPLE SHOULD THE COMMISSION APPLY?**

2 A. The Commission should focus on the actual capacity obligation created by the Meta load
3 and the actual resources required to satisfy that obligation. If ELL incurs costs to acquire
4 Cottonwood, purchased capacity, PRA capacity, replacement resources, or any other
5 capacity resources because of the extraordinary obligations associated with serving Meta,
6 those costs should generally follow the load creating the need. In my opinion, that outcome
7 is consistent with the true-up principles presented in the Laidley proceeding, traditional
8 cost-causation principles, and the public commitments made by major data center
9 developers by signing the White House's Ratepayer Protection Pledge that they will bear
10 the full cost of the resources needed to serve their load.

11 **Q136. DOES THAT MEAN YOU BELIEVE COTTONWOOD MUST NECESSARILY BE**
12 **ASSIGNED TO META?**

13 A. Not necessarily. The Commission need not determine today that Cottonwood is the only
14 capacity resource associated with Meta. Rather, the Commission should recognize the
15 broader principle that if ELL incurs costs to acquire, maintain, replace, or supplement
16 capacity resources because of extraordinary obligations created by the Meta-Related Load
17 Additions, those costs should generally follow the load creating the need. Cottonwood is
18 simply one potential example of such a resource.

19 **Q137. WHY IS THAT DISTINCTION IMPORTANT?**

20 A. Because otherwise the concept of actual capacity cost becomes detached from the actual
21 capacity obligation. Under such an approach, ELL could assign a relatively low-cost
22 resource to Meta while simultaneously socializing higher-cost resources acquired to satisfy
23 the same underlying capacity need. In my opinion, that outcome would be inconsistent

1 with the true-up principles presented in the Laidley proceeding, the White House Ratepayer
2 Protection Pledge made by Meta, and traditional cost-causation principles.

3 **Q138. WHAT DO YOU CONCLUDE REGARDING THE RELATIONSHIP BETWEEN**
4 **THE OXY PPA, COTTONWOOD, AND THE META LOAD?**

5 A. The Oxy PPA was a reasonable proxy for capacity costs when the Laidley proceeding was
6 litigated because the actual resources that would be required to serve the Customer were
7 not yet known. However, a proxy assumption does not establish the actual cost of capacity.
8 The Laidley record consistently contemplated that future true-ups would be based upon
9 actual costs once those costs became known. Today, ELL contends that Cottonwood is
10 needed because of a near-term capacity deficiency and exposure to scarcity pricing. My
11 analysis indicates that the principal driver of that deficiency is the extraordinary Meta-
12 related ramp period. Further, and importantly, Meta and all data centers are primary
13 contributors to the scarcity causing increased capacity prices. Accordingly, if ELL incurs
14 costs to acquire Cottonwood or otherwise obtains capacity resources at scarcity prices to
15 satisfy obligations associated with serving the extraordinary Meta-Related Load Additions,
16 those costs should become part of the actual cost of capacity associated with serving that
17 load.

18 **Q139. ELL HAS ARGUED THAT FAILURE TO ACQUIRE COTTONWOOD COULD**
19 **EXPOSE CUSTOMERS TO FUTURE CAPACITY SCARCITY PRICING. HOW**
20 **DO YOU RESPOND?**

21 A. That argument assumes that any resulting scarcity costs would be borne by existing
22 customers. I do not believe that assumption should be accepted. If ELL incurs capacity
23 costs through PRA purchases, bilateral purchases, replacement resources, or any other

1 arrangement necessary to satisfy Meta-related capacity obligations, those costs should
2 generally follow the load creating the need for those resources.

3 **Q140. DOES THE SAME PRINCIPLE APPLY TO RISK?**

4 A. Yes. The customer receiving the benefit of the capacity resource should also bear the risks
5 associated with that resource. If Cottonwood is relied upon to satisfy Meta-related
6 obligations, then the risks associated with accreditation outcomes, operational
7 performance, rehabilitation expenditures, stranded asset costs, replacement capacity
8 requirements, and future capacity purchases should likewise follow the load creating the
9 need for the resource.

10 **Q141. WHAT IS YOUR OVERALL CONCLUSION?**

11 My analysis demonstrates that the near-term capacity need relied upon by ELL to justify
12 its acquisition of Cottonwood is driven primarily by the extraordinary Meta-Related Load
13 Additions. The Laidley record further demonstrates that the parties understood additional
14 capacity resources would be required to serve the Laidley load and that future true-ups
15 were intended to reflect the actual cost of capacity once those costs became known. For
16 that reason, I do not believe the Commission should certify Cottonwood for recovery from
17 general system customers while leaving the treatment of Meta-related capacity costs to be
18 resolved later. If Cottonwood is needed to satisfy the capacity obligation created by the
19 Meta load, then that cost-causation issue should be addressed as part of any certification
20 decision in this proceeding.

21 Accordingly, my recommendation is that the Commission deny certification of
22 Cottonwood for general system cost recovery. Alternatively, if the Commission
23 determines that Cottonwood should be certified because it is needed to serve the Meta-

1 related capacity obligation, then any certification should be conditioned on assigning the
2 full costs and risks of Cottonwood to Laidley, including acquisition costs, rehabilitation
3 costs, accreditation risk, replacement-capacity risk, scarcity-related capacity costs, and any
4 stranded-cost risk associated with the resource.

5 **VI. RATEMAKING IMPLICATIONS**

6 **Q142. IF THE COMMISSION CONCLUDES THAT COTTONWOOD SHOULD BE**
7 **CERTIFIED BECAUSE IT IS NECESSARY TO SATISFY CAPACITY**
8 **OBLIGATIONS ASSOCIATED WITH THE META LOAD AND BECAUSE META**
9 **IS BEARING THE ASSOCIATED COSTS AND RISKS, DOES THAT DECISION**
10 **HAVE RATEMAKING IMPLICATIONS?**

11 A. Yes. If the Commission determines that certification of Cottonwood is appropriate because
12 the facility is being acquired to satisfy capacity obligations associated with the Meta load
13 and because the costs and risks associated with that acquisition are being assigned to Meta
14 rather than to general system customers, then the ratemaking treatment of Cottonwood
15 should be consistent with that determination. [REDACTED]

16 [REDACTED]

17 [REDACTED]

18 [REDACTED]

19 [REDACTED]⁹⁵

⁹⁵ Exhibit RLS-019 (LPSC Order U-37425 Exhibit A – Final Stipulated Settlement Attachment – Attachment 3 (Designated as AEO in accordance with the protection agreement in LPSC Docket No. U-37425)).

1 Q143. WHAT ISSUE DOES THAT PRESENT?

2 [REDACTED]
3 [REDACTED]
4 [REDACTED]
5 [REDACTED]
6 [REDACTED]

7 Q144. IS THAT THE SAME QUESTION AS DETERMINING THE ACTUAL COST OF
8 CAPACITY ATTRIBUTABLE TO META?

9 A. No. Those are separate questions that arise from separate authorities. The question
10 addressed in this proceeding is whether Cottonwood should be certified and, if so, who
11 should bear the associated costs and risks. [REDACTED]

12 [REDACTED]

13 [REDACTED] The actual capacity cost issue, by contrast, concerns the Commission's
14 continuing authority and obligation to determine the proper allocation of costs associated
15 with serving the Meta load and was expressly preserved for future review by the Laidley
16 settlement.

17 Q145. WHY IS THAT DISTINCTION IMPORTANT?

18 A. Because the Commission should not allow [REDACTED]
19 [REDACTED] to be interpreted as resolving broader questions concerning cost
20 responsibility. Likewise, the Commission should not allow designation of one resource to
21 be used to limit its ability to determine what costs were actually incurred to satisfy the
22 capacity obligation created by the Meta load.

1 **Q146. WHAT IS YOUR RECOMMENDATION?**

2 A. If the Commission denies certification of Cottonwood, no designation issue arises.
3 However, if the Commission determines that Cottonwood should be certified because it is
4 needed to satisfy the Meta-related capacity obligation and because Meta is bearing the
5 associated costs and risks, [REDACTED]
6 [REDACTED] At the same time, the Commission should
7 make clear that such treatment does not limit its authority to determine the proper allocation
8 of actual capacity costs associated with serving the Meta load or otherwise constrain future
9 prudence review.

10 **Q147.** [REDACTED]
11 [REDACTED]
12 [REDACTED]
13 [REDACTED]

14 A. [REDACTED]
15 [REDACTED]
16 [REDACTED]
17 [REDACTED]

18 [REDACTED]⁹⁶

⁹⁶ HSPM Exhibit LKB-4 at 118-120.

1 Q148. [REDACTED]

2 [REDACTED]

3 A. [REDACTED]

4 [REDACTED]

5 [REDACTED]

6 Q149. [REDACTED]

7 [REDACTED]

8 A. [REDACTED]

9 [REDACTED]

10 [REDACTED]

11 [REDACTED]

12 [REDACTED]

13 [REDACTED]

14 [REDACTED]

15 **VII. CONCLUSION AND RECOMMENDATIONS**

16 **Q150. PLEASE SUMMARIZE YOUR RECOMMENDATIONS TO THE COMMISSION.**

17 A. My review of the Application and related materials leads me to four principal conclusions.

18 First, while I agree that ELL faces a legitimate need for additional capacity
19 resources, the evidence indicates that the specific near-term capacity shortfall relied upon
20 to support the Cottonwood acquisition is driven primarily by the timing and magnitude of
21 the extraordinary Meta-Related Load Additions rather than by general system load growth.

22 Second, after considering the condition of the facility, the substantial rehabilitation
23 requirements, the operational and accreditation risks, the magnitude of the acquisition

1 premium, the projected stranded investment, and the economic evidence presented by ELL,
2 I do not believe Cottonwood represents a prudent acquisition for recovery from ELL's
3 general body of customers. In my opinion, the costs and risks associated with the proposed
4 transaction outweigh the benefits identified by ELL and exceed the amount that captive
5 regulated customers should reasonably be required to bear.

6 Third, to the extent the Commission determines that Cottonwood should
7 nevertheless be certified because it is needed to satisfy extraordinary capacity obligations
8 associated with the Meta-Related Load Additions, I believe the costs and risks associated
9 with that resource should follow the load creating the need for the resource. Under those
10 circumstances, certification should be conditioned upon assigning the full costs and risks
11 of Cottonwood to the Meta-related obligation, including acquisition costs, rehabilitation
12 costs, accreditation risk, replacement-capacity risk, scarcity-related capacity costs, and
13 stranded-cost risk.

14 Fourth, any ratemaking treatment adopted by the Commission should be consistent
15 with that determination. [REDACTED]

16 [REDACTED]
17 [REDACTED]
18 [REDACTED] At the same time, the Commission should
19 expressly preserve its authority to determine the actual capacity costs associated with
20 serving the Meta load and should not permit any designation under the deferral mechanism
21 to predetermine or limit future prudence review or future determinations regarding actual
22 cost responsibility. Conversely, if the Commission declines to certify the acquisition, [REDACTED]

1 [REDACTED]
2 [REDACTED]
3 [REDACTED]
4 [REDACTED]

5 Accordingly, my primary recommendation is that the Commission deny
6 certification of Cottonwood as a general system resource. Alternatively, if the Commission
7 determines that certification is appropriate, I recommend that the Commission expressly
8 recognize that the need for the resource is principally attributable to the extraordinary
9 Meta-related load additions, ensure that the resulting costs and risks are borne by that load
10 rather than by existing customers, and preserve its authority to determine the actual
11 capacity costs associated with serving that load in future proceedings.

12
13 **Q151. HAVE YOU ATTEMPTED TO ADDRESS EVERY ISSUE PRESENTED BY ELL'S**
14 **APPLICATION?**

15 A. No. The issues discussed in my testimony are those that I believe are most relevant to the
16 Commission's evaluation of the Application and those for which I believe additional
17 discussion would be helpful to represent the positions I have taken herein. Given the
18 breadth of the Application, supporting testimony, exhibits, discovery responses, and related
19 proceedings, it would be impractical to address every issue raised by ELL's Application.

20 **Q152. DOES YOUR FAILURE TO DISCUSS A PARTICULAR ISSUE, ASSUMPTION,**
21 **ANALYSIS, OR REPRESENTATION MADE BY ELL INDICATE THAT YOU**
22 **AGREE WITH IT OR THAT YOU BELIEVE IT HAS BEEN PROVEN?**

23 A. No. My decision not to address a particular issue should not be interpreted as agreement
24 with, acceptance of, or endorsement of any specific assumption, analysis, conclusion,

1 representation, or recommendation made by ELL or any other party. Nor should it be
2 interpreted as a determination that such matter has been proven or resolved. Rather, my
3 testimony focuses on the issues that I believe warrant particular attention by the
4 Commission in this proceeding.

5 **Q153. DOES THIS CONCLUDE YOUR TESTIMONY**

6 A. Yes.