

CC: mV

Louisiana Public Service Commission



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Deputy Undersecretary

May 27, 2022

VIA HAND DELIVERY

Ms. Terri Bordelon
Louisiana Public Service Commission
Records and Recordings
602 N. Fifth St.
Galvez Bldg, 12th Fl.
Baton Rouge, LA 7082

2022 MAY 27 PM 1:46
LA PUBLIC SERVICE
COMMISSION

Re: Docket No. U-36268, 1803 Electric Cooperative, Inc.; Beauregard Electric Cooperative, Inc.; Claiborne Electric Cooperative, Inc.; Northeast Electric Cooperative, Inc.; South Louisiana Electric Cooperative Assoc.; and Washington-St. Tammany Electric Cooperative, Inc., ex parte. In re: Application for Approval of the 1803 Electric Cooperative, Inc. Wholesale Formula Rate and Member Wholesale Power Contracts.

Dear Ms. Bordelon:

Enclosed for filing please find the *Testimony of Thomas Broady on behalf of the Louisiana Public Service Commission Staff* for the above referenced docket.

Should you have any questions, please do not hesitate to contact me.

Sincerely,

Lauren T. Evans
Deputy General Counsel

Encl.
cc.: Service List (via email)

LOUISIANA PUBLIC SERVICE COMMISSION

DOCKET NO. U-36268

**1803 ELECTRIC COOPERATIVE, INC.,
BEAUREGARD ELECTRIC COOPERATIVE, INC.,
CLAIBORNE ELECTRIC COOPERATIVE, INC.,
NORTHEAST LOUISIANA POWER COOPERATIVE, INC.,
SOUTH LOUISIANA ELECTRIC COOPERATIVE, INC.,
AND WASHINGTON-ST. TAMMANY ELECTRIC COOPERATIVE, INC.**

2022 MAY 27 PM 1:46
LA PUBLIC SERVICE
COMMISSION

*In re: Application for Approval of Formula Rate Plan and Approval of Member
Wholesale Power Contracts*

TESTIMONY OF THOMAS BROADY

ON BEHALF OF THE

LOUISIANA PUBLIC SERVICE COMMISSION STAFF

MAY 27, 2022

Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A. My name is Thomas Broady. My business address is the Galvez Building, 12th Floor, 602 North 5th Street Baton Rouge, LA 70821.

Q. BY WHOME ARE YOU EMPLOYED AND IN WHAT CAPACITY?

A. I am employed by the Louisiana Public Service Commission ("LPSC" or the "Commission") as an Auditor Supervisor. My position involves the examination, review, analysis, and evaluation of accounting records, reports, financial statements, and other documents of utilities subject to the jurisdiction of the LPSC.

Q. PLEASE DESCRIBE YOUR EDUCATIONAL AND PROFESSIONAL BACKGROUND.

A. I earned a Bachelor's Degree in Education with concentrations in Mathematics and History from Nicholls State University. I then graduated from Western International University with a Master's Degree in Accounting as well as Master's Degree in Business Administration. I have been employed by the LPSC since May of 2018 and was previously an Account Manager for a regional service company. Since my employment with the LPSC, I have attended and participated in various educational conferences with the National Association of Regulatory Utility Commissioners ("NARUC"), including rate schools, educational and technical conferences, and annual policy summits on utility regulation. I have also attended and participated in annual financial forums as an active member of the Society of Utility and Regulatory Financial Analysts ("SURFA").

Q. HAVE YOU PREVIOUSLY TESTIFIED IN REGULATORY PROCEEDINGS REGARDING UTILITY RATES?

A. Yes. In addition to preparing to various Staff memoranda, reports and recommendations, and cost of capital studies, I have presented testimony on numerous occasions before the Commission in various dockets and proceedings.

Q. ON WHOSE BEHALF ARE YOU TESTIFYING IN THIS PROCEEDING?

A. I am testifying on behalf of the LPSC Staff.

Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

A. The purpose of my testimony is to support the position of Staff Consultant Lane Kollen of J. Kennedy & Associates and to discuss additional concerns that Staff believes are prudent as part of the review and recommendation of the Wholesale Power Contracts ("WPC") and requested Formula Rate Plan ("FRP") for 1803 Electric Cooperative, Inc ("1803") and its member cooperatives.¹

Q. CAN YOU SUMMARIZE YOUR SUPPORT FOR THE POSITION OF LANE KOLLEN IN THIS PROCEEDING?

A. Yes. Mr. Kollen is essentially recommending the approval of the WPC's as well as the implementation of a FRP subject to specific changes and conditions. Those

¹ Beauregard Electric Cooperative, Inc., Claiborne Electric Cooperative, Inc., Northeast Louisiana Power Cooperative, Inc., South Louisiana Electric Cooperative Assoc., and Washington-St. Tammany Electric Cooperative, Inc.

changes include ensuring language exists in the WPC's that preserve the Commission's jurisdiction over the utilities and their rates as well as outlining the mechanisms and processes to bring changes to those rates. Additional recommendations from Mr. Kollen include the use of historical test year information when determining cost recovery, the implementation of a fuel adjustment clause ("FAC") mechanism that would be consistent with the Commission's General Order in Docket No. U-21497 dated November 6, 1997 ("FAC General Order") that 1803 and its members would use to recover its purchased power energy expenses, net of market revenues, the implementation of a power cost adjustment ("PCA") mechanism that would be consistent with the Commission's General Order dated April 25, 1973 and General Order dated June 27, 1985 ("PCA General Orders") that 1803 and its members would use to recover its purchased power non-energy expenses and FAC expenses, and the implementation of a FRP mechanism that would allow 1803 to recover its other non-energy operating expenses, allowable margin, and capital contributions.

In conclusion, Mr. Kollen's recommended changes include the LPSC's long used practice of using a historical test year in determining cost recovery, would segregate the recovery of actual purchased power energy and non-energy expenses from other operational expenses of 1803, would subject the recovery of those energy and non-energy expenses to the FAC General Order requirements, allow for a streamlined process to review necessary rate changes for 1803's actual non-energy related

operational expenses through the PCA, and the implementation of a FRP for the non-energy operating expenses of 1803.

Q. DO YOU HAVE ANY ADDITIONAL CONCERNS RELATED TO THE APPROVAL OF THE WPC'S OR 1803'S FRP?

A. Yes. Mr. Kollen's testimony spelled out some very specific recommendations for how 1803 would recover its administrative costs through an FRP mechanism and its power costs through a FAC and PCA mechanism. This, in turn, puts a spotlight on how each of the 1803 member Cooperatives must then recover these expenses from its member ratepayers. Currently, each of the member cooperatives recovers its purchased power costs through a FAC and PCA mechanism. However, the existing structure of the 1803 member cooperatives' cost recovery is not fully segregated from its base rates. In fact, each of the 1803 member cooperatives recovers a portion of its purchased power costs through its base rates. This is clearly defined and spelled out in each of the 1803 member cooperatives' PCA tariffs and is denoted as PCb in the majority of their tariffs.² Further, Staff has reviewed the existing tariffs for each of the 1803 member cooperatives and has found that none of the member cooperatives have been subject to a full base rate case review in the last ten (10) years. Some of the more recent reviews have included the use of FRP's that have been either extended or have been allowed to have term years that have

² See SLECA Tariff Page No. 19. See NELPCO Tariff Page 14. See BECI Tariff Page 15. See WST Tariff Page 3.1.1.

expired with no full base rate review. In reviewing the origins of where the PCb component of each of the member cooperatives tariff originated, it appears that these can be attributed to the timing and onset of the expiring all-requirements wholesale power purchase agreements around the year 2000. The regulatory and financial landscape for these 1803 member cooperatives is significantly different today than when the original wholesale power contracts were set. The design of the new WPC is a testament to that just that.

Q. WHAT IS YOUR RECOMMENDATION AS TO THE PROPOSED FRP AND THE COMPANY'S RECOVERY OF NON-PCA OPERATING EXPENSES, INTEREST EXPENSE, MARGINS, AND CAPITAL CONTRIBUTIONS?

A. I recommend that the Commission approve an FRP with the necessary changes as highlighted by Mr, Kollen in regard to segregating the operating expenses from the power expenses of 1803 through the use of an FRP and allow the recovery of purchased power expenses through a separate FAC and PCA mechanism, as well as ensuring that the LPSC's jurisdiction is preserved and all recovery is consistent with the use of historical test year data.

Q. DO YOU HAVE ANY ADDITIONAL RECOMMENDATIONS OTHER THAN THOSE PROPOSED BY MR. KOLLEN IN HIS DIRECT TESTIMONY?

A. Yes. I recommend that the Commission require that each of the 1803 member cooperatives be required to file a full base rate case review by January 1, 2024. Additionally, as part of these full rate reviews, I would recommend that each of the 1803 member Cooperatives revise their tariffs to reflect a FAC and PCA that fully separates purchased power expenses from base rates. This would eliminate the practice of partially recovering these expenses in base rates, which would be consistent with the same cost recovery approach being recommended by Mr. Kollen for 1803.

Q. Does this complete your testimony?

A. Yes.

**BEFORE THE
LOUISIANA PUBLIC SERVICE COMMISSION**

DOCKET NO. U-36268

**1803 ELECTRIC COOPERATIVE, INC.,
BEAUREGARD ELECTRIC COOPERATIVE, INC.,
CLAIBORNE ELECTRIC COOPERATIVE, INC.,
NORTHEAST LOUISIANA POWER COOPERATIVE, INC.,
SOUTH LOUISIANA ELECTRIC COOPERATIVE, INC.,
AND WASHINGTON-ST. TAMMANY ELECTRIC COOPERATIVE, INC.**

***In Re: Application for Approval of Formula Rate Plan and Approval of Member Wholesale
Power Contracts***

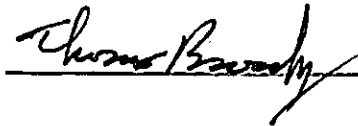
AFFIDAVIT

STATE OF LOUISIANA

PARISH OF EAST BATON ROUGE

BEFORE ME, the undersigned notary public, duly qualified and commissioned in and for the State and Parish aforesaid, personally came and appeared, THOMAS BROADY ("Affiant"), Auditor Supervisor with the Louisiana Public Service Commission, who after being duly sworn, did depose and say that Affiant prepared and reviewed the above and foregoing Testimony that the matters contained therein are true and accurate to the best of Affiant's knowledge, information, and belief; and that the Affiant adopts the same as his sworn testimony in this proceeding.

FURTHER AFFIANT SAYETH NOT.

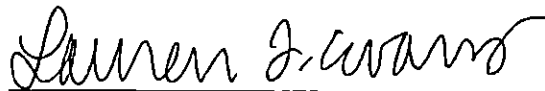


Thomas Broady

Auditor Supervisor

Louisiana Public Service Commission

SWORN TO AND SUBSCRIBED before me this 26th day of May, 2022.



NOTARY PUBLIC

**Service List for U-36268
as of 5/27/2022**

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Mike Francis
Foster L. Campbell
Eric Skrmetta
Craig Greene

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