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August 7, 2024

BY HAND DELIVERY

Ms. Terri Bordelon
Louisiana Public Service Commission
Galvez Building, 12th Floor
602 North Fifth Street
Baton Rouge, Louisiana 70802

Re: *Docket No. U-37134, 1803 Electric Cooperative, Inc., Beauregard Electric Cooperative, Inc., Claiborne Electric Cooperative, Inc., Northeast Louisiana Power Cooperative, Inc., South Louisiana Electric Cooperative Association, and Washington-St. Tammany Electric Cooperative, Inc., Ex Parte*
In re: Petition for Approval of Asset Transfer by 1803 Member Cooperatives to 1803 and Operation of Transmission Facilities by 1803.

Dear Ms. Bordelon:

On behalf of 1803 Electric Cooperative, Inc. ("1803"), please find enclosed the Rebuttal Testimony of Mr. Brian W. Hobbs, which is being submitted for filing in the above docket.

Should you have any questions or issues, please contact me. Thank you and kindest regards.

Sincerely,

A handwritten signature in black ink that reads 'Kyle C. Marionneaux'.

Kyle C. Marionneaux

cc: Official Service List

DOCKET NO. U-37134

**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.***

REBUTTAL TESTIMONY

OF

BRIAN W. HOBBS

ON BEHALF OF

1803 ELECTRIC COOPERATIVE, INC.

AUGUST 2024

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1 **I. INTRODUCTION AND BACKGROUND**

2 **Q. Please state your name and business address.**

3 A. My name is Brian W. Hobbs, and my business address is 4601 Bluebonnet Boulevard,
4 Baton Rouge, LA 70809-3183.

5 **Q. By whom are you employed and what is your position?**

6 A. I am employed by 1803 Electric Cooperative, Inc. (“1803”) as the Chief Executive Officer.

7 **Q. On whose behalf are you testifying in this proceeding?**

8 A. I am providing this rebuttal testimony on behalf of 1803 Electric Cooperative, Inc.

9 **II. PURPOSE AND REBUTTAL TESTIMONY**

10 **Q. What ultimately is Mr. Hayet’s recommendation to the Commission?**

11 A. Mr. Hayet’s recommendation is that the transaction be found to be in the public interest
12 and be approved. Mr. Hayet also recommends that some conditions be satisfied, which
13 will be addressed herein.

14 **Q. What is your initial response to Mr. Hayet’s Direct Testimony?**

15 A. As I had stated in my Direct Testimony, 1803’s sole purpose is to optimize reliability while
16 controlling costs, all for the benefit of the Member Cooperatives¹ and their end-use
17 member consumers. As a regulated public utility, 1803 is committed to compliance with
18 Commission Orders, rules, and regulations as applicable to public utilities.

¹ For the purposes of this matter, the “Member Cooperatives” collectively refers to the 1803 member cooperatives who are Joint Applicants to this proceeding, specifically 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”).

1 This docket is focused on assets that will have to be operated, maintained, replaced as
2 needed, and that will need to adhere with NERC compliance requirements as applicable.
3 Either the Member Cooperatives will own these assets or 1803 will own and be responsible
4 for these assets. The fundamental question in this Docket is whether aggregating those
5 needs at 1803 and 1803 providing those services on behalf of the Member Cooperatives is
6 in the public interest, or should the Member Cooperatives each take on those functions
7 themselves with no economy of scale and little applicable experience. The Member
8 Cooperatives and 1803 certainly believe it is best that 1803 own the assets and perform
9 these functions. Mr. Hayet also agrees that 1803 should own the assets and perform these
10 functions.

11 **Q. How do you respond to Mr. Hayet's direct testimony regarding 1803's transparency**
12 **and communication with LPSC Staff?**

13 A. Beginning at page 9, line 20 through page 10, line 14, Mr. Hayet has stated that "1803 has
14 not been entirely forthcoming about its plans and costs" and further states that the
15 information has been "revealed on a piecemeal basis..." While respecting that this may be
16 Mr. Hayet's perception, I can state firsthand that the issue has been with the availability of
17 the information to 1803, rather than a lack of transparency by 1803. 1803 respectfully
18 offers that it has been making information available to the Commission as the information
19 has become available to 1803. In its original Petition filed in this docket on March 13,
20 2024, 1803 made it clear that there were two sets of assets to be conveyed to 1803, those
21 (1) returning from the incumbent provider and (2) owned by the respective Member
22 Cooperatives. 1803 attempted to make clear in its Exhibits that the Assets listed in the
23 initial filing were the assets returning from the incumbent supplier. As soon as 1803 had

1 the additional assets currently owned by the Member Cooperatives fully identified with net
2 book values, 1803 amended the Exhibits and filed those Amended Asset Lists on May 16,
3 2024, before the due date and filing of Mr. Hayet's direct testimony on June 28, 2024.

4 Mr. Hayet accurately notes that there is much to be done, and, considering this, 1803
5 thought it prudent to begin this process as soon as possible. 1803 has made efforts to
6 communicate with LPSC Staff regarding all significant developments, the various steps
7 involved and the identification of, and likely timing of, various filings to be made with the
8 LPSC regarding this subject matter before any such filings were made. Similarly, despite
9 Mr. Hayet's apparent view that 1803 withheld information about the Construction Work
10 Plan (CWP), 1803 in fact made the information available to LPSC Staff as soon as
11 reasonably possible. 1803 has also experienced significant delays due to the lack of
12 information from the incumbent supplier. To remedy this, 1803 in its due diligence
13 contracted with an engineering firm to physically visit each site to inspect the equipment
14 being conveyed and to provide associated maintenance, testing, and operating records to
15 inform 1803 and prepare an assessment of the condition of the equipment and further the
16 development of the CWP and the near- and long-term capital investment plans. All of this
17 took additional time that had not been reasonably expected or contemplated by 1803. Once
18 again, this information was shared with LPSC Staff once it became available. 1803 could
19 not wait until all information was gathered before it began making its plans. To do so
20 would have caused unnecessary and unacceptable risk.

21 1803 has continued to make efforts to be transparent and to communicate with LPSC Staff.
22 1803 will look for opportunities to update and communicate with LPSC Staff regarding

1 1803's efforts and preparation to go live as the power and transmission provider for the
2 Member Cooperatives.

3 **Q. Have you reviewed the proposed conditions recommended by LPSC Staff with regard**
4 **to the Commission's approval of the proposed transaction?**

5 A. Yes.

6 **Q. What is the first condition and what is your view of it?**

7 A. Mr. Hayet's "first condition" begins on page 17, line 22 and continues through page 18,
8 line 7. This condition includes multiple sub-conditions, including some of which,
9 respectfully, seem to go beyond the scope of the public interest question.

10 Mr. Hayet recommends that 1803 provide the "most up-to-date accounting of the costs it
11 will incur to acquire all the Assets." 1803 believes that it has done so. In fact, 1803 even
12 went further and provided information regarding the on-going cost of maintaining and
13 replacing such assets beyond the initial acquisition at issue in the docket. Of course, the
14 information provided regarding future activities are best efforts at forecasting such costs
15 over a significant amount of time based on internal knowledge and an independent
16 engineering review. These costs must be borne by cooperative ratepayers regardless of
17 whether 1803 or the Member Cooperatives owns and manages the Assets.

18 Next, as part of the first condition, Mr. Hayet recommends that 1803 "provide a detailed
19 timeline for the activities that will have to be performed to provide transmission operations
20 and maintenance services in 2024, and over the near-term between 2025 and 2027, based
21 on the money it is seeking from the RUS . . ." The Exhibits and the CWP provide the

1 details of the acquisition of Assets and details and timeline of the anticipated capital
2 replacement of portions of the Assets in the 2025 to 2027 timeframe.

3 Next Mr. Hayet indicates that 1803 should provide any customer rate impacts associated
4 with the costs it will incur over the 2024 to 2027 time period. As stated in testimony filed
5 in this Docket, these assets are critical to the delivery of power to the Member Cooperatives
6 and their end-use member consumers. Either 1803, or each individual Member
7 Cooperative will acquire, maintain, operate, and replace these Assets in accordance with
8 good utility practice. It is believed by the Member Cooperatives and 1803 that 1803 can
9 provide those services in aggregate at a lower cost than each individual Member
10 Cooperative doing so, provide those services in a more reliable manner, and provide those
11 services without a profit-driven approach.

12 Mr. Hayet also requests that 1803 discuss any challenges that may arise in achieving its
13 goals. The Assets are in currently installed and providing service to the Member
14 Cooperatives today. Frankly, 1803's goals are to first maintain that status, and second begin
15 a planned, utility-standard program of monitoring, testing, maintaining, and replacing such
16 equipment prior to failure when possible. 1803's "challenges" in doing so are
17 fundamentally no different than any other utility. 1803 will implement the appropriate
18 utility-standard programs to address these challenges.

19 **Q. Please identify the second condition recommended by Mr. Hayet and provide 1803's**
20 **response to it.**

21 A. Mr. Hayet's "second condition" is that 1803 be required "to ensure that the Member
22 Cooperative customers do not pay twice for the same assets presently owned by the
23 Member Cooperatives." 1803 does not object to this concept but does not believe this is

1 the appropriate docket to address it. As Mr. Hayet points out, the Member Cooperatives
2 have authorized tariffs that provide for recovery of their costs. For the assets owned by the
3 incumbent supplier, those costs that are passed from the incumbent supplier to the Member
4 Cooperatives will stop upon termination of the contracts with the incumbent supplier. Once
5 these assets transfer to 1803, then 1803 will incur costs and pass the costs related to the
6 assets to the Member Cooperatives as part of its normal billing under its wholesale tariff
7 rate. Therefore, there will be no duplication of those costs. For the assets owned by the
8 Member Cooperatives today, those costs are included in the respective Member
9 Cooperative's rate base. Once transferred to 1803, those costs will not be incurred by the
10 respective Member Cooperative. However, 1803 will incur costs for these assets and will
11 pass these costs to the Member Cooperatives as part of its normal billing under its
12 wholesale tariff rate. To the extent a Member Cooperative has a formulary tariff, costs not
13 incurred by the Member Cooperative would not be eligible for recovery; thus, the singular
14 recovery is self-implementing, and in the case of a non-FRP cooperative, within the context
15 of its next rate filing.

16 **Q. Please identify the third condition recommended by Mr. Hayet and provide 1803's**
17 **response to it.**

18 A. Mr. Hayet's "third condition" is that '1803 confirm Staff's understanding is correct that the
19 assets 1803 is acquiring from either LaGen or the Member Cooperatives will be priced at
20 either a cost of zero or Net Book Value. . .' This understanding is nearly correct.

21 First, 1803 confirms that the Assets acquired either from LaGen or the respective Member
22 Cooperative as included in the Exhibits will be priced either at zero or net book value as
23 indicated in the Exhibits.

1 Second, as a point of further clarification, there are certain assets currently in service and
2 necessary to provide service to the Member Cooperatives which are owned by LaGen but
3 for which LaGen has no contractual obligation to convey to the Member Cooperatives.
4 These assets generally include the metering, metering support equipment, including
5 potential transformers and current transformers, and certain related communications
6 equipment necessary to accumulate data at the delivery point, such as the remote terminal
7 units, and ultimately communicate that data for operations. 1803 has offered to purchase
8 these additional assets. 1803 has made this offer to purchase this equipment for numerous
9 reasons: (1) the equipment is in service and would otherwise have to be removed at
10 termination of the incumbent supply contracts, (2) the belief that the equipment would be
11 of no or little use to LaGen after LaGen's service terminates, (3) the complexities of
12 installing and testing new equipment in substation and delivery points not owned by 1803
13 (until contract termination and Commission approval pursuant to this docket), (4) new 1803
14 equipment could not be put into operation and tested while the LaGen equipment is in
15 operation, and (5) the cost of installing all new equipment would be significantly more
16 expensive. 1803 is negotiating a purchase and sale agreement related to that equipment
17 with the new owner of LaGen and anticipates that the negotiations will be successful. To
18 accommodate the risk of not being able to purchase this specific equipment from LaGen,
19 1803 has included cost projections in the CWP of acquiring and installing all new
20 equipment to ensure that monies would be accounted for. If 1803 is able to successfully
21 purchase the existing in-service equipment, these same monies are of sufficient amount to
22 cover the cost of acquisition. All of this is stated to explain that the cost of this additional
23 certain equipment likely will not be zero, and may or may not be at net book value since

1 this is subject to negotiation as the expiring supply contracts do not require that equipment
2 be conveyed to the Member Cooperatives. Nevertheless, if the seller wants more than the
3 equipment is worth, 1803 has included an amount in the CWP up to the cost of new
4 replacement equipment to ensure it can provide reliable service to its Member
5 Cooperatives.

6 Lastly, 1803 agrees and confirms that any cost recovery sought by 1803 related to the
7 acquired assets may be addressed in LPSC Docket No. U-37212.

8 III. CONCLUSION

9 **Q. Do you believe that the proposed transaction is in the public interest and should be**
10 **approved by the Commission?**

11 A. Yes, I do. With regard to the proposed conditions, I am hopeful that the responses and
12 acknowledgements above satisfy the requests of LPSC Staff. To the extent anything
13 further is sought, we look forward to continuing to work with the Commission and LPSC
14 Staff, including the outside consulting team, to satisfy any and all concerns and to
15 ultimately best transition the Member Cooperatives to 1803 as their power and
16 transmission service provider.

17 **Q. Does this conclude your testimony?**

18 A. Yes, it does.

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*In Re: Petition for Approval of Asset Transfer by 1803 Member Cooperatives to 1803 and
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AFFIDAVIT OF WITNESS

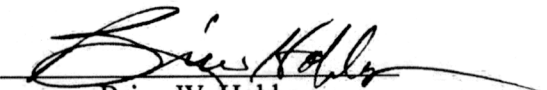
I, Brian W. Hobbs, being duly sworn, depose

that the Rebuttal Testimony in the

above referenced matter on behalf of

1803 Electric Cooperative, Inc.

is true and correct to the best of my knowledge, information, and belief.


Brian W. Hobbs

Subscribed and sworn before

me this 6th day of

August, 2024.


Kyle C. Marionneaux, La. Bar Roll No. 25785