

ATTACHMENT 2
SETTLEMENT TESTIMONY OF
J. ROBERT CLEGHORN

BEFORE THE
LOUISIANA PUBLIC SERVICE COMMISSION

CLECO POWER LLC, *EX PARTE*.)
IN RE: APPLICATION OF)
CLECO POWER LLC FOR: (I))
IMPLEMENTATION OF) DOCKET NO. U-36923
CHANGES IN RATES TO BE)
EFFECTIVE JULY 1, 2024; AND)
(II) EXTENSION OF EXISTING)
FORMULA RATE PLAN.)

SETTLEMENT TESTIMONY

OF

J. ROBERT CLEGHORN

ON BEHALF OF

CLECO POWER LLC

MAY 30, 2024

**CLECO POWER LLC
SETTLEMENT TESTIMONY OF J. ROBERT CLEGHORN
LPSC DOCKET NO. U-36923**

SETTLEMENT TESTIMONY

1 **Q: PLEASE STATE YOUR NAME, OCCUPATION AND BUSINESS ADDRESS.**

2 A: My name is J. Robert Cleghorn. I am Vice President – Regulatory Strategy of Cleco Power
3 LLC (“Cleco Power” or the “Company”). My office address is 2030 Donahue Ferry Road,
4 Pineville, Louisiana, 71360.

5 **Q: WHAT IS THE PURPOSE OF YOUR SETTLEMENT TESTIMONY?**

6 A: My Settlement Testimony describes Cleco Power’s full support and agreement with the
7 Uncontested Proposed Stipulated Settlement (the “Stipulated Settlement”) between the
8 LPSC Staff and Cleco Power, in connection with Cleco Power’s requested authorization
9 from the Commission for a change in Cleco Power’s base rates, and Cleco Power’s
10 requested Commission authorization of an extension of Cleco Power’s existing Second
11 Amended and Restated Formula Rate Plan, which was authorized by the Commission in
12 Order No. U-35299, issued June 22, 2021.¹

13 **Q: ARE YOU FAMILIAR WITH THE TERMS AND CONDITIONS OF THE
14 STIPULATED SETTLEMENT IN THIS DOCKET?**

15 A: Yes, I am.

16 **Q: CAN YOU PLEASE PROVIDE A SUMMARY OF THE MATERIAL TERMS OF
17 THE STIPULATED SETTLEMENT IN THIS DOCKET?**

18 A: Yes. Beginning July 1, 2024, Cleco Power’s annual base revenues shall be set at \$733.689
19 million, which includes, but is not limited to, expense increases related to the following
20 items: (i) employee salaries and merits expense, (ii) property taxes, (iii) COVID-19 lost

¹ Cleco Power’s original Formula Rate Plan was first authorized by the Commission in Order No. U-30689, issued October 28, 2010. Cleco Power’s Amended and Restated Formula Rate Plan was authorized by the Commission in Order No. U-32779, issued June 27, 2014.

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1 revenues, (iv) 2019 rate case expenses, and (v) storm preparation costs. Cleco Power's
2 IICR revenues for the period July 1, 2024, through June 30, 2025, shall be set at \$22.632
3 million. Cleco Power's current Formula Rate Plan shall be extended for three years, for
4 the rate years July 1, 2024, through June 30, 2025; July 1, 2025, through June 30, 2026;
5 and July 1, 2026, through June 30, 2027. Cleco Power shall file a new base rate case by
6 June 30, 2026, for new base rates to be effective July 1, 2027.

7 For Formula Rate Plan ratemaking and annual earnings monitoring report review purposes,
8 Cleco Power will have a capital structure of 52.00% equity and 48.00% debt.

9 Furthermore, decoupling shall be allowed for residential customers. The annual credit or
10 charge, as applicable, for decoupling shall not exceed \$3 million. Decoupling shall be
11 implemented as a pilot program and shall only be effective for the Rider IICR filings made
12 effective for July 2025 and July 2026.

13 Pursuant to the terms of the Stipulated Settlement, the Commission would approve, for
14 accounting purposes, Cleco Power's creation and booking of the regulatory asset
15 associated with the increased depreciation expense at Rodemacher Power Station Unit 2
16 ("Rodemacher 2"). The ultimate recovery of this regulatory asset, both in terms of timing
17 and amount, is not approved as part of the Stipulated Settlement. The Commission,
18 however, would recognize that Cleco Power has presented to the Commission in this
19 proceeding the capital expenditures at Rodemacher 2 through June 30, 2022. The
20 Commission, via its Staff, has reviewed those capital expenditures and determined that
21 they were prudently incurred. As such, the Commission would find that the amounts
22 included in plant-in-service for Rodemacher 2 through June 30, 2022, were prudently

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1 incurred capital costs. Cleco Power has also agreed to certain dispatch commitments
2 related to Rodemacher 2 and Madison 3.

3 **Q: DOES THE STIPULATED SETTLEMENT PROVIDE FOR AN EXTENSION OF**
4 **CLECO POWER'S CURRENT SECOND AMENDED AND RESTATED**
5 **FORMULA RATE PLAN?**

6 A: Yes. The Stipulated Settlement includes a Third Amended and Restated Formula Rate
7 Plan. Among other things, it includes the following provisions: (i) an extension of three
8 years, for the rate years July 1, 2024, through June 30, 2025; July 1, 2025, through June
9 30, 2026; and July 1, 2026, through June 30, 2027; (ii) a target return on equity of 9.70%,
10 with the potential for customer refunds if earnings exceed certain thresholds; (iii)
11 provisions for annual reviews of Cleco Power's earnings monitoring reports; and (iv) a
12 mechanism for the recovery of the retail jurisdictional revenue requirements for certain
13 specified items eligible for recovery under the Company's Infrastructure and Incremental
14 Cost Recovery Rider.

15 **Q: DOES THE STIPULATED SETTLEMENT INCLUDE NEW RATE SCHEDULES?**

16 A: Yes. The new rate schedules would go into effect on July 1, 2024.

17 **Q: IS CLECO POWER IN FULL AGREEMENT WITH THE TERMS AND**
18 **CONDITIONS OF THE STIPULATED SETTLEMENT?**

19 A: Yes, it is.

20 **Q: ARE YOU AUTHORIZED TO MAKE THE FOREGOING STATEMENT ON**
21 **BEHALF OF CLECO POWER?**

22 A: Yes, I am.

23 **Q: DOES THIS CONCLUDE YOUR TESTIMONY?**

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1 A: Yes, at this time.