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.

DIRECT TESTIMONY AND EXHIBITS

OF

BRIAN W. HOBBS

ON BEHALF OF

1803 ELECTRIC COOPERATIVE, INC.

MARCH 2024

TABLE OF CONTENTS

EXHIBITS:

I. INTRODUCTION AND BACKGROUND

Q. Please state your name and business address.

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

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

A. I am employed by 1803 Electric Cooperative, Inc. ("1803") as its Chief Executive Officer.

Q. Please summarize your educational and professional background.

A. I have a bachelor's degree from the University of Oklahoma and a Juris Doctor degree from the Oklahoma City University School of Law. I am a licensed attorney in Oklahoma. I practiced law for 5 years as a Partner with Pain Garland and Hobbs, LLP. During that time, relevant clients included several rural electric cooperatives, including two (2) wholesale power supply cooperatives and numerous retail distribution cooperatives. I have appeared before the Oklahoma Corporation Commission as counsel of record in various proceedings. Prior to my employment with 1803 and my private law practice, I spent forty (40) years employed by a wholesale generation and transmission cooperative, serving twenty-one (21) member rural electric distribution cooperatives in Oklahoma and New Mexico. My employment there was in increasing areas of responsibility, and I retired as the Vice President of Legal and Corporate Services responsible for many areas of the organization. Most relevant to my testimony in this matter is that I managed the organization's market and transmission interactions with the Southwest Power Pool

("SPP"), regulatory, environmental, safety and reliability compliance, revenue budgeting, wholesale rate, transmission formulary rate, as well as other aspects of the organization. That generation and transmission cooperative had twenty-one (21) distribution cooperative members, owned numerous generation assets, including generation fueled by natural gas, coal, and solar, a 260 MW hydro power allocation from the Southwest Power Administration, and numerous power purchase agreements for coal, hydro, gas-fired, wind, and solar generation. The cooperative also owns, operates, and maintains over 3,800 miles of transmission line and more than 330 electric substations and switch stations, all in the Southwest Power Pool.

Q. Have you previously testified before regulatory commissions?

A. Yes. I have testified before the Oklahoma Corporation Commission. I have also testified before the Louisiana Public Service Commission ("LPSC") on behalf of 1803, specifically in LPSC Dockets U-35927, U-36268, and U-36974.

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

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

Q. Has this testimony been prepared by you or under your supervision?

A. Yes.

II. PURPOSE AND SUMMARY OF TESTIMONY

Q. What is the purpose of your testimony?

A. My testimony will provide support for the 18-Point Analysis, which is an Exhibit to the Petition, in conformity with the Commission's 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 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") (with BECi, Claiborne, NELPCO, SLECA, and WST referred to collectively herein as the "1803 Cooperatives" or "Member 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 their Power Supply and Service Agreements ("PSSAs") with LaGen (the "Transaction"). When the eighteen (18) factors for consideration under the March 18, 1994 General Order are analyzed, the transfer of assets requested in this application is clearly in the public interest and should be approved.

Q. Please describe 1803 Electric Cooperative.

A. 1803 is a not-for-profit generation and transmission electric cooperative corporation organized by its five (5) member distribution cooperatives to supply and deliver electric power, on a wholesale basis, to meet all the electric power requirements of the 1803 Cooperatives. 1803 will serve its Member Cooperatives' power requirements and deliver such pursuant to long-term all-requirements wholesale power contracts. 1803's Member Cooperatives, in turn, supply power on a retail basis to their end-use member-consumers. 1803 is owned entirely by its Member Cooperatives, which are the purchasers of the power 1803 sells. 1803 is governed by its Board of Directors which consists of two representatives from each of its Member Cooperatives.

Q. What is 1803 requesting in this proceeding as applicable to your testimony?

A. 1803 is, among other things, requesting approval of the Transaction which will result in the transfer in ownership of certain high-voltage assets and facilities from the 1803 Cooperatives, including those assets which will transfer from LaGen, 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"). See the testimony of Mr. Repsher on behalf of 1803 for more information regarding the Assets and 1803's plan to own and manage such Assets.

III. GENERAL OVERVIEW OF THE REQUESTED TRANSFER

Q. Please provide a general overview of the transfer of Assets.

A. Presently, the Assets at issue are either owned, operated, and managed by LaGen, the current power supply counterparty of the 1803 Cooperatives, or owned by the respective 1803 Cooperatives, and may be operated and managed by the cooperative, LaGen, or other third parties.. The Assets owned by LaGen will, by contract, transfer to the 1803 Cooperatives at the conclusion of the PSSAs, at an identified cost. 1803 and the 1803

Cooperatives are proposing that the ownership, operation, management, and maintenance of the Assets currently owned by LaGen transfer to 1803, rather than to the 1803 Cooperatives first, and then to 1803 thereafter. Additionally, as discussed below, other of the Assets would be transferred to 1803 by the respective 1803 Cooperatives.

Q. Why are 1803 and the 1803 Cooperatives making this request?

A. The impetus behind this request can be explained in straightforward terms. The 1803 Cooperatives currently own and wear the operation, maintenance, and compliance obligations associated with certain high voltage equipment and assets that they generally are individually contracting with third-parties to provide the required services and activities. Additional significant high-voltage, delivery point, metering and associated assets will be conveyed to each respective 1803 Cooperative at the end of their current power supply agreements with LaGen. Collectively, these are the Assets. The Assets are critical to the delivery of electric power to the respective 1803 Cooperative and its end-use member-consumers. Each of the 1803 Cooperatives must decide how best to manage these Assets, from an operation and maintenance perspective, which are 24-hour obligations requiring a NERC certified 24-hour transmission operations control desk and backup, coordination with owners of interconnected transmission systems, coordination with MISO, and compliance with NERC/SERC reliability standards.

Q. What are the alternative solutions to the obligations and requirements identified in your answer just above?

A. Each 1803 Cooperative has essentially three alternative solutions to the obligations and requirements identified in my answer above. **(Alternative 1)** Each can borrow money to purchase and manage the Assets themselves with the help of various contractors, each identify a 24-hour transmission control center to provide the necessary transmission operations functions, staff up or contract for the operation and maintenance of the Assets, and either take the necessary steps to comply with applicable NERC/SERC reliability standards or contract for those services. **(Alternative 2)** Each 1803 Cooperative could sell the Assets to a third-party, for perpetuity, with the understanding that they would continue to provide necessary delivery of power to the Cooperative and its end-use member-consumer, including timely maintenance, repair, and replacement of Assets. Or, **(Alternative 3),** each 1803 Cooperative could use the G&T Cooperative they own and govern to consolidate these needs, gain efficiencies, retain long-term ownership and control of the Assets, and use the cooperative they founded and are trusting for their power supply needs to provide these services at cost, as a not-for-profit entity, that has no goal other than to provide reliable, economic service to its Members. The Board of each 1803 Cooperative chose Alternative 3 as being in their, and their member-consumers', best interest.

IV. FACTORS IN SUPPORT OF THE TRANSFER

Q. Do you believe that the proposed transfer is in the public interest?

A. Yes. 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. As outlined above, I personally have extensive background in managing transmission and generation assets. Before going into private legal practice, I spent 40 years with Western Farmers Electric Cooperative, a generation and transmission cooperative serving 21-member distribution cooperatives providing retail electric service in parts of Oklahoma, Texas, Kansas, and New Mexico. That G&T cooperative owns coal, natural gas, and solar generation resources, contracted for numerous other gas, hydro, wind, and solar resources, owns more than 3,800 miles of transmission line and more than 330 sub and switch stations, serving more than 2,000 MWs of load. I also provided senior management leadership for rates and revenue, formula transmission rate, information technology, regulatory compliance, risk management, safety and security, environmental compliance, and Southwest Power Pool market interactions. While with the G&T, I was actively involved in efforts to transition and incorporate 4 new member distribution cooperatives located in New Mexico as the long-term wholesale power contract for each of the four cooperatives with an investor-owned utility were coming to an end.

Moreover, Ron Repsher, 1803's Chief Operating Officer ("COO"), has extensive related experience in MISO pertaining to transmission and transmission operations and maintenance. See Mr. Repsher's testimony.

1803 is also experienced in utilizing consultants and contractors to manage and provide for regulatory compliance of substation and transmission assets and is familiar with available and competent options for those services. 1803 intends to use such resources where such use can provide economies of scale and savings for the 1803 Cooperatives. Mr. Repsher provides more information on this topic in his testimony. In general, this proposed Transaction best aligns the 1803 Cooperatives' and their respective end-use member-consumers' interests with the management of the Assets and best provides for and protects the Commission's regulatory authority since 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 considering the below analysis, the proposed Transaction is in the public interest.

Q. Please discuss 1803's willingness and ability to provide safe, reliable and adequate service to ratepayers.

A. As I stated in my testimony above, 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, and for the benefit of, their member distribution cooperatives and their end-use member-consumers. 1803 is 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 so that safe, reliable, and adequate service will be provided to the 1803 Cooperatives and the end-use member-consumers.

Q. Will the requested Asset transfer maintain or improve the financial condition of 1803 and the 1803 Cooperatives?

The approval of this request will enable the best opportunity of managing these Assets for the benefit of the 1803 Cooperatives with the goal of improving the financial conditions of the 1803 Cooperatives. These Assets will either be managed by each respective 1803

Cooperative, by a third-party, or by 1803. 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, as compared to third-party options, and all returns will go to the 1803 Cooperatives and their members. The ownership and control of the Assets will be maintained within 1803 and the 1803 Cooperatives, and if that relationship ends, revert to the respective 1803 Cooperative. The Assets are critical to the delivery of electric power to the 1803 Cooperatives. The 1803 Cooperatives can pool resources to own and manage these Assets through 1803, rather than each of the five 1803 Cooperatives individually managing these Assets. Also, as an electric cooperative, 1803 will be eligible for FEMA recovery with regard to the Assets. The financial condition of the 1803 Cooperatives will ultimately be maintained or improved as a result of the Transaction.

Q. Will the transfer of the Assets maintain or improve the quality of service to the 1803 Cooperatives' members?

A. The transfer of the Assets will have no negative impact on ratepayers. The 1803 Cooperatives will continue to provide high quality service to their members-consumers. Moreover, consolidated operation, maintenance, and compliance activities along with improved transmission planning and modeling of these Assets in MISO is likely to result in gained efficiencies, improved reliability and lower costs for the 1803 Cooperatives' members as compared to alternative solutions.

Q. How will the transfer of Assets to 1803 provide a net benefit to the members of the 1803 Cooperatives?

A. The Asset transfer proposed will make certain that the ownership, operation, and management of the Assets is fully aligned with the interests of the 1803 Cooperatives in managing the Assets for the benefit of the member-consumers and retaining ownership and control of these critical assets with the Cooperatives. 1803 is a not-for-profit electric cooperative and as such all 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 it as the Asset owning entity, which it does not presently exercise over the owner of the Assets, LaGen, and likely would not over a third-party purchaser. 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-consumers in the long term.

The Transaction is provided for in an Amendment to the Wholesale Power Contract between 1803 and each 1803 Cooperative, with each Amendment being substantively identical as between 1803 and each 1803 Cooperative. This Second Amendment to Wholesale Power Contract ("Amendment") between 1803 and each 1803 Cooperative has been entered into, subject to Commission approval, and the Amendments are attached *in globo* to my testimony confidentially as HSPM Exhibit BWH-1.

Q. Will this proposed transfer adversely affect competition?

A. No. 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. Thus, 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. Moreover, as I stated in my testimony above, more effective inclusion of the Assets in the MISO planning processes can create benefits for all ratepayers in the region.

Q. Will the transfer of the Assets maintain or improve the quality of management of 1803 or its member cooperatives?

A. There will be no change in the management structure of either 1803 or the 1803 Cooperatives as a result of the requested Asset transfer. The management of the Assets will be placed under 1803's control with its experienced and competent management team. This will improve the quality of the management of the Assets in that said Assets will be managed exclusively for the benefit of the electric cooperatives utilizing them. Additionally, 1803 providing the associated operations, maintenance, and compliance of the Assets is fundamentally lower cost and more efficient than each of the five 1803 Cooperative providing those functions individually.

Q. Will the requested Asset transfer be fair and reasonable to the employees of 1803 and the 1803 Cooperatives?

A. Yes. 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.

Q. Will the requested transfer of Assets to 1803 be fair and reasonable to the majority of shareholders?

A. Neither 1803 nor the 1803 Cooperatives have "shareholders" bur rather, as each are organized as cooperatives, the end-use member-consumers are the ultimate bearer of costs and benefits. The Asset conveyance sought here will benefit the end-use member-consumers by aggregating cost, taking advantage of economies of scale, and the provision of reliable electric service. The 1803 Cooperatives likewise benefit and have joined in this request indicating that they believe that the transfer of Assets is fair and reasonable and in their best interest and in the best interest of their respective member-consumers.

Q. Will the transfer of Assets to 1803 be beneficial overall to the State of Louisiana and to local economies and the communities in the area served by 1803 and its member cooperatives?

A. Yes, the proposed Transaction will be beneficial to both the local communities and the State of Louisiana by allowing for the long-term stability for utility service and rates in the

1803 Cooperatives' service areas by providing for local ownership, operation, and management of the Assets for the benefit of the local 1803 Cooperatives and end-use member-consumers. Additionally, inclusion of the Assets in the MISO planning processes can result in benefits for all ratepayers in the region through more effective and efficient use of transmission assets.

Q. Will the transfer of Assets to 1803 preserve the jurisdiction of the Commission and the ability of the Commission to effectively regulate and audit 1803's operation in the State?

A. This Transaction will actually increase and positively impact the Commission's ability to regulate the rates and services of 1803 and the 1803 Cooperatives. Currently, the Assets are owned and managed by an entity that is not regulated by the LPSC. It is possible to likely that selling the Assets to a third-party would involve an entity not regulated by the LPSC. Since 1803 *is* regulated by the LPSC, the Commission's ability to regulate and audit the Asset owner will increase as a result of this Transaction.

Q. Are there any conditions that are necessary to prevent adverse consequences that may result from the proposed Asset transfer?

A. No, 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.

Q. Please describe the history of compliance of 1803 and the 1803 Cooperatives with regulatory authorities.

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

Q. Does 1803 have the financial ability to operate the Assets and to maintain and upgrade the quality of the physical system?

A. 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. Moreover, 1803 is in discussions with typical rural electric cooperative lenders regarding the required financing, which will help support 1803's financial ability to operate the Assets and to maintain and upgrade the quality of the physical system. 1803 is preparing and will file a revised wholesale rate that accommodates owning, financing, and managing these assets and appropriate rate recovery.

Q. Are any repairs and/or improvements required, and if so, does 1803 have the ability to make those repairs and/or improvements?

A. The Assets are likely in need of repairs and improvements or will be in the near future, but those repairs and improvements are needed no matter what entity ultimately takes over ownership of the Assets. The transfer of the Assets requested by 1803 will best ensure that the repairs and improvements undertaken will be those that are necessary and best for the 1803 Cooperatives' member-consumers 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. Mr. Repsher discussed this in his testimony.

Q. Does 1803 have the ability to obtain all necessary health, safety and other permits?

A. Yes, 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.

Q. How is the proposed Asset transfer being financed?

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

Q. What impact will that financing have on rates?

A. To the extent that the financing has any impact on rates, that impact will be less than the rate impact that would occur if the Assets either transferred back to the 1803 Cooperatives directly from LaGen, or if some other third party took ownership of the Assets. As described above, transferring the Assets to 1803 will result in savings to ratepayers because the economies of scale realized by having the assets managed by one entity (1803), rather than each of the 1803 Cooperatives having to hire and pay for the management of the Assets, individually. Moreover, if some third party took ownership of the Assets, that entity would be incentivized to spend money on infrastructure, which costs would be passed on to ratepayers. As a not-for-profit entity with no earnings for shareholders to satisfy and that passes its costs through to its ratepayers, 1803 has no such incentive.

Q. Should any conditions be attached to the proposed Asset transfer?

A. 1803 and the 1803 Cooperatives do not believe any conditions should be attached to the proposed acquisition of the Assets by 1803. In a nutshell, either the Assets will be sold in perpetuity to a third-party entity, acquired and managed independently by the five 1803 Member Cooperatives, or acquired and managed collectively by 1803 to facilitate a reliable lower cost solution. Because of the relationship of 1803 and the 1803 Member Cooperatives the Transaction simply takes additional advantage of 1803 as a generation and transmission cooperative to improve cost and service to the its member Cooperatives and their end-use member- consumers.

VIII. CONCLUSION

Q. Do you believe that the requested transfer of Assets from the 1803 Cooperatives, and potentially from LaGen directly to 1803, is supported by the 18-point analysis in conformity with the Commission's General Order dated March 18, 1994?

A. Yes, for all the reasons stated above in my testimony.

Q. Does this conclude your testimony?

A. Yes, it does.

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AFFIDAVIT OF WITNESS

I, Brian W. Hobbs, being duly sworn, depose that the Direct Testimony and Exhibits in the above referenced matter on behalf of 1803 Electric Cooperative, Inc. are true and correct to the best of my knowledge, information, and belief.

Brian W. Hobbs

Subscribed and sworn before me this 13th day of March, 2024.

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

PLACEHOLDER* FOR CONFIDENTIAL EXHIBIT BHW-1 – REDACTED – ORIGINAL SUBMITTED CONFIDENTIALLY UNDER RULE 12.1 OF THE LPSC'S RULES OF PRACTICE AND PROCEDURE

* Confidential Exhibit BHW-1 is submitted separately from the public filing under seal.