

**LOUISIANA PUBLIC SERVICE COMMISSION
ADMINISTRATIVE HEARING DIVISION**

DOCKET NO. S-_____

**1803 ELECTRIC COOPERATIVE, INC.,
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.**

***In Re: Petition for Approval of Asset Transfer by 1803 Member Cooperatives to 1803 and
Operation of Transmission Facilities by 1803.***

18-POINT ANALYSIS

NOW BEFORE THIS COMMISSION, through undersigned counsel, come Applicants, 1803 Electric Cooperative, Inc. (“1803”), Beauregard Electric Cooperative, Inc. (“BECi”), Claiborne Electric Cooperative, Inc. (“Claiborne”), Northeast Louisiana Power Cooperative, Inc. (“NELPCO”), South Louisiana Electric Cooperative Association (“SLECA”), and Washington-St. Tammany Electric Cooperative, Inc. (“WST”) (collectively, BECi, Claiborne, NELPCO, SLECA, and WST are referred to herein as the “1803 Cooperatives”), who submit this 18-Point Analysis in conformity with the Louisiana Public Service Commission’s (the “Commission” or LPSC”) General Order of March 18, 1994, relating to the factors to be considered in connection with the application for approval of the transfer of ownership and management of certain delivery assets of the 1803 Cooperatives, including the assets and facilities which would transfer in ownership from Louisiana Generating LLC, Cleco Cajun LLC, or any of their affiliated entities (collectively, “LaGen”) to the 1803 Cooperatives, respectively, at the conclusion of the Power Supply and Service Agreements (“PSSAs”) with LaGen (the “Transaction”), which assets and facilities may include, without limitation, the high side of substations, delivery points, meter points, certain electric lines, meters and equipment associated with meters, and such similar assets (collectively

the “Assets”).

1) Whether the transfer is in the public interest.

Presently, the Assets of the 1803 Cooperatives are owned, operated, and managed by LaGen, the power supply counterparty of the 1803 Cooperatives. The Assets by contract will transfer to the 1803 Cooperatives at the conclusion of the PSSAs. 1803 and the 1803 Cooperatives are proposing that the Assets transfer in ownership, operation, management, and maintenance to 1803, whose executive management team has significant experience in owning, operating, and managing substation and transmission assets of generation and transmission cooperatives on behalf of the distribution cooperatives served by them, for the benefit of the distribution cooperatives and their members. The 1803 executive management team is also experienced in utilizing consultants and contractors to manage and provide for regulatory compliance of substation and transmission assets and are familiar with available and competent options for those services. 1803 intends to use such resources where such use can provide economies of scale and provide savings for the 1803 Cooperatives. As further detailed in the analysis below, the proposed transaction best aligns the 1803 Cooperative member-ratepayer interests with the management of the Assets for their exclusive benefit and also best provides for and protects the Commission’s regulatory authority because 1803, as the acquirer, is fully regulated by the Commission. 1803 and the 1803 Cooperatives seek to achieve deduplication of services, costs, and staffing, economies of scale, efficiencies, savings through sharing of costs, efforts, and resources, improved transmission planning, reliability, and optimization all as a result of consolidating the ownership, operation, maintenance and compliance efforts associated with the Assets. Considering this and the analysis below, the proposed Transaction is in

the public interest.

2) Whether the purchaser is ready, willing, and able to continue providing safe, reliable, and adequate service to the utility's ratepayers.

1803's executive management team has significant experience in owning, operating, and managing substation and transmission assets of generation and transmission cooperatives on behalf of the distribution cooperatives served by them, for the benefit of the distribution cooperatives and their members, and are familiar with available options for consulting and contracting services regarding the same. As a result, 1803 is prepared to own, operate, and manage the Assets so that safe, reliable, and adequate service will be provided to the 1803 Cooperatives' member-ratepayers.

3) Whether the transfer will maintain or improve the financial condition of the resulting public utility.

The approval of this request will be the best manner of managing these Assets with the goal of improving the financial conditions of the 1803 Cooperatives. The 1803 Cooperatives are the member-owners of 1803 and thus 1803's sole purpose will be to optimize reliability while controlling costs, all for the benefit of the 1803 Cooperatives and their members. Any cost of debt will be lower for 1803 and the 1803 Cooperatives through the 1803 option and all returns will go to the 1803 Cooperatives and their members. Also, as an electric cooperative, 1803 will be eligible for FEMA recovery with regard to the Assets. As a result, the financial condition of the 1803 Cooperatives will ultimately be maintained or improved because of the Transaction.

4) Whether the proposed transfer will maintain or improve the quality of service to public utility ratepayers.

The 1803 Cooperatives will continue to provide high quality service to their members/ratepayers. This request will not impact the 1803 Cooperatives' provision of

service in any negative manner and will support the efforts of 1803 to utilize the Assets for the exclusive benefit of the 1803 Cooperatives' members. Additionally, improved transmission planning and modeling of these Assets in MISO can result in improved reliability and lower costs for the 1803 Cooperatives' members and other transmission ratepayers in the region.

5) Whether the transfer will provide net benefits to ratepayers in both the short term and the long term and provide a ratemaking method that will ensure, to the fullest extent possible, that ratepayers will receive the forecasted short and long term benefit.

Yes, the proposed Transaction and Asset transfer will make certain that the ownership, operation, and management of the Assets is fully aligned with the interest of the 1803 Cooperatives in managing the Assets for the sole benefit of the member-ratepayers of the 1803 Cooperatives. 1803 is a not-for-profit electric cooperative and as such net benefits inure to the 1803 Cooperatives and their respective members. Moreover, because 1803 is an LPSC-regulated entity, the LPSC will have regulatory oversight of the Asset owning entity. LaGen, the current owner of the assets, is not regulated by the Commission. Thus, the immediate benefit will be for ratepayers. Each 1803 Cooperative has two members of the 1803 Board who will provide oversight of 1803's management and operation of these Assets and, from a long term standpoint, should 1803 operations conclude at the end of the contractual term or if an 1803 Cooperative ceases to be a member of 1803, the Transaction provides for each of the 1803 Cooperative's portion of the Assets to return to that 1803 Cooperative, thus ensuring the net benefits will continue for the member-ratepayers in the long term.

6) Whether the transfer will adversely affect competition.

No, the approval of this request will not adversely impact competition. Pursuant to La.

R.S. 45:123 and the LPSC's General Order dated October 6, 2005 (300 Foot Rule), absent approval by the 1803 Cooperatives or the LPSC, there is no retail competition or switching of electric service providers available to existing customers. To the extent that this request results in the 1803 Cooperatives obtaining more reliable power at the lowest reasonable cost, this may increase and promote healthy competition between electric service providers in the 1803 Cooperatives' service areas. As stated above, more effective inclusion of the Assets in the MISO planning processes can create benefits for all ratepayers in the region.

7) Whether the transfer will maintain or improve the quality of management of the resulting public utility or common carrier doing business in the State.

1803 and the 1803 Cooperatives will experience no change in management as a result of this request. The management of the Assets will be placed under 1803's control with its experienced and competent management team and will improve the quality of the management of the Assets in that they will be managed for the exclusive benefit of the electric cooperatives utilizing them. Additionally, 1803 can provide the associated operations, maintenance, and compliance of the Assets at a fundamentally lower cost than each of the five 1803 Cooperatives could achieve providing those functions individually.

8) Whether the transfer will be fair and reasonable to the affected public utility or common carrier employees.

The 1803 Cooperatives presently employ approximately 420 people. As a result of the proposed transaction, no current 1803 Cooperative employee will be negatively impacted. The proposed transaction will result in a need for 1803 to add quality jobs, while at the same time provide the lowest cost option for the member-ratepayers of the 1803 Cooperatives.

9) Whether the transfer would be fair and reasonable to the majority of all affected public utility or common carrier shareholders.

The 1803 Cooperatives have no “shareholders” but as cooperative membership organizations, their member-ratepayers will benefit directly as a result of the subject request facilitating the 1803 Cooperatives’ ability to obtain and provide reliable electric service at the lowest reasonable cost. Although 1803 has no “shareholders,” the five 1803 Cooperatives, as the members of 1803, have joined in this request indicating that they believe such actions are fair, reasonable, and in the best interest of their respective members.

10) Whether the transfer will be beneficial on an overall basis to State and local economies and to the communities in the area served by the public utility or common carrier.

Yes, the proposed Transaction will be beneficial to the local communities and the State of Louisiana by allowing for the long-term stability for utility service and lower rates in the 1803 Cooperatives’ service areas by providing for local ownership, operation, and management of the Assets for the exclusive benefit of the local 1803 Cooperatives. Additionally, inclusion of the Assets in the MISO planning processes can reap benefits for all ratepayers in the region through more effective and efficient use of transmission assets.

11) Whether the transfer will preserve the jurisdiction of the Commission and the ability of the Commission to effectively regulate and audit public utility's or common carrier's operations in the State.

The proposed transaction will increase and positively impact the Commission’s ability to regulate the rates and services of 1803 and the 1803 Cooperatives. Since 1803 is LPSC-regulated, the Commission’s ability to regulate and audit the Asset owner will increase as a result of the Transaction. As stated above, the Assets are currently owned and managed by an entity that is not regulated by the LPSC.

12) Whether conditions are necessary to prevent adverse consequences which may result from the transfer.

1803 and the 1803 Cooperatives do not foresee any adverse consequences as a result of the proposed Transaction. 1803 and the 1803 Cooperatives are required by LPSC Order No. S-35709, issued July 2, 2021, to abide by all present and future requirements in regards to affiliate transactions enacted by statute or adopted by the Commission. Those involve transactions between a regulated entity and an unregulated affiliate. All of the involved entities here – 1803 and the 1803 Cooperatives – are LPSC-regulated with full Commission oversight. Thus, affiliated transaction rules are not invoked by this Transaction.

13) The history of compliance or noncompliance of the proposed acquiring entity or principals or affiliates have had with regulatory authorities in this State or other jurisdictions.

1803 and the 1803 Cooperatives have a history of compliance and working with the Commission and all regulatory authorities.

14) Whether the acquiring entity, persons, or corporations have the financial ability to operate the public utility or common carrier system and maintain or upgrade the quality of the physical system.

The 1803 executive management team has significant experience in owning, operating, and managing substation and transmission assets of generation and transmission cooperatives on behalf of the distribution cooperatives served by them, for the benefit of the distribution cooperatives and their members, and are familiar with available options for consulting and contracting services regarding the same. 1803's management team is prepared to own, operate, and manage the Assets, to provide for maintenance, restoration, and upgrades, reliability compliance, MISO interactions and planning, and provide for the 24-hour operation of the same, so that safe, reliable, and adequate service will be provided to the 1803 Cooperatives' member-ratepayers at the lowest reasonable cost. 1803 has access to

reasonably priced financing, should such financing become necessary, to operate and maintain the quality of the physical Assets.

15) Whether any repairs and/or improvements are required and the ability of the acquiring entity to make those repairs and/or improvements.

This request for approval of this Transaction does not cause a need for repairs and improvement by 1803 or the 1803 Cooperatives. However, regardless of whether the 1803 Cooperatives themselves, 1803, or another party were to take ownership and control of the Assets, repairs and improvements will be needed. The Transaction and Asset ownership by 1803 will best ensure that the repairs and improvements undertaken will be those necessary and best for the 1803 Cooperatives' member-ratepayers in a managed, planned approach. 1803 is currently conducting an assessment of the in-service condition and maintenance records of the Assets to develop a comprehensive work plan to ensure the continued health of the existing Assets and timely replacement of end-of-life Assets.

16) The ability of the acquiring entity to obtain all necessary health, safety and other permits.

1803 and the 1803 Cooperatives have the ability to obtain and maintain all necessary health, safety, and other permits necessary to continue to provide electric service.

17) The manner of financing the transfer and any impact that may have on encumbering the assets of the entity and the potential impact on rates.

The financing related to the proposed Asset acquisition will be done in accordance with reasonable, commercially accepted practices within the electric utility industry and will be consistent with industry practices regarding financing and financing terms and any such financing will require Commission oversight and approval. 1803 is in discussion with typical rural electric cooperative lenders regarding the required financing.

18) Whether there are any conditions which should be attached to the proposed acquisition.

1803 and the 1803 Cooperatives do not believe any conditions should be attached to the proposed acquisition of the Assets by 1803. In sum, either the Assets will be acquired and managed independently by the five 1803 Member Cooperatives or collectively through 1803 to facilitate a reliable lower cost solution. Because of the relationship of 1803 and the 1803 Member Cooperatives and the fact that the Assets are reverting to the 1803 Cooperatives, the Transaction simply takes additional advantage of 1803 as a generation and transmission cooperative to improve cost and service to the end use member rate payers. Additionally, if that relationship ends, the Assets belong to the respective 1803 Cooperative again.

