

ATTACHMENT 3
SETTLEMENT TESTIMONY OF
JONATHAN R. BOURG

BEFORE THE
LOUISIANA PUBLIC SERVICE COMMISSION

DOCKET NUMBER U-36923
CLECO POWER LLC, EX PARTE

In Re: Application of Cleco Power LLC for: (I) Implementation of Changes in Rates to be Effective July 1, 2024; and (II) Extension of Existing Formula Rate Plan

SETTLEMENT TESTIMONY

OF

JONATHAN R. BOURG
ON BEHALF OF THE
STAFF OF THE
LOUISIANA PUBLIC SERVICE COMMISSION

MAY 31, 2024

1 **I. INTRODUCTION**

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

4 A. My name is Jonathan R. Bourg. I am the Vice President of Regulatory Policy for United
5 Professionals Company, LLC ("UPC"). My business address is 201 Saint Charles Avenue,
6 Suite 4240, New Orleans, Louisiana, 70170.

7 **Q2. PLEASE DISCUSS YOUR EDUCATIONAL AND PROFESSIONAL**
8 **BACKGROUND.**

9 A. In 2002, I earned a Bachelor of Science degree in Mechanical Engineering from Louisiana
10 State University. That same year, I began working as a plant engineer at a five-unit, 1750
11 MW generating facility in Louisiana, where I was responsible for project management of
12 major outages as well as ongoing maintenance of rotating equipment. In 2004, I left that
13 position to seek a Juris Doctor degree from Loyola University, where I graduated Summa
14 Cum Laude in 2007. After practicing as a general commercial attorney for several years,
15 I began a career in the utility industry in 2011 working for Entergy Corporation and its
16 affiliated operating companies. I began as a policy consultant within Entergy's
17 transmission organization and then transitioned to the legal organization where I provided
18 regulatory legal support for various matters, including Entergy's transition into the
19 Midcontinent Independent System Operator, Inc. Regional Transmission Organization. In
20 2014, I accepted a position in regulatory affairs for Entergy Louisiana and from then until
21 2022, I worked for Entergy Louisiana in several diverse roles including regulatory affairs,
22 finance, and resource planning. In 2022, I joined UPC as the Vice President of Regulatory
23 Policy.

1 **Q3. ON WHOSE BEHALF ARE YOU APPEARING IN THIS DOCKET?**

2 A. I am appearing on behalf of the Louisiana Public Service Commission (“LPSC” or
3 “Commission”) Staff.

4 **Q4. WAS UPC ENGAGED BY THE COMMISSION TO ASSIST THE LPSC STAFF IN**
5 **ITS ANALYSIS OF THE ISSUES IN THIS DOCKET?**

6 A. Yes.

7 **Q5. PLEASE PROVIDE A BRIEF SUMMARY OF CLECO POWER LLC’S**
8 **APPLICATION IN THIS DOCKET.**

9 A. In this proceeding, Cleco Power, LLC (“Cleco” or the “Company”) requested a reset of its
10 retail rates based on a Test Year ending June 30, 2022, with certain adjustments. The
11 requested reset proposed by Cleco would have resulted in an increase of \$155.5 million to
12 Cleco’s current retail rates. Cleco’s requested rate reset included modifications to its
13 customer class cost allocation as well as the redesign of certain rate schedules. Cleco also
14 proposed a continuation of its current Formula Rate Plan (“FRP”) for four years, with
15 certain modifications. As part of its request to extend its FRP, Cleco requested a
16 continuation of its Infrastructure and Incremental Cost Recovery mechanism (“ICR”).

17 **Q6. WERE THERE ANY SIGNIFICANT DRIVERS FOR CLECO’S REQUESTED**
18 **BASE RATE INCREASE.**

19 A. Yes. By far the most significant driver of Cleco’s requested increase in retail rates is a
20 change to its wholesale allocation factor, which results in more of Cleco’s overall revenue
21 requirement being allocated to retail customers. This change is due to the expiration of
22 Cleco’s wholesale contract with Dixie Electric Membership Cooperative (“DEMCO”).
23 That wholesale contract expired earlier this year, and the Commission approved DEMCO’s

1 replacement contract with a different wholesale provider in Docker No. U-36133. As
2 stated by Cleco in its Application, the change in the wholesale allocation factor contributed
3 to approximately \$89.4 million of its requested \$155.5 million increase.

4 Another significant driver of Cleco's requested rate increase was its request to
5 increase its allowed Return on Equity ("ROE") from the currently authorized 9.5% to
6 10.4%. This request was supported by Cleco Witness Dr. Roger Morin.

7 **Q7. WHAT WERE THE REMAINING DRIVERS OF CLECO'S REQUESTED BASE**
8 **RATE INCREASE.**

9 A. Cleco's current rates are based on a base rate reset that became effective July 1, 2021.
10 Since that time, Cleco's rate adjustments have been subject to its Second Amended and
11 Restated FRP, which is an asymmetrical mechanism that provides the potential for
12 customer refunds but does not provide for an increase in rates other than through specific
13 adjustments allowed through the IICR. The IICR is a rider mechanism which contains
14 specific revenue requirement items outside of base rates and contains both additions and
15 credits to the revenue requirement, such that it provides for increases and decreases to rates.
16 As such, many of the remaining items driving Cleco's requested rate increase resulted from
17 cost increases not reflected in rates over the last three years.

18 **Q8. WHAT CHANGES IN RATE DESIGN DID CLECO PROPOSE?**

19 A. Cleco proposed increasing the residential customer charge from \$9.00 to \$12.00 as well as
20 increases to the customer charge under its general service and municipal rates. It also
21 requested implementation of a decoupling mechanism for residential customers that would
22 provide a charge or credit to customers as a result of changes in usage driven by weather
23 or other measures, such as energy efficiency. Finally, Cleco requested a change in its

1 general service rates to alter the parameters by which a customer is shifted from purely
2 energy-based billing to billing that includes a demand component.

3 **Q9. WHAT CHANGES DID CLECO PROPOSE TO ITS FRP?**

4 A. While the basic structure of the FRP was maintained, Cleco requested certain limited
5 modifications. It requested that the earnings dead band governing whether refunds are due
6 to customers be increased from 50 basis points to 100 basis points and requested a four-
7 year term of the FRP instead of the three years provided in the Second Amended FRP.

8 **Q10. DID UPC PERFORM A COMPREHENSIVE ANALYSIS OF THE APPLICATION**
9 **IN THIS DOCKET?**

10 A. Yes, we did. That review included analysis of the direct testimony provided by witnesses
11 as well as Cleco's responses to numerous discovery requests propounded by the LPSC
12 Staff. My colleagues, Mr. R. Lane Sisung and Mr. John Mayeux, provided Direct
13 Testimony in this docket on behalf of the LPSC Staff responding to the Application,
14 Cleco's direct testimony, and the responses provided to discovery.

15 **Q11. PLEASE PROVIDE A BRIEF SUMMARY OF UPC'S FINDINGS IN THIS**
16 **PROCEEDING.**

17 A. In his Direct Testimony, Mr. Mayeux challenged Cleco's requested ROE of 10.4%. Based
18 on his thorough analysis, Mr. Mayeux provided a primary recommendation of a 9.41%
19 ROE for purposes of Cleco's requested reset of base rates and its continued FRP. Mr.
20 Sisung challenged several other aspects of Cleco's requested rate increase, ultimately
21 finding that Cleco had supported in Direct Testimony an increase of approximately \$98
22 million as opposed to the requested increase of \$155.5 million. With regard to Cleco's
23 requested changes to its FRP, Mr. Sisung opposed Cleco's change to the earnings

1 deadband. Finally, regarding Cleco's rate design requests, Mr. Sisung found that the
2 Company's requested increase in customer charges were reasonable and well-below the
3 amount called for in the cost-of-service study performed by Cleco.

4 **Q12. DID OTHER PARTIES RESPOND TO CLECO'S REQUEST IN THIS**
5 **PROCEEDING?**

6 A. Yes. Mr. Maurice Brubaker filed Direct Testimony on behalf of International Paper
7 Company and Packaging Corporation of America. He challenged Cleco's requested ROE
8 as well as its requested storm damage reserve, increase in depreciation, and adjustment for
9 payroll increases. Ms. Devi Glick filed testimony on behalf of the Sierra Club. She
10 challenged the operations of certain Cleco generators, asserting that they should be retired
11 or that costs associated with those generators should not be recovered.

12 The Alliance for Affordable Energy filed a letter response in lieu of testimony. The
13 Alliance challenged future recovery of costs for Cleco's Rodemacher 2 generator, future
14 potential costs associated with Cleco's proposed Project Diamond Vault, and Cleco's
15 proposed ROE. The Alliance for Affordable Energy further requested that Cleco
16 implement assistance plans for low-income customers and consider waiving late fees and
17 reconnection fees.

18 **Q13. DID CLECO RESPOND TO THE TESTIMONY OF MESSRS. MAYEAUX AND**
19 **SISUNG AND THE INTERVENORS?**

20 A. Yes. Cleco witness Robert Cleghorn provided Rebuttal Testimony, accepting certain
21 positions taken by Staff, but rebutting several positions taken by Staff and the Intervenors.

22 **Q14. HAVE THE PARTIES REACHED A RESOLUTION IN THIS PROCEEDING?**

1 A. Yes. After lengthy discussions and negotiations, the parties have reached a resolution that
2 is documented in the Uncontested Proposed Stipulated Settlement (“Stipulation”) executed
3 by the parties.

4 **Q15. WERE YOU INVOLVED IN THOSE SETTLEMENT NEGOTIATIONS?**

5 A. Yes. Since the time of Staff’s Direct Testimony, I have been involved extensively in
6 discussions with Cleco regarding the request in this proceeding and potential resolution of
7 Staff’s positions. LPSC Staff also has been engaged in discussions with the intervenors.

8 **Q16. PLEASE DESCRIBE THE TERMS OF THE STIPULATION.**

9 A. First, I note that the Stipulation speaks for itself and nothing I state here is intended to alter
10 the terms of the Stipulation. That being said, the Stipulation resolves all of Cleco’s requests
11 in this docket in a manner that is agreeable to Staff. The resolution can be best summarized
12 in four buckets: (1) agreement on the appropriate revenue requirement for Cleco’s rate
13 reset; (2) agreement on a Cleco FRP to be implemented over the next three years;
14 (3) agreement on rate schedule modifications and rate design; and (4) other Cleco
15 commitments, including environmental and dispatch commitments for certain Cleco
16 generators.

17 **Q17. REGARDING THE FIRST BUCKET, CLECO’S REVENUE REQUIREMENT,**
18 **WHAT DOES THE STIPULATION PROVIDE?**

19 A. The stipulation provides that Cleco’s retail rates will be reset based on a total retail revenue
20 requirement of \$756.321 million, which represents an increase of approximately \$102.8
21 million from Cleco’s current retail rates. \$733.698 million of this revenue requirement
22 would be recovered through Cleco’s base rates and \$22.632 million through the IICR
23 mechanism. The Stipulation details the various elements contributing to the change in

1 revenue requirement. The change in wholesale allocation I previously discussed is a
2 prominent driver of the retail rate increase as it represents approximately \$81 million of
3 the total \$102.8 million rate increase.

4 **Q18. REGARDING THE SECOND BUCKET, CLECO'S FRP, WHAT DOES THE**
5 **STIPULATION PROVIDE?**

6 A. The stipulation provides for an extension of Cleco's FRP for a period of three years with a
7 target ROE of 9.7%. The earnings bandwidth is set at 60 basis points, 10 basis points
8 higher than the 50 basis-point bandwidth in Cleco's current FRP. It also provides for
9 continuation of Cleco's IICR to recover certain specified items. The details of the agreed
10 upon FRP and IICR are further provided for in the Stipulation.

11 **Q19. REGARDING THE THIRD BUCKET, CLECO'S RATE SCHEDULES AND RATE**
12 **DESIGN, WHAT DOES THE STIPULATION PROVIDE?**

13 A. The Stipulation provides for changes to Cleco's General Service rate to change the method
14 in which customers are changed to a demand rate. It provides for changes to the customer
15 charges, consistent with those agreed to in Staff's direct testimony. The Stipulation also
16 provides for implementation of a residential decoupling mechanisms on a limited, pilot
17 basis. Staff's agreement to this limited decoupling mechanism is based on Cleco's
18 uniquely structured FRP. Finally, the Stipulation provides for certain customer benefits
19 consistent with those requested by the Alliance for Affordable Energy, including expansion
20 of Cleco's CARE Rider and reduction of Cleco's connection/reconnection fees and late
21 charges. The details of these changes are provided in the Stipulation.

22 **Q20. FINALLY, WHAT OTHER CLECO COMMITMENTS DOES THE**
23 **STIPULATION INCLUDE?**

1 A. The Stipulation provides commitments on when Cleco will file its next rate case filing,
2 environmental and dispatch commitments regarding Cleco's Rodemacher 2 and Madison
3 3 generating units, as well as other commitments detailed in the Stipulation.

4 **Q21. DO YOU BELIEVE THAT APPROVAL OF THE STIPULATION IS IN THE**
5 **PUBLIC INTEREST?**

6 A. I do. There was considerable back and forth that occurred, as in any settlement negotiation,
7 but I believe that the Stipulation will result in just, reasonable, and non-discriminatory
8 rates.

9 **Q22. IS THERE ANY OPPOSITION TO THE STIPULATION BY ANY PARTY IN THIS**
10 **DOCKET?**

11 A. No. It is my understanding that all parties have signed the stipulation either in support, in
12 non-opposition or, in the case of the Alliance for Affordable Energy, taking no position.

13 **Q23. WHAT IS YOUR RECOMMENDATION IN THIS DOCKET?**

14 A. Because the Stipulation resolves all the issues in this docket in a manner that is in the public
15 interest, the LPSC Staff recommends that the Commission approve the Stipulation.

16 **Q24. DOES THIS CONCLUDE YOUR TESTIMONY?**

17 A. Yes.

18

BEFORE THE
LOUISIANA PUBLIC SERVICE COMMISSION

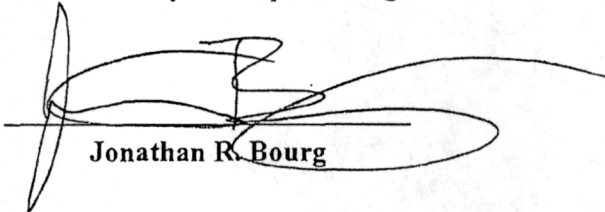
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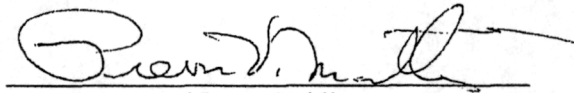
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AFFIDAVIT

Jonathan R. Bourg, being first duly sworn, deposes and says: that he is the same Jonathan R. Bourg whose Testimony accompanies this affidavit; that Testimony was prepared by him or under his direction; that he is familiar with the contents thereof; that the facts and opinions set forth therein are true and correct to the best of his knowledge, information and belief; and that he does adopt the same as his sworn testimony in this proceeding.


Jonathan R. Bourg

Subscribed and sworn before me on this 31st day of May, 2024.


Notary Public

My Commission Expires: is for life