

BEFORE THE
LOUISIANA PUBLIC SERVICE COMMISSION

APPLICATION OF CLECO)
POWER LLC FOR CERTIFICATE)
OF PUBLIC CONVENIENCE AND)
NECESSITY FOR: (I))
AUTHORIZATION TO ENTER)
INTO A PROPOSED POWER)
PURCHASE AGREEMENT)
BETWEEN DOLET HILLS SOLAR,)
LLC AS SELLER AND CLECO) DOCKET NO. U-____
POWER LLC AS BUYER; (II))
AUTHORIZATION TO RECOVER)
IN ITS JURISDICTIONAL RATES)
THE CHARGES THAT CLECO)
POWER LLC PAYS UNDER THE)
POWER PURCHASE)
AGREEMENT; AND (III))
EXPEDITED TREATMENT)
)

DIRECT TESTIMONY

OF

MARK BORDELON

ON BEHALF OF

CLECO POWER LLC

AUGUST 2, 2022

REDACTED TO OMIT
COMPETITIVELY SENSITIVE, TRADE SECRET,
PROPRIETARY, AND OTHER CONFIDENTIAL INFORMATION
PURSUANT TO RULE 12.1 OF THE COMMISSION'S RULES OF
PRACTICE AND PROCEDURE

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LPSC DOCKET NO. U-_____**

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EXHIBITS

EXHIBIT NO.	DESCRIPTION
MB-1	Power Purchase Agreement between Cleco Power LLC, Buyer and Dolet Hills Solar, LLC, Seller, dated as of July 22, 2022

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I. INTRODUCTION AND BACKGROUND

Q. PLEASE STATE YOUR NAME, OCCUPATION AND BUSINESS ADDRESS.

A. My name is Mark Bordelon. I am the Director of Corporate Development of Cleco Support Group LLC. My office address is 2030 Donahue Ferry Road, Pineville, Louisiana 71360.

Q: PLEASE DESCRIBE YOUR JOB RESPONSIBILITIES.

A: I am responsible for the development and facilitation of key commercial transactions and projects to support the growth of Cleco Power LLC ("Cleco Power" or the "Company") and Cleco Cajun LLC.

Q: PLEASE DESCRIBE YOUR PROFESSIONAL AND EDUCATIONAL HISTORY.

A: I joined Cleco in 2001 after graduating from Louisiana Tech University with a bachelor of science degree in mechanical engineering. I have held various roles of increasing responsibility throughout my career on both the generation and transmission sides of the business. I am a Professional Engineer licensed in Louisiana, as well as a certified Project Management Professional.

Q: HAVE YOU PREVIOUSLY PROVIDED TESTIMONY BEFORE THE LOUISIANA PUBLIC SERVICE COMMISSION ("LPSC" OR THE "COMMISSION")?

A: No, I have not previously provided testimony before the Commission.

Q: WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS PROCEEDING?

A: My Testimony supports Cleco Power's application in this proceeding requesting the approval of a power purchase agreement for solar power ("Solar PPA") between Cleco Power and Dolet Hills Solar, LLC ("Dolet Hills Solar"). More specifically, my testimony will provide a summary of: (i) the Solar PPA's basic terms; (ii) the evaluation methodology

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1 used by Cleco Power to study the Solar PPA; (iii) certain timing considerations that relate
2 to Cleco Power's request for expedited treatment by the Commission of the Company's
3 application in this proceeding; (iv) certain commercial aspects of the development of the
4 Solar Facility (as hereinafter defined); and (v) the benefits of the Solar PPA transaction to
5 Cleco Power's customers. My testimony also includes a request for a waiver of the
6 Commission's MBM Order¹ provisions relating to the request for proposal process for
7 acquisition of generating resources.

8 **Q: PLEASE PROVIDE A BRIEF DESCRIPTION OF DOLET HILLS SOLAR.**

9 A: Dolet Hills Solar is a project company affiliate of D.E. Shaw Renewable Investments,
10 L.L.C., a Delaware limited liability company ("DESRI"). DESRI is a leading renewable
11 energy company that develops, owns, and operates utility-scale solar, wind, and battery
12 storage projects throughout the United States. DESRI has a diversified portfolio across 25
13 states with over 6 GW of generation capacity in operation, under construction, or currently
14 contracted and in pre-construction phase.
15 DESRI is also currently operating within Louisiana. DESRI is currently constructing the
16 50 MW Iris Project in Washington Parish and the 20 MW St. James Project in St. James
17 Parish. In addition, DESRI has recently announced the signing of a 72 MW long-term
18 solar PPA with Southwestern Electric Power Company and the signing of two long-term
19 solar PPAs and a build-transfer agreement with Entergy Louisiana totaling 350 MW.

¹ 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 to 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)* (the "MBM Order").

II. THE SOLAR PPA

Q. PLEASE EXPLAIN WHY APPROVAL OF THE SOLAR PPA IS IN THE PUBLIC INTEREST.

A. The Solar PPA will allow the Company to continue to meet its obligation to provide reliable electric service to its customers at the lowest reasonable cost. Specifically, the Solar Facility will produce reliable power while also providing significant benefits, both economic and otherwise, to Cleco Power's customers. Please refer to the Direct Testimony of Cleco Power witness J. Robert Cleghorn for a discussion of these benefits. The Solar Facility will also be constructed in DeSoto Parish, Louisiana, an area in need of economic development. The local economy in DeSoto Parish will benefit from jobs created during construction, an increase in permanent employment, and significant tax revenues generated as a result of increase in DeSoto Parish's tax base.

Dolet Hills Solar will construct a solar photovoltaic generating facility having a nameplate capacity of 240 MW in DeSoto Parish, Louisiana ("the Solar Facility") that will connect to Cleco Power's Transmission Substation in Mansfield, DeSoto Parish, Louisiana, via an approximately seven (7) mile 345 kV transmission tie line connecting the Solar Facility to Cleco Power's Mansfield Substation (the "Tie Line"). Once the Solar Facility enters commercial operation, Cleco Power will purchase the entirety of the power produced by the Solar Facility pursuant to the Solar PPA. [REDACTED]

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

6 **Q. DOES CLECO POWER NEED EXPEDITED ACTION BY THE COMMISSION**
7 **TO SECURE THE BENEFITS OF THE SOLAR PPA?**

8 A. Yes. The Company is requesting that the Commission direct or establish a procedural
9 schedule that is consistent with the 120-day certification period set forth in the 1983
10 General Order. Such a timeline will allow Cleco Power and Dolet Hills Solar to take full
11 advantage of the tax benefits available for the Solar PPA as well as Midcontinent
12 Independent System Operator, Inc. ("MISO") generator replacement status, as I describe
13 in greater detail, below. Cleco Power and Dolet Hills Solar will not be able to take
14 advantage of these benefits if the Solar PPA is not timely approved by the Commission.

15 **Q: HOW DID CLECO POWER DEVELOP THE SOLAR PPA WITH DOLET HILLS**
16 **SOLAR?**

17 A: DESRI presented Cleco Power with the initial terms of an offer to purchase energy from a
18 to-be-constructed solar photovoltaic generating facility located in DeSoto Parish,
19 Louisiana near the site of Cleco Power's Dolet Hills Power Station ("DHPS"), which was

² 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 purchase*) dated May 27, 2009 (the "1983 General Order").

³ 16 U.S.C. § 824 b.

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1 recently retired as of December 31, 2021. Cleco Power examined the initial terms of the
2 offer and determined they were attractive. Cleco Power then entered into discussions with
3 DESRI to develop an arrangement that would be mutually agreeable to the parties. Cleco
4 Power's economic analysis indicated that the Solar PPA would provide significant
5 benefits, economic and otherwise, to customers.

6 **Q: PLEASE SUMMARIZE THE BASIC TERMS, INCLUDING PRICING, AND**
7 **EXPECTED ANNUAL ENERGY QUANTITY FOR THE SOLAR PPA.**

8 **A:** Although the Solar PPA speaks for itself, the following is a brief summary of its material
9 terms. The Solar PPA provides for the purchase and sale of all Products (as defined in the
10 Solar PPA) produced by the Solar Facility, which includes Energy, Capacity Attributes
11 (including Zonal Resource Credits), Environmental Attributes, Ancillary Services, and any
12 Future Environmental Attributes (each as defined in the Solar PPA). [REDACTED]

13 [REDACTED]
14 [REDACTED]
15 [REDACTED]
16 [REDACTED]
17 [REDACTED]
18 [REDACTED]
19 [REDACTED]
20 [REDACTED]
21 [REDACTED]
22 [REDACTED]
23 [REDACTED]

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

6 The Solar PPA will have a delivery term of [REDACTED], commencing from the commercial
7 operation date of the Solar Facility. The effective date of the Solar PPA, and accordingly
8 the Solar PPA's delivery term, will not occur until [REDACTED]
9 [REDACTED] (described further, below), which
10 will ensure conformity with MISO's Attachment X requirements and will ensure that the
11 Solar PPA is not treated as an affiliate transaction.

12 [REDACTED]
13 [REDACTED]
14 [REDACTED]
15 [REDACTED]
16 [REDACTED]
17 [REDACTED]

18 The Solar Facility will be sited upon land that Cleco Power currently has under option with
19 Alexandria Timber Company, pursuant to an Option to Purchase Property, dated effective
20 December 16th, 2020 (the "Project Site"). Cleco Power must construct the Tie Line to the

⁴ Please refer to Exhibit M of the Solar PPA for further detail regarding the Contract Price, Monthly Contract Payment and Contract Year Adjustments.
⁵ [REDACTED]

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Solar Facility site and assign a sufficient portion of its existing land option on the site to Dolet Hills Solar to enable construction of the Solar Facility. Cleco Power will transmit Dolet Hills Solar's energy over the Tie Line to the MISO point of interconnection at a regulated rate and will purchase the Solar Facility's output at the point of interconnection.

Q: IS A COPY OF THE SOLAR PPA INCLUDED AS AN EXHIBIT TO YOUR TESTIMONY?

A: Yes, it is. Please see Exhibit MB-1 for a copy of the executed Solar PPA.

Q: PLEASE PROVIDE A DESCRIPTION OF THE EVALUATION METHODOLOGY THAT CLECO POWER USED TO STUDY THE SOLAR PPA'S TERMS.

A: Cleco Power evaluated the pricing of the Solar PPA by comparing it to recent market benchmarks. Cleco Power conducted further economic analysis to determine the net economic benefit of the Solar PPA to Cleco Power's customers.

[REDACTED]

[REDACTED]

[REDACTED] Cleco Power submits that this MISO market pricing survey serves as a valid benchmark to assess the Contract Price that Cleco Power would pay under the Solar PPA, and establishes that the Contract Price is significantly lower than the current market pricing.

Further, Cleco Power's economic analysis indicates that the Solar PPA will result in a net economic benefit to Cleco Power's customers. Please refer to Mr. Cleghorn's Direct

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1 Testimony for a discussion of the benefits, economic and otherwise, of the Solar PPA to
2 Cleco Power's customers. Cleco Power's commitment to an economically attractive,
3 emission-free generating resource that would add diversity to Cleco Power's generating
4 fleet was an essential element of Cleco Power's evaluation strategy when studying the offer
5 that resulted in the Solar PPA. The significant overall benefits to Cleco Power's customers
6 demonstrate that the Solar PPA is in the public interest and that Cleco Power's acceptance
7 of the seller's offer fulfills the overarching policy objective of the 1983 General Order and
8 the MBM Order; i.e., the acquisition by the electric utility of the lowest reasonable cost
9 generating resource.

10 **Q: DOES THE SOLAR PPA NEED TO BE APPROVED BY THE COMMISSION ON**
11 **OR BEFORE A CERTAIN DATE TO SUPPORT ITS CURRENT TERMS, AND**
12 **WHAT FACTORS ALLOW FOR THE FAVORABLE SOLAR PPA PRICING**
13 **TERMS?**

14 **A:** Yes, the Solar PPA should be approved by the Commission as soon as possible and no later
15 than December 15, 2022, or the date of the Commission's final open meeting conducted in
16 the year 2022.

17 One of the key drivers behind locating the Solar Facility at the Project Site is the ability of
18 the Solar Facility to utilize the existing generator interconnection rights for DHPS, under
19 MISO's rules for generator replacements. Under Attachment X (Generator Interconnection
20 Procedures) of the MISO FERC Electric Tariff, the Solar Facility can be designated as a
21 "Replacement Generating Facility," which is defined as "a Generating Facility that
22 replaces an Existing Generating Facility, or a portion thereof, at the same electrical Point
23 of Interconnection pursuant to Section 3.7 of this Attachment X." The "Existing

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1 Generating Facility” for this purpose would be DHPS. The ability to use the existing
2 interconnection rights for DHPS significantly de-risks the development of the project as
3 Dolet Hills Solar will be able to bypass the otherwise lengthy MISO interconnection queue
4 and avoid exposure to potentially large MISO network upgrade costs.

5 However, under the generating facility replacement requirements of MISO’s Attachment
6 X, the Replacement Generating Facility must be in commercial operation within three (3)
7 years after the retirement of the Existing Generating Facility. Because DHPS was retired
8 as of December 31, 2021, the Solar Facility must be placed in commercial operation no
9 later than December 31, 2024 which will effectively require construction to begin in early
10 2023. In addition, Dolet Hills Solar must procure equipment by year-end 2022 in order to
11 lock in higher investment tax credits. The advantageous terms of the Solar PPA are
12 premised upon the availability of both replacement generator status and higher investment
13 tax credits, and as a practical matter neither equipment procurement nor project
14 construction can proceed without Commission approval. [REDACTED]

15 [REDACTED]

16 [REDACTED]

17 [REDACTED]

18 [REDACTED] Accordingly, in order for Cleco Power’s customers to receive
19 the substantial benefits that are expected to arise out of the Solar PPA, including highly
20 favorable pricing, it is critical that the Commission authorize the Solar PPA no later than
21 December 15, 2022, or the date of the Commission’s final open meeting conducted in the
22 year 2022.

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1 It should be noted, as further described below, that in order for Cleco Power to assign
2 replacement generation status to the Solar Facility, Cleco Power must temporarily hold a
3 direct or indirect ownership interest in Dolet Hills Solar. MISO Attachment X Section
4 3.7.1, provides that, among other requirements, the "Interconnection Customer" – in this
5 case, Cleco Power, as the owner of the Existing Generating Facility (*i.e.*, DHPS) – may
6 assign its generator interconnection agreement ("GIA") provided that it holds, directly or
7 indirectly, not less than a 25% ownership interest in the entity receiving the assignment,
8 and retains that ownership interest until the Replacement Generating Facility achieves
9 commercial operation.

10 **Q: PLEASE PROVIDE A DESCRIPTION OF THE KEY POINTS THAT WERE**
11 **NEGOTIATED BETWEEN CLECO POWER AND DESRI AFTER DESRI FIRST**
12 **PROVIDED ITS OFFER.**

13 **A:** Cleco Power entered into negotiations with DESRI after receiving the offer from DESRI.
14 Key points that were negotiated were:

- 15 • PPA pricing
- 16 • Escalation rate
- 17 • ITEP pricing increase
- 18 • Security Requirements
- 19 • Project schedule milestones

20 **Q: HOW WILL THE PROJECT BE STRUCTURED? WHAT ENTITY WILL OWN**
21 **THE SOLAR FACILITY ASSETS AND THE PROPERTY IT IS BUILT UPON?**

22 **A:** The Solar Facility assets will be owned by Dolet Hills Solar, [REDACTED]

23 [REDACTED]

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1 [REDACTED]

2 [REDACTED]

3 [REDACTED]

4 [REDACTED]

5 [REDACTED]

6 [REDACTED]

7 [REDACTED]

8 [REDACTED]

9 [REDACTED]

10 [REDACTED]

11 [REDACTED]

12 [REDACTED]

13 The Solar Facility will be sited upon land that Cleco Power currently has under option with
14 Alexandria Timber Company, pursuant to an Option to Purchase Property, dated effective
15 December 16, 2020. Should the Commission authorize the Solar PPA, within thirty (30)
16 days after such authorization Cleco Power will assign the Option to Purchase Property to
17 Dolet Hills Solar.

18 Q: [REDACTED]

19 [REDACTED]

20 A: [REDACTED]

21 [REDACTED]

7 [REDACTED]

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1 [REDACTED]
2 [REDACTED]
3 [REDACTED]
4 [REDACTED]
5 [REDACTED]
6 [REDACTED]
7 [REDACTED]
8 [REDACTED]
9 [REDACTED]
10 [REDACTED]

11 Q: [REDACTED]

12 A: [REDACTED]
13 [REDACTED]
14 [REDACTED]
15 [REDACTED]
16 [REDACTED]

17 Q: DOES THE SOLAR PPA CREATE ADDITIONAL BENEFITS FOR CLECO
18 POWER'S CUSTOMERS, OTHER THAN IMMEDIATE COST SAVINGS?

19 A: Yes, it does. As noted above and in Mr. Cleghorn's Direct Testimony, the Solar PPA
20 represents Cleco Power's commitment to an economically attractive, emission-free
21 resource that would add diversity to Cleco Power's generation. Furthermore, it will

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1 provide Cleco Power with a geographically well-suited resource for meeting its customers'
2 long-term energy needs and will allow Cleco Power to continue gaining experience
3 working with renewable resources. These various factors are beneficial for the State of
4 Louisiana, Cleco Power, and Cleco Power's customers. Adding carbon-free resources, like
5 the Solar PPA, to Cleco Power's generation mix will be increasingly important for
6 continuing to make the State of Louisiana an attractive location for large commercial and
7 industrial customers, which in turn will provide economic benefits to the state and its
8 residents, including Cleco Power's customers.

9 **Q: WHY IS CLECO POWER REQUESTING A WAIVER OF THE MBM ORDER?**

10 **A:**

11 [REDACTED] This date is driven by the need to commence and complete
12 construction, and achieve commercial operation, such that the Solar Facility can satisfy the
13 requirements for being a Replacement Generating Facility under MISO Attachment X, no
14 later than December 31, 2024 (i.e., within three years after the December 31, 2021,
15 retirement of DHPS as the Existing Generating Facility). As a practical matter, there is not
16 enough time between now and December 31, 2024 to conduct a request for proposals
17 process under the MBM Order and still meet the November 30, 2024 guaranteed
18 completion date.

19 Further, as noted earlier in my testimony, Cleco Power obtained current MISO market
20 prices for solar PPAs to serve as a benchmark price, and the Contract Price compares
21 favorably to the MISO market prices. Cleco Power submits that this obviates the need to
22 conduct an MBM Order request for proposals process.

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1 **Q: IS CLECO POWER MAKING ANY RATEMAKING REQUESTS IN**
2 **CONNECTION WITH THIS PROCEEDING?**

3 **A: Yes, it is. Please see the Direct Testimony of J. Robert Cleghorn for a detailed discussion**
4 **of Cleco Power's ratemaking requests.**

5 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

6 **A. Yes, at this time.**

EXHIBIT MB-1

**POWER PURCHASE AGREEMENT BETWEEN
CLECO POWER LLC, BUYER AND
DOLET HILLS SOLAR, LLC, SELLER
DATED AS OF JULY 22, 2022**

**REDACTED TO OMIT COMPETITIVELY SENSITIVE, TRADE SECRET,
PROPRIETARY, AND OTHER CONFIDENTIAL INFORMATION
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