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BEFORE THE

LOUISIANA PUBLIC SERVICE COMMISSION

EX PARTE: APPLICATION OF CLECO POWER LLC FOR: (1) IMPLEMENTATION OF CHANGES IN RATES TO BE EFFECTIVE JULY 1, 2024; AND (2) EXTENSION OF EXISTING FORMULA RATE PLAN	)	**DOCKET NO. U-______**

DIRECT TESTIMONY

OF

CHRISTINA C. MCDOWELL

ON BEHALF OF

CLECO POWER LLC

JUNE 30, 2023

EXHIBITS

EXHIBIT NO.	DESCRIPTION
Exhibit CCM-1	Order No. U-35299 Uncontested Stipulated Settlement June 22, 2021
Exhibit CCM-2	Letter requesting establishment of a Regulatory Asset – Tax Expenses and B&E minutes indicating LPSC approval
Exhibit CCM-3	Attrition Adjusted Rider IICR Revenue Requirements
Exhibit CCM-4	FRP Monitoring Report for the TME June 30, 2022 (Confidential Materials Omitted)
Exhibit CCM-5	Depreciation Study
Exhibit CCM-6	Attrition Adjusted Rate Base
Exhibit CCM-7	Attrition Adjusted Expense

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I. INTRODUCTION AND BACKGROUND

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

A: My name is Christina C. McDowell. I am the Director – Regulatory Filings of Cleco Power LLC ("Cleco Power" or the "Company"). My business address is 2030 Donahue Ferry Road, Pineville, Louisiana, 71360.

Q: PLEASE DESCRIBE YOUR JOB RESPONSIBILITIES.

A: I assist with the development of the electric rates applicable throughout Cleco Power's service area and ensure that the electric rates applicable throughout Cleco Power's service area are developed and implemented on a just and reasonable basis. In that capacity, I assist with the preparation of revenue requirements, and avoided costs. I also coordinate and ensure the timely and accurate filing of certain periodic compliance filings at the Louisiana Public Service Commission ("LPSC" or the "Commission").

Q: PLEASE DESCRIBE YOUR PROFESSIONAL AND EDUCATIONAL HISTORY.

A: I received a Bachelor of Business Administration degree from Louisiana State University in Baton Rouge, LA in 1997 with a concentration in accounting. In 1998, I accepted a position with Cleco Corporation as an internal auditor. Since then, I have served in various management positions throughout the accounting organization including Back Office Energy Accounting, Financial Reporting, Asset Management, General Ledger, Accounts Payable, Accounts Receivable, and Financial System Support. In 2016, I accepted a position in the Regulatory Department and in 2018 I became Director — Regulatory Filings.

Q: HAVE YOU PREVIOUSLY PRESENTED TESTIMONY IN A REGULATORY PROCEEDING?

A: Yes, I have previously given testimony in front of the Commission. I provided testimony on behalf of Cleco Power in: (i) LPSC Docket No. U-35049, *In re: Formula Rate Plan - June 2018 Monitoring Report and Application for Authorization to Implement Rate Reductions Resulting from the Tax Cuts and Jobs Act of 2017 and Related Rate Changes and Refunds*; (ii) LPSC Docket No. U-35299, *In re: Application of Cleco Power LLC for: (1) Implementation of Changes in Rates to be Effective July 1, 2020, and (2) Extension of Existing Formula Rate Plan* (the "2019 Rate Case"); (iii) LPSC Docket No. U-35544, *In re: Prudence Determination for St. Mary Clean Energy Center*; (iv) LPSC Docket No. U-35687, *In re: Annual Cost of Service and Formula Rate Plan annual earnings monitoring report, for year ended June 30, 2017*; (v) LPSC Docket No. U-35806, *In re: Request For Recovery of Lost Revenues Related to LPSC Special Orders Nos. 22-2020, 28-2020, and 43-2020, and request for accounting order*; and (vi) LPSC Docket No. U-35807, *In re: Application of Cleco Power LLC for: (I) Recovery in Rates of Certain Storm Damage Costs Incurred as a result of Hurricanes Laura, Delta, Zeta, Ida, and 2021 Winter Storms Uri and Viola, Related Securitization Financing and Establishment of a Storm Reserve; and (II) Expedited Treatment.*

Q: WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS PROCEEDING?

A: My testimony supports Cleco Power's application in this proceeding. Pursuant to Commission Order No. U-35299, issued June 16, 2021, Cleco Power is required to file a full rate case no later than March 31, 2023. This deadline was subsequently extended to June 30, 2023, at the LPSC's March 2023 Business and Executive session.

Cleco Power's 2019 Rate Case resulted in the Company's current rates, which were effective as of July 1, 2021.[1] As described in further detail in my testimony, below, and in the testimony of Cleco Power's other witnesses in this proceeding, Cleco Power has undergone numerous changes structurally, operationally, and financially since the conclusion of the 2019 Rate Case. This proceeding will, therefore, address in comprehensive detail many aspects of the Company's operations and rates.

More specifically, my testimony supports Cleco Power's application and ratemaking requests in this proceeding (sometimes referred to herein as the "2023 Rate Case") regarding the following matters:

1. The continuation of collection through Rider IICR (as hereinafter defined)[2] of expenses associated with certain renewable energy projects, Midcontinent Independent System Operator, Inc. ("MISO") administrative charges, production operations and maintenance ("O&M") deferral, the Louisiana State Corporate Franchise Tax, Transmission and Distribution Right of Way ("ROW") clearing expenses, which are largely dependent on weather patterns and storms, MISO transmission expenses, as charged annually (net of any reimbursements), Excess Deferred Income Taxes ("EDIT") Make-Whole credit for the exclusion of the protected and unprotected EDIT liability balance from rate base, START Make-Whole credit, and property taxes for the Madison Unit 3 generation facility.

2. Realignment of collection of certain revenue requirements from base rates into Rider IICR as follows:

   (a) All property taxes, currently not recovered in Rider IICR, for Cleco Power that are expected to increase in the four-year extension requested below for Cleco Power's Third Amended and Restated FRP (as defined below)

   (b) Wholesale make-whole credit (the "Wholesale Exclusion Credit"), for Cleco Power's wholesale contract that expires during the term of the four-year extension requested below for Cleco Power's Third Amended and Restated FRP;

[1] Cleco Power's application in Docket No. U-35299 was filed on June 28, 2019.
[2] See Section IV of my testimony for a discussion of Rider IICR.

(c) Replenishment of storm reserve and collection of storm preparation costs within the four-year extension requested below for Cleco Power's Third Amended and Restated FRP;

(d) Other deferred regulatory expenses incurred outside the normal course of business that have not been included in base rates. These include expenses incurred for the 2019 Rate Case above the $1.4 million amount included in the rate case settlement, regulatory costs and expenses incurred for Cleco Power's 2017 Integrated Resource Plan ("IRP") above the $1.5 million amount included in 2019 Rate Case, the St. Mary Clean Energy Center prudence review, Cleco Power's 2021 IRP, the 2023 Renewable Request for Proposal ("RFP"), the 2019-2020 Fuel Adjustment Clause ("FAC") and Federal Environmental Adjustment Clause ("FEAC") audits, and the estimated expenses for the 2023 Rate Case.

3. Other miscellaneous items, including depreciation.

Q: WHAT OTHER SIGNIFICANT TOPICS ARE DISCUSSED IN YOUR TESTIMONY?

A: My testimony will further discuss:

1. Various current Cleco Power dockets and the status of their respective remaining regulatory processes, especially in the context of this filing.

2. The history of Cleco Power's Formula Rate Plan ("FRP"), and an overview of Cleco Power's current Second Amended and Restated FRP (as defined below).

3. Requested modifications of certain metrics and other provisions contained in Cleco Power's current Second Amended and Restated FRP that, if approved by the Commission, would result in a Third Amended and Restated FRP.

II. <u>MATERIAL DEVELOPMENTS SINCE CLECO POWER'S 2019 RATE CASE</u>

Q: PLEASE DESCRIBE THE MATERIAL DEVELOPMENTS THAT HAVE OCCURRED SINCE CLECO POWER'S 2019 RATE CASE.

A: Those material developments include the following, each of which is discussed in turn below: (i) the implementation of the Hurricanes Laura, Delta, Zeta, Ida and 2021 Winter

Storms securitization surcharge, (ii) the filing of applications to retire Dolet Hills Power Station effective as of December 31, 2021, which applications requested certain ratemaking treatment of unrecovered costs;[3] (iii) the filing of an application to enter into a Solar Power Purchase Agreement ("PPA") with Dolet Hills Solar LLC;[4] and (iv) the settlement of the prudence review for St. Mary Clean Energy Center.[5]

A. HURRICANES LAURA, DELTA, ZETA, AND IDA AND THE 2021 WINTER STORMS SECURITIZATION SURCHARGE

Q: PLEASE DESCRIBE THE HURRICANES LAURA, DELTA, ZETA, AND IDA AND THE 2021 WINTER STORMS SECURITIZATION SURCHARGE.

A: Pursuant to LPSC Order No. U-35807-B, issued June 22, 2022, the Commission authorized the securitization financing of Cleco Power's storm damage costs resulting from Hurricanes Laura, Delta, Zeta, Ida and the 2021 Winter Storms, through the issuance of storm recovery bonds by a special purpose entity, Cleco Securitization I, LLC ("Cleco Securitization I"), formed to act as issuer of the bonds. The Commission further authorized the establishment of a restricted storm damage reserve of approximately $100 million. The aggregate amount of the securitization financing was $425 million. In order to amortize

[3] LPSC Docket No. U-35753, Cleco Power LLC and Southwestern Electric Power Company, ex parte. *In re: Application of Cleco Power LLC and Southwestern Electric Power Company for: (i) Authorization to Close the Oxbow Mine; (ii) Authorization to Include and Defer Certain Accelerated Mining Costs in Fuel and Related Ratemaking Treatments; (iii) Review of Cleco Power and Southwestern Electric Power Decision to Retire Dolet Hills Power Station by December 31, 2021, Including Whether Such Decision Was Prudent; and (iv) Related Rate Issues.*

[4] LPSC Docket No. U-36502, Cleco Power LLC, ex parte. *In re: Application of Cleco Power LLC for Certificate of Public Convenience and Necessity for (i) Authorization to Enter into a Proposed Power Purchase Agreement Between Dolet Hills Solar, LLC as Seller and Cleco Power LLC as Buyer; (ii) Authorization to Recover in Its Jurisdictional Rates the Charges that Cleco Power pays under the Power Purchase Agreement; and (iii) Expedited Treatment.*

[5] LPSC Docket No. U-35544, Louisiana Public Service Commission, ex parte. *In re: Prudence Review of the Cleco Power LLC St. Mary Clean Energy Center.*

the indebtedness represented by the storm recovery bonds, the Commission further authorized the implementation of a non-bypassable storm damage surcharge (the "Storm Surcharge"), which Cleco Power (as servicing agent for the storm recovery bonds) is recovering from its customers through Rate Schedules SRCA (Storm Recovery Charge Adjustment) and SCSA (Storm Surcredit Adjustment). All costs associated with these storms and the storm securitization financing have been removed from Cleco Power's rate base and expenses for purposes of this rate case.

B. RETIREMENT OF THE DOLET HILLS POWER STATION

Q: PLEASE DESCRIBE CLECO POWER'S APPLICATIONS TO RETIRE DOLET HILLS POWER STATION AND THE OXBOW MINE.

A: In April 2020, Cleco Power and Southwestern Electric Power Company ("SWEPCO") mutually agreed to not develop additional mining areas for future lignite extraction and subsequently provided notice to the LPSC of the intent to cease mining at the Oxbow mines by June 2020.[6] This decision was a result of operational issues, forced outages, and load restrictions, due primarily to the lignite quality and the reliable delivery of lignite from the Oxbow Mine. On October 6, 2020, Cleco Power and SWEPCO filed a joint application with the LPSC in Docket No. U-35753, seeking authorization to close the Oxbow Mine, and defer certain accelerated mine closing costs in fuel and related ratemaking treatments. On September 7, 2021, Cleco Power gave the Commission notice of the Company's intent to retire Dolet Hills Power Station by December 31, 2021 (SWEPCO provided its notice to the Commission on September 2, 2021). Effective as of December 31, 2021, the Dolet

[6] Letter to Brandon M. Frey, dated April 24, 2020.

Hills Power Station was retired, and all of Cleco Power's proportionate share of lignite production costs had been billed by Dolet Hills Lignite Company, LLC to Cleco Power. On January 31, 2022, Cleco Power and SWEPCO filed a joint application with the LPSC in Docket No. U-35753 seeking authorization to retire Dolet Hills Power Station as of December 31, 2021, and seeking certain ratemaking treatment associated with the retirement of the plant. This joint application describes Cleco Power's intent to enter into a securitization financing for Cleco Power's costs associated with the retirement of Dolet Hills Power Station. This docket is ongoing and for purposes of this rate case, all costs associated with Dolet Hills and the Oxbow Mine have been removed.

C. ST. MARY CLEAN ENERGY CENTER

Q: PLEASE DESCRIBE THE PRUDENCY REVIEW OF CLECO POWER'S ST. MARY CLEAN ENERGY CENTER.

A: The St. Mary Clean Energy Center is a 47 MW waste heat recovery power generation facility in St. Mary Parish. The St. Mary Clean Energy Center was developed at the site of an existing carbon black facility owned and operated by Cabot Corporation. Cleco Power received Commission authorization for the St. Mary Clean Energy Center pursuant to Order No. U-33593, issued January 8, 2016. The St. Mary Clean Energy Center project had an initial development budget of $89.1 million and had a final close out cost of $139.1 million.

On January 13, 2021, Cleco Power filed its application for a prudence determination for the St. Mary Clean Energy Center, with supporting testimony. The application requested that the LPSC: (i) determine that Cleco Power's management and execution of the St. Mary Clean Energy Center project was reasonable and prudent; and (ii) authorize Cleco Power to recover the project's full and final costs through the Cleco Power's LPSC-jurisdictional rates.

Following the filing of the application by Cleco Power, the LPSC Staff conducted extensive and thorough discovery, both formal and informal, of Cleco Power's application. LPSC Staff filed direct testimony, and Cleco Power filed rebuttal testimony in response. Subsequent to the filing of Cleco Power's rebuttal testimony, the Company and the LPSC Staff entered negotiations that ultimately resulted in an Uncontested Proposed Stipulated Settlement among the parties, dated effective September 8, 2022. The settlement was approved by the Commission pursuant to Order No. U-35544, issued October 14, 2022. The settlement terms included the disallowance of a portion of the costs incurred by Cleco Power to construct the project; the disallowance was in the amount of $15 million. This disallowance has been implemented as a reduction to Cleco Power's rate base in this 2023 Rate Case. The reduction of rate base will be made concurrently with the implementation of Cleco Power's new base rates from this proceeding.

As part of the settlement, Cleco Power also made a $10.4 million dollar refund to Cleco Power's retail customers in October 2022. This refund represents a final settlement for carrying charges between the in-service date of St. Mary Clean Energy Center and the implementation of the $15 million disallowance in this 2023 Rate Case. Under the settlement, there shall be no further adjustments of Cleco Power's rates associated with St. Mary Clean Energy Center.

III. CLECO POWER'S 2019 RATE CASE PROCEEDING

Q: WHAT ARE THE MAIN FEATURES OF CLECO POWER'S 2019 RATE CASE PROCEEDING?

A: Pursuant to Order No. U-35299, the Commission authorized an Uncontested Proposed Stipulated Settlement, dated effective June 20, 2021, that resolved all issues in the determination of Cleco Power's retail revenue requirements for rates collected in accordance with rate schedules established for the Company's various customer classes, as well as revenues eligible to be collected utilizing the Rider IICR mechanism. Those rates and charges were calculated based on a historical test year that began July 1, 2018, and ended June 30, 2019, with known and measurable attrition adjustments reflective of the first year of new rates and charges that went into effect beginning July 1, 2021, and ending June 30, 2024.

Major features of the settlement authorized pursuant to Order No. U-35299 included the following:

a. Target return on equity ("ROE") of 9.5%; a capital structure for ratemaking purposes (equity/debt) of 52% equity and 48% debt; and a refund mechanism that provided for the sharing of overearnings with retail customers, should Cleco Power's actual ROE exceed specified thresholds.

b. A one-time adjustment to rates of $49 million effective for bills issued beginning in the first billing cycle of July 2021.

c. Return to Cleco Power customer of the Unprotected Excess Deferred Income Taxes resulting from the U.S. Tax Cuts and Jobs Act of 2017 (the "TCJA")[7] over three years.

d. Continued return to ratepayer of Protected EDIT (resulting from the TCJA) over three years based on the Average Rate Assumption Method ("ARAM").

e. Identification of items eligible for recovery through Rider IICR.

f. Exclusion of both executive incentive compensation and Cleco Power's 2013-2015 costs of modernization of its Pineville corporate office campus.

[7] Pub. L. 115, 131 Stat. 2054. The TCJA became effective January 1, 2018.

g. Crediting of shared IT costs related to Cleco Cajun LLC's ("Cleco Cajun") utilization of the Strategic Application Roadmap & Transformation ("START") platform through Rider IICR.

h. Continuing the use of the flow-through accounting methodology for recognizing state tax timing differences.

i. Rates set such that Cleco Power has the opportunity to collect retail revenues in the amount of $624 million, beginning July 1, 2021.

j. Mechanisms to ensure that Cleco Power vegetation management commitments are accomplished and assuring no recovery of costs if vegetation management is not completed.

A copy of Order No. U-35299 (including the Uncontested Proposed Stipulated Settlement) is attached to my testimony as Exhibit CCM-1.

IV. CLECO POWER'S FRP

A. HISTORY OF CLECO POWER'S FRP; MAJOR COMPONENTS OF CLECO POWER'S SECOND AMENDED AND RESTATED FRP

Q: PLEASE DESCRIBE THE HISTORY OF CLECO POWER'S FRP.

A: Cleco Power's FRP was first authorized by LPSC Order No. U-30689, issued October 28, 2010 (the "2010 Rate Order"). Paragraph 21 of the 2010 Rate Order states that "[t]he initial term of the FRP shall be four years, subject to extension upon authorization of the Commission." Pursuant to the terms and conditions of the Proposed Uncontested Stipulated Settlement in Docket No. U-30689, which was authorized and adopted by the Commission in the 2010 Rate Order (see ordering paragraph 1 of the 2010 Rate Order at p. 19) and was attached to the 2010 Rate Order, the rates authorized by the 2010 Rate Order became effective upon the in-service date of Cleco Power's Rodemacher Unit 3 generating unit (now known as "Madison 3"). Madison 3 was declared substantially complete February 11, 2010; Cleco Power assumed care, custody, and control of Madison 3 February

12, 2010, and Madison 3 entered commercial operation on that date. Accordingly, the initial term of Cleco Power's FRP first became effective on February 12, 2010.

Cleco Power filed an application with the Commission to renew its FRP for an additional term on April 19, 2013, in Docket No. U-32779. Cleco Power eventually reached a settlement in Docket No. U-32779,[8] which the Commission approved, thereby extending, with some modifications, Cleco Power's FRP, for an additional term (the "Amended and Restated FRP"), with a new base rate case required to be filed by June 30, 2017. Order No. U-33434-A issued April 7, 2016 (the "Merger Order") extended Cleco Power's Amended and Restated FRP by an additional two years, with a full rate case to be filed by June 30, 2019, pursuant to regulatory commitment No. 4 (see Attachment A to Order No. U-33434-A.). The regulatory commitments contained in Attachment A to the Merger Order are sometimes referred to herein as the "Merger Commitments."

In June 2019, Cleco Power filed an application with the Commission in accordance with the requirement of the Merger Order, requesting authorization for a change in Cleco Power's base rates and the extension of the Company's Amended and Restated FRP. That application was docketed as LPSC Docket No. U-35299. Cleco Power eventually reached a settlement in Docket No. U-35299, which the Commission approved pursuant to Order No. U-35299. In that order, the Commission approved Cleco Power's Second Amended and Restated FRP, which, among other things, extended the term of the Company's then-current FRP for an additional term of three years. As noted earlier in my testimony, Order No. U-35299 requires that Cleco Power file a new base rate case by March 31, 2023. This

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[8] LPSC Docket No. U-32799, Cleco Power LLC, ex parte. *In re: Application of Cleco Power LLC for: (i) Extension of its Formula Rate Plan (FRP), First Authorized by LPSC Order No. U-30689, issued October 28, 2010; and (ii) Consolidation of Docket No. U-32153 with this Docket.*

was subsequently extended to June 30, 2023, at the March 2023 Business and Executive session.

Q: PLEASE DESCRIBE THE MAJOR COMPONENTS OF CLECO POWER'S SECOND AMENDED AND RESTATED FRP.

A: Cleco Power's Second Amended and Restated FRP is asymmetrical with respect to the risk that Cleco Power may not achieve its target ROE. If Cleco Power exceeds its target ROE (as specified in the Second Amended and Restated FRP), there are earnings sharing bands that could potentially apply, and have in the past resulted, in the sharing of a portion of earnings with Cleco Power's customers. On the other hand, if Cleco Power earns less than its authorized target ROE, there is no feature in the Second Amended and Restated FRP that would enable Cleco Power to recover additional revenues from its customers for Cleco Power to meet its target ROE. Hence, the Second Amended and Restated FRP is asymmetrical regarding this risk.

The Second Amended and Restated FRP utilizes a capital structure for ratemaking purposes of 52.00% equity and 48.00% debt. The target ROE is specified at 9.5%. The debt return is calculated as the weighted average cost of long-term debt as of the end of the applicable rate year, and short-term debt is based on a twelve-month average. The income tax rate was the combined federal and state rate, less Investment Tax Credit ("ITC"). Under the Second Amended and Restated FRP, earnings up to 10.00% are retained by Cleco Power. Earnings over 10.00%, but less than or equal to 10.5%, are shared, with 60.00% being refunded to customers and with 40.00% being retained by Cleco Power. The entirety of earnings in excess of 10.5% are refunded to Cleco Power's customers. These are the earnings sharing bands referenced above.

Q: PLEASE DISCUSS THE REQUIRED ANNUAL EARNINGS MONITORING PROVISIONS OF THE SECOND AMENDED AND RESTATED FRP.

A: The Second Amended and Restated FRP contains provisions requiring annual review of Cleco Power's earnings, and for determining whether any refunds are due to Cleco Power's customers for the pertinent review period. Cleco Power files an earnings monitoring report each October, for the twelve months ended ("TME") the immediately preceding June 30 (the "Monitoring Report"). A docket is then opened with the Commission, and the LPSC Staff conducts an audit of Cleco Power's rate year. Depending upon the outcome of the LPSC Staff's audit, refunds may be due to Cleco Power's customers.

Cleco Power's Monitoring Report filings made pursuant to the Second Amended and Restated FRP are extensively examined by both internal Staff and Commission-hired outside financial consultants, after which Staff's report is reviewed by any intervenors. This thorough review, performed each year, provides ample opportunity for the Commission to gauge the results of, and adherence to, the requirements of the Second Amended and Restated FRP.

Q: ARE THERE OTHER SPECIFIC PROVISIONS OF THE SECOND AMENDED AND RESTATED FRP WHICH SHOULD BE REAFFIRMED OR OTHERWISE ADDRESSED IN THIS PROCEEDING?

A: Yes. Cleco Power notes that in each of its prior three rate cases, the historical test year was adjusted for the known and measurable impacts (attrition adjustments) of various expenses and rate base changes in order to moderate regulatory lag, as rates and charges are determined based on a TME June 30 test year.

Q: PLEASE DESCRIBE THE RIDER IICR MECHANISM IN THE SECOND AMENDED AND RESTATED FRP.

A: Cleco Power's Second Amended and Restated FRP contains a Rider IICR mechanism that utilizes the rate schedule titled Rider IICR. The Second Amended and Restated FRP provides that prudently incurred costs of over 10 Commission-approved components may be recovered through a single line item on customers' bills identified as "Infrastructure and Incremental Costs Recovery" (also referred to as "Rider IICR"). The costs recoverable under this provision are subject to change once per year. Also, true-ups to the actual recoverable costs under the provision are made annually. Costs otherwise approved for recovery under this provision commencing after July 1 of a rate year are to be accrued by Cleco Power and deferred for future recovery. If costs eligible for recovery pursuant to this provision cease to be incurred after July 1 of each rate year, those amounts in rates shall be recorded as a regulatory liability to be returned to customers commencing the subsequent July 1. Various components of costs and credits that Cleco Power proposes to include in Rider IICR in this 2023 Rate Case are discussed later in my testimony.

B. CLECO POWER'S PROPOSED THIRD AMENDED AND RESTATED FRP

Q: IS CLECO POWER SEEKING TO EXTEND AND CONTINUE ITS SECOND AMENDED AND RESTATED FRP?

A: Yes. Cleco Power proposes to extend and continue the Second Amended and Restated FRP, albeit with some proposed modifications, as described below. Cleco Power is proposing that the new FRP would become effective concurrently with the effectiveness of the new base rates authorized in this proceeding and have a four-year term. The new FRP would be formally known as the "Third Amended and Restated Formula Rate Plan" (the "Third Amended and Restated FRP").

Q: IN GENERAL, WHAT ARE THE CHANGES AND MODIFICATIONS THAT CLECO POWER IS REQUESTING FOR THE THIRD AMENDED AND RESTATED FRP?

A: In general, Cleco Power is requesting the following changes and modifications:

- Cleco Power is requesting changes to the metrics in the Second Amended and Restated FRP, to set a target ROE of 10.4%;
- Cleco Power is requesting a change to the earnings dead band, to 100 basis points above the 10.4% target ROE, due to the asymmetrical risk of the FRP (that is, there is no mechanism in the FRP for Cleco Power to recover the amount of under-earnings should Cleco Power not achieve its target ROE);
- Cleco Power is requesting the implementation of residential revenue decoupling;
- Cleco Power is requesting certain modifications to the Rider IICR provisions of the Second Amended and Restated FRP; and
- Cleco Power is requesting a four-year term, beginning July 1, 2024, for its new base rates and for the Third Amended and Restated FRP.

Each of the foregoing requests is described in detail below.

C. METRICS

Q: WHAT IS CLECO POWER'S PROPOSED TARGET ROE FOR THE THIRD AMENDED AND RESTATED FRP?

A: As is further discussed in the Direct Testimony of Cleco Power witness Roger A. Morin, PhD, in this proceeding, Cleco Power is requesting a target ROE of 10.4%.

Q: WHAT ARE CLECO POWER'S PROPOSED SHARING BANDS FOR THE THIRD AMENDED AND RESTATED FRP?

A: Based on Cleco Power's proposed target ROE of 10.4%, as supported in the Direct Testimony of Cleco Power witness Roger Morin, Cleco Power is proposing a dead-band of 100 basis points above targeted ROE, being 11.4%. Cleco Power's ROE will be calculated on base revenue including Rider IICR and Energy Efficiency. If the calculated ROE is less than or equal to an 11.4% ROE, then there shall be no refunds by Cleco Power. 60% of earnings in excess of the 11.4% ROE and less than or equal to a 12.4% ROE shall be refunded to customers, and 40% of such earnings would be retained by Cleco Power. Any earning in excess of the 12.4% ROE would be refunded 100% to customers.

Q: WHAT IS CLECO POWER'S PROPOSED CAPITAL STRUCTURE FOR RATEMAKING PURPOSES FOR THE THIRD AMENDED AND RESTATED FRP?

A: Cleco Power is proposing to maintain its current capital structure for ratemaking purposes of 52.0% equity and 48.0% debt.

D. TAX RATE CHANGES

Q: HAVE THERE BEEN ANY CHANGES TO CLECO POWER'S TAX RATES SINCE THE IMPLEMENTATION OF THE SECOND AMENDED AND RESTATED FRP PURSUANT TO ORDER NO. U-35299?

A: Yes. Louisiana Constitutional Amendment 2 - ACT 396, H.B. 292, was approved and effective for tax years beginning on or after January 1, 2022. This amendment eliminated the deduction for federal income tax paid and modified the corporate income tax rates and brackets (with the highest rate lowering from 8% to 7.5%).

As a result of this change, Cleco Power's combined effective tax rate increased from 26.0781% to 26.925%. Section 3.3 of the Second Amended and Restated Formula Rate Plan effective July 1, 2021 states that annual Monitoring Report adjustments shall include the "use of the current statutory federal and state combined tax rate (currently 26.0781%)". The increase in the effective tax rate increased the approved revenue requirement by approximately $2.3 million annually.

Cleco Power filed a letter-request with the Commission on December 5, 2022, requesting the establishment of a regulatory asset for the increased tax expense in excess of the previously LPSC-approved tax expense effective January 1, 2022. The establishment of the regulatory asset was approved by the LPSC at the January 18, 2023 LPSC Business and Executive meeting. Please see Exhibit CCM-2 for a copy of Cleco Power's letter-request to the Commission and the January 2023 Business and Executive meeting minutes for the Commission's approval of the establishment of the regulatory asset. Cleco Power is requesting this regulatory asset be used to offset the EDIT liability arising from the change and to utilize the 26.925% effective tax rate going forward.

E. CLECO POWER'S RIDER IICR MECHANISM

Q: WHAT MAJOR EXPENDITURES AND PROJECTS ARE CURRENTLY BEING RECOVERED THROUGH RIDER IICR BY CLECO POWER?

A: Cleco Power's June 2022 Rider IICR filing with the Commission included recovery of the retail jurisdictional portion of certain revenue requirements, totaling $7.2 million. This amount increased to $40.7 million for the TME June 30, 2023, as the result of the expiration of Madison Unit 3 property tax exemption and the addition of the revenue requirement for the Bayou Vista to Segura transmission line, which went into service in two phases in

August 2021 and December 2021. Please see the revenue requirements recovered through Rider IICR listed below.

TABLE CCM-1

In millions	Effective July 1,	
	2021	**2022**
Production O&M Deferral	$ 3,713	$ 2,540
MISO Administrative Costs	$ 4,269	$ 4,115
Louisiana State Corporate Franchise Tax	$ 1,812	$ 452
MISO Transmission (Northlake)	$ 13,059	$ 16,187
Transmission Right of Way	$ 1,288	$ 864
Distribution Right of Way	$ 11,214	$ 11,206
START Make-Whole Credit	$ (4,359)	$ (4,009)
EDIT Make-Whole Credit	$ (23,805)	$ (18,809)
Madison 3 Property Tax		$ 8,907
Bayou Vista to Segura Transmission		$ 19,274
Total	**$ 7,190**	**$ 40,728**

Q: ARE THERE ANY PROPOSED CHANGES TO THE ITEMS RECOVERED THROUGH RIDER IICR?

A: Yes. The revenue requirement for the Bayou Vista to Segura transmission line will be excluded from Rider IICR and will be included in rate base, as the transmission line has been completed and is in service.

Q: WHAT ADDITIONAL EXPENDITURES AND NEW INFRASTRUCTURE PROJECTS DOES CLECO POWER ANTICIPATE INCLUDING IN RIDER IICR?

A: Cleco Power is proposing to collect other items through Rider IICR or other riders, as approved by the Commission. The proposed realignment from base rates to Rider IICR will provide much more transparency on specific items, such as the Property Tax and the Wholesale Exclusion Credit. The items Cleco Power proposes to collect under Rider IICR are each discussed in further detail below (and can be seen in <u>Exhibit CCM-3</u>: IICR Rate Filing for July 2024):

1. Certain MISO Administrative costs, charges, and credits (currently estimated at $6.5 million annually). Order No. U-32839, issued December 13, 2013, states in part "[f]or periods after June 30, 2014, Cleco Power should recover such charges and credits through Rider IICR, or otherwise through base rates...." (Included in calculation of current Rider IICR rates.)

2. Production O&M Deferral, as described in Paragraph a.6 of the settlement authorized by Order No. U-30689, issued October 28, 2010 (the "2010 Rate Order") (currently estimated to be $4.8 million using a $29.7 million threshold), and discussed in detail below. (Included in calculation of current Rider IICR rates.)

3. Louisiana State Corporate Franchise Tax (currently estimated at $1.9 million annually), as described in Docket No. U-32779 (Included in calculation of current Rider IICR rates.)

4. MISO transmission expense (currently estimated to be $12.6 million). The MISO transmission costs that are billed to Cleco Power fluctuate, and as such Cleco Power requests to continue to recover them in Rider IICR, subject to annual true-up. (Included in calculation of current Rider IICR rates.)

5. ROW Clearing (currently estimated to be $1.2 million for transmission and $11.1 million for distribution). Due to the need to maintain the ROW consistent with a 4-to-6-year vegetation management cycle and to remain in compliance with the Service Quality Plan implemented pursuant to the Merger Order, Cleco Power requests that these expenses continue to be included in Rider IICR subject to annual true-ups. (Included in calculation of current Rider IICR rates.)

6. EDIT Make-Whole Credit (currently estimated to be $16.4 million). The EDIT Make-Whole Credit provides the return on the 13-month average EDIT balance that has not been credited on customer bills. Cleco Power proposes to exclude the full amount of the EDIT liability balance from rate base, and instead provide customers an equivalent benefit until such time as the EDIT liability reaches zero (Included in calculation of current Rider IICR rates.)

7. Property taxes (currently estimated to be $43.7 million). Due to the expiration of the property tax exemption for the Madison 3 generating unit in 2021, and the uncertainty regarding the estimate of future property taxes, Cleco Power is proposing to exclude this item from base rates and include it in Rider IICR, subject to an annual true-up mechanism. (Madison 3 property tax included in calculation of current Rider IICR rates.)

8. COVID-19 lost revenue (currently estimated to be $1.1 million) as described in LPSC Docket No. U-35806. In that docket Cleco Power is requesting authorization to recover certain lost revenues associated with the Commission Special Order Nos. 22-2020, 28-2020, and 43-2020. (Not included in calculation of current Rider IICR rates).

9. Regulatory expenses associated with this proceeding and prior proceedings (estimated at $1.8 million annually). Please see <u>Exhibit CCM-3</u> page 11 of 14, which quantifies the amount to be recovered in Rider IICR filings in anticipation of subsequent Commission review and approval. (Not included in calculation of current Rider IICR rates).

10. START Make-Whole credit (currently estimated to be $4.3 million). Crediting of shared IT costs related to Cleco Cajun's utilization of the START platform through Rider IICR. (START Make-Whole included in calculation of current Rider IICR rates.)

11. Wholesale Exclusion Credit (currently estimated to be $3.1 million). The Wholesale Exclusion Credit is intended to keep retail customers whole by crediting the wholesale revenues collected from the wholesale contract that is set to expire within the four-year term of the proposed Third Amended and Restated FRP, as discussed later in my testimony. (Not included in calculation of current Rider IICR rates.)

12. Storm Replenishment and Preparation Costs (currently estimated to be $11.2 million). The storm replenishment costs are set at $10 million to build up funded storm reserve for future storms. The storm preparation costs are associated with securing staging areas for work crews and storm related equipment, storage for storm related equipment, storm tracking service, etc. Prudent utility practice dictates that the Company incur these costs. (Not included in calculation of current Rider IICR rates.)

13. Future Capital Projects (Not included in calculation of current Rider IICR rates.)

    a. Projects required and ultimately approved after July 1, 2024, pursuant to Docket No. R-28271 Subdocket B.[9]
    b. Incremental transmission projects approved by the LPSC and/or MISO. (i.e. Dolet Solar Transmission Tie Line, as described in the Company's application and testimony in Docket No. U-36502).
    c. Other projects that may be subsequently approved by the Commission for recovery under Rider IICR.

14. Purchased Power Capacity Costs and Revenues (not included in calculation of current Rider IICR rates). Cleco Power will defer any increase or decrease in capacity costs, in a regulatory asset, incurred under purchased power agreements certificated by the Commission and any net capacity purchases made in the MISO capacity auctions pursuant to LPSC Order No. U-35299. Cleco Power will recover from the LPSC customers their jurisdictional portion of the prudently-incurred costs through June of each successive year.

[9] LPSC Docket No. R-28271, Subdocket B, Louisiana Public Service Commission, ex parte. *In re: Re-study of the feasibility of a Renewable Portfolio Standard for the State of Louisiana.*

15. Environmental costs that have already been approved by the Commission will continue to be collected in the manner authorized. However, if during the term of the Third Amended and Restated FRP, a change in laws occur related to environmental issues or environmental compliance that increases the costs to Cleco Power, the recovery of those costs may be requested by the Company outside of the sharing mechanism of the Third Amended and Restated FRP.

16. Beginning with the first IICR filing after the project to relocate certain transmission lines at the Slidell Municipal Airport, pursuant to LPSC Special Order No. 50-2019, issued July 26, 2019, is in service, Cleco Power may include the annual revenue requirement for the project, as well as one year of deferred revenue requirement to be collected annually once the project is in service.

Q: PLEASE DESCRIBE THE PRODUCTION NON-PAYROLL O&M DEFERRAL REFERENCED ABOVE.

A: Paragraph a.6 of the settlement authorized by the 2010 Rate Order established the Production Non-Payroll O&M Deferral, based on an expected normalized level of expenses to be incurred in any given year. The retail portion of any amount incurred in excess of the threshold expense level may be deferred to a regulatory asset, and recovery may be requested in a future rate proceeding. Cleco Power is requesting recovery of such deferred O&M expenses in this proceeding.

Q: DOES CLECO POWER PROPOSE CHANGES TO THE PRODUCTION O&M THRESHOLD AND THE CAP?

A: Yes, the TME June 2022 test year included $42.0 million of non-payroll production O&M expenses. This amount included $2.8 million of Non-Payroll O&M cost related to Dolet Hills Power Station, offset by Dolet Hills-related ongoing Non-Payroll O&M costs for future years. This would set the threshold at $39.2 million. In December 2021, Cleco Power deferred $9.5 million in non-payroll production O&M expenses, which reduced the depreciation and amortization expense in test year TME June 30, 2022. Cleco Power is proposing to not adjust the depreciation and amortization expense, but instead to lower the production O&M threshold from $39.2 million to $29.7 million, starting with the implementation of new rates. Cleco Power proposes to maintain the retail O&M cap of $25.0 million and continue to collect the deferral balance over a three-year period.

Q: HOW IS CLECO POWER PROPOSING TO TREAT ALL EXISTING FULL-REQUIREMENTS WHOLESALE CONTRACT ALLOCATIONS, FOR PURPOSES OF DETERMINING BASE RATES?

A: Cleco Power excluded the wholesale full-requirements contract that is expected to expire by June 30, 2028, in the revenue requirements calculation. As demonstrated in Exhibit CCM-3 page 13 of 14, Cleco Power will have one wholesale contract expiring before June 2028. Cleco Power proposes to credit the wholesale revenues expected to be collected after June 2024 to retail customers in Rider IICR. The wholesale contract will expire May 31, 2025.

Q: WHAT ARE THE RESULTS OF THESE CALCULATIONS?

A: The projected revenue represents the credit that will be provided to customers as a component of Rider IICR, and is calculated to be $3.1 million for TME June 30, 2025.

Q: PLEASE DESCRIBE THE STORM REPLENISHMENT AND PREPARATION COSTS DISCUSSED ABOVE.

A: In the most recent securitization financing of storm costs in LPSC Docket No. U-35807, the securitization principal included a $100 million funded restricted storm reserve for future storms. However, Staff in that docket insisted that the reserve would be used for both capital costs and O&M expenses associated with future storm restoration. Cleco Power analyzed its total storm costs over the period of 2013 through 2020. The average annual storm costs during that period was $40 million for both capital costs and O&M expenses. This suggests that the funded restricted storm reserve established in Docket No. U-35807 may be depleted well before repayment of the storm bonds authorized in Docket No. U-35807 is complete. Cleco Power proposes to begin to replenish the funded restricted storm reserve account by collecting $10 million annually in order to build up the funded restricted storm reserve to cover capital costs and O&M expenses for future storms.

Further, Cleco Power incurs storm preparation costs that are associated with securing staging areas for work crews and storm-related equipment, storage for storm-related equipment, storm tracking service, and related storm preparation activities, and prudent utility practice dictates that the Company incur these costs. Historically, these costs have not been included in either base rates or in Rider IICR, but were recovered through Cleco Power's then-established storm reserve. In a recent filing with the LPSC, Cleco Power requested to make a withdrawal from the restricted storm reserve; however, Staff denied such use of the funds because they were not storm-specific. Therefore, Cleco Power is seeking to recover the unrecovered amounts for 2021, 2022, and 2023 of $1.0 million through Rider IICR, allowing for annual true-ups based on actual costs incurred and $0.2 million for the projected storm preparation costs through June 2025. These costs will be trued-up to actuals and Cleco Power will continue to recover the estimated costs in a given year.

V. <u>CLECO POWER'S OPERATING ENVIRONMENT</u>

Q: WHAT HAVE BEEN THE MAJOR RESULTS OF THE CLECO POWER SECOND AMENDED AND RESTATED FRP?

A: Pursuant to the Second Amended and Restated FRP, Cleco Power has filed an annual earnings Monitoring Report for the TME June 30, 2022, showing a realized ROE of 8.37%.

Please see Exhibit CCM-4. Cleco Power will file annual earnings Monitoring Reports for the TME June 30, 2023, and the TME June 30, 2024. The LPSC Staff has issued its Final Report on the Monitoring Report for the TME June 30, 2022, in LPSC Docket No. U-36582,[10] which indicated that Cleco Power's Monitoring Report for the TME June 30, 2022, met all of the requirements of the Second Amended and Restated FRP. However, the Staff has disputed various regulatory assets and their inclusion in the Company's rate base for purposes of computing refunds, and reserved Staff's right to assert this position in future base rate proceedings. Cleco Power disagrees with Staff's assertions that these regulatory assets should be removed from Cleco Power's rate base. The establishment of all such regulatory assets have been approved by the LPSC. Historically, the Company has always filed its Monitoring Reports to include all rate base items (including regulatory assets), as well as all regulated income and expense items, for the purpose of determining whether refunds are due to customers.

Q: BASED ON THESE RESULTS, WOULD YOU AGREE THAT THE SETTLEMENT AUTHORIZED BY ORDER NO. U-35299 HAS BEEN IN THE PUBLIC INTEREST, AND RESULTED IN JUST, REASONABLE, AND NOT UNDULY DISCRIMINATORY RATES?

A: Yes. However, investor returns were below the annual target ROE of 9.5%, at the 52% equity and 48% debt capital structure ratio set for ratemaking purposes.

[10] LPSC Docket No. U-36582, Cleco Power LLC, ex parte. *In re: Formula Rate Plan Annual Earnings Monitoring Report for the twelve months ended June 30, 2022.*

Q: THE REALIZED ROE HAS DECREASED FOR THE TME JUNE 30, 2022. DOES CLECO POWER EXPECT TO ACHIEVE ITS TARGET 9.5% ROE FOR THE TME JUNE 30, 2023, AND THE TME JUNE 30, 2024?

A: No. The actual realized ROE is expected to remain below the target primarily due to higher expenses incurred in order to operate the business and lower revenues due to lower customer usage.

VI. CLECO POWER'S TREATMENT OF EDIT

Q: HOW DO THE BALANCES OF ACCUMULATED DEFERRED INCOME TAXES ("ADIT") AND EDIT IMPACT CLECO POWER RATEMAKING?

A: ADIT represents a deferred liability to the U.S. Internal Revenue Service ("IRS"). As such, ADIT represents capital projects funding provided by the IRS, rather than either debt or equity investors. Under this construct, customers benefit from investments currently in service, but for which neither equity nor debt capital has been expended. Revenue realized in any given rate proceeding and/or actual fiscal year does not impact the balance of ADIT. Upon recognition of the TCJA, it was determined that some portion of ADIT would never become payable to the IRS, being the difference between ADIT calculated under the tax rates in effect before January 1, 2018, and the revalued ADIT, utilizing the tax rates in effect from and after January 1, 2018 (the TCJA effective date). This difference was identified as EDIT.

Companies in Cleco Power's service territory who are not regulated by the LPSC were able to use that gain for additional incremental investments, stock-buy backs, and/or other purposes, as determined by the individual companies. The effect of the TCJA General Order for Cleco Power required that investors fund what was effectively an additional annual cash investment in used and useful utility assets which were already in-service and remit those funds to Cleco Power retail customers over time. In accordance with Order No. U-35299, Cleco Power was required to issue retail customers a bill credit of approximately $36.9 million annually over a 3-year period for the protected and unprotected portion of the EDIT.

Q: IS THE REMITTANCE OF THE EDIT AMOUNTS A REDUCTION IN REVENUE REQUIREMENTS?

A: No. Crediting customer bills for the value of the EDIT does not reduce the revenue requirement for Cleco Power. It does, however, impact cash flow, as is the case with any other investment. Once the payment of the bill credits for EDIT is complete, Cleco Power's revenue requirements neither increase nor decrease relative to the cash payment (bill credit) of the EDIT liabilities.

Q: WHAT IS CLECO POWER'S PROPOSAL FOR CONTINUING TO REMIT THE PROTECTED PORTIONS OF EDIT TO CUSTOMERS?

A: The remittance of the protected portion of EDIT is governed by the IRS' normalization rules. As to the protected portion of EDIT, Cleco Power proposes to credit revenues collected through customer bills in an amount equal to the annual amortization that would have been permitted in order to stay in compliance with those normalization rules. Cleco Power anticipates the annual amount of this cash credit to customer bills to be $5.6 million for the rate year beginning July 1, 2024, and the remaining balance will be credited to customer bills over the remaining average life of Cleco Power's plant in service.

Cleco Power will continue to credit customer bills for the total of the protected portion of EDIT on a single separate line item, until such time as the EDIT balances are fully remitted.

VII. DEPRECIATION

Q: HAS CLECO POWER CONDUCTED A DEPRECIATION STUDY?

A: Yes. A depreciation study was conducted for Cleco Power in 2022, by Alliance Consulting Group. That study indicated the need for an overall increase of approximately $23.1 million to annual depreciation. Please refer to Exhibit CCM-5 for Cleco Power's most recent depreciation study. The study suggested an increase of approximately $32.6 million due to net increases in underlying investments, an increase of approximately $19 million from increased estimated net cost of removal and salvage (Net Salvage), with offsetting decreases of approximately $28.5 million related to increased estimated useful lives of production assets. The table below provides the breakdown between the related impacts for production assets and non-production assets.

Component	Production Assets	Non-Production Assets
Investment basis	$19.0 million	$13.6 million
COR (net salvage)	$1.2 million	$17.8 million
Useful life	($10.3 million)	($18.2 million)
Total Net Increase	**$9.9 million**	**$13.2 million**[11]

Q: WHAT PROCESS IS PERFORMED BY CLECO POWER TO DETERMINE WHETHER CHANGES ARE NEEDED TO DEPRECIATION EXPENSE?

A: Cleco Power engaged experts to conduct depreciation studies of the Company's Electric Utility plant depreciable assets on a periodic basis. These studies are conducted under traditional depreciation study approaches, such as a net salvage analysis, which have

[11] Non-Production Assets also includes a net decrease from Other Production facilities of $0.1 million. They are grouped together due to the relative immateriality of that asset group.

previously paralleled studies used by the Company, as produced to the LPSC Staff and Intervenors in LPSC Docket U-35299 as a response to LPSC Staff data request 10-1.

Q: WHEN WERE DEPRECIATION RATES LAST UPDATED?

A: Depreciation rates currently in effect were set during the 2010 Cleco Power rate case, as specified in LPSC Docket No. U-30689 (see the 2010 Rate Order at pp. 10-11).

Q: HAVE ANY ADDITIONAL DEPRECIATION STUDIES BEEN PERFORMED SINCE 2010 AND PRIOR TO THE 2022 DEPRECIATION STUDY?

A: Yes. A study was performed in 2018 utilizing 2017 test year data.

Q: WHAT CHANGES DID THE 2018 DEPRECIATION STUDY INDICATE?

A: The 2018 study indicated the need for an overall increase to depreciation for the Production asset accounts in the amount of approximately $27.1 million per annum, and an overall increase to the non-Production (i.e. Transmission, Distribution, and General Plant) asset accounts of approximately $1.0 million per annum. Please note that this study included depreciation from the Dolet Hills Power Station.

Q: WERE INCREASES FOR DEPRECIATION PROPOSED IN THE 2019 RATE CASE FILING?

A: No. Cleco Power elected to forego increases that were indicated by the 2018 depreciation study. Cleco Power did this in order to mitigate customer rate increases.

Q: WHAT WOULD BE THE RISKS OF CONTINUING TO FORGO NEEDED INCREASES TO DEPRECIATION RATES AS INDICATED BY THE DEPRECIATION STUDIES?

A: For purposes of rate making, depreciation represents the recovery of incurred investment in assets and the estimated costs of removal of those assets from service by the regulated utility. In practice, the rate assigned to depreciation is an estimate for allocation of the underlying cost of an asset and it is not a valuation estimate of that asset. It is intended to allocate an asset's cost as equitably as possible to the periods during which the utility and the customers will benefit from the use of the asset. Due to the nature of the estimate, it is common to adjust periodically for factors such as related change in estimated costs of removal and salvage values, as well as shifts in expectations regarding physical limitations on or extensions of the operational capabilities of those assets. As such, it becomes imperative that the alignment of the estimated depreciation rate of an asset as a component of retail rates is made to be as close as possible to the useful life of that asset, adjusted as provided above. Deviation from this approach creates the risk of potential unrecovered costs, because the net book value of the asset does not correspond to any underlying tangible benefit to customers (since the asset is no longer used and useful in the public service). Production assets are generally more at risk for potential unrecovered costs due to the nature of those assets and industry practice for unitization and aggregation.

Q: WHAT DOES CLECO POWER PROPOSE IN ORDER TO MITIGATE THE IMPACT OF INCREASED DEPRECIATION UPON CUSTOMERS?

A: Cleco Power recognizes the need for customer affordability in this 2023 Rate Case. On the other hand, if Cleco Power continues to postpone making increases to depreciation, as indicated by the 2022 depreciation study, the potential for unrecovered costs will become that much greater over time. Accordingly, Cleco Power is requesting a partial increase in depreciation versus what is recommended in the 2022 depreciation study, and would propose to address the need for increased depreciation rates in its next filed rate case, which is expected to be in 2028.

Q: DOES CLECO POWER CURRENTLY HAVE ANY POTENTIAL UNRECOVERED COSTS RESULTING FROM A MISMATCH OF CURRENT DEPRECIATION RATES AND CURRENT ESTIMATED USEFUL LIVES?

A: Yes. Rodemacher Unit 2 at the Brame Energy Center in Rapides Parish is subject to the U.S. Environmental Protection Agency's Coal Combustion Residuals ("CCR") Rule, which was finalized during 2020, and which regulates the disposal of coal ash in landfills and surface impoundments under Subtitle D of the Resource Conservation and Recovery Act. As a result of the CCR Rule, the effective useful life of Rodemacher Unit 2 has shortened due to rule's requirements regarding fly ash and bottom ash. Cleco Power's ability to comply with the CCR Rule has effectively determined that the plant's useful life will end in 2028, when CCR Rule compliance renders the existing onsite fly ash and bottom ash impoundments for Rodemacher Unit 2 unusable. But for the CCR Rule, Rodemacher Unit 2 could be reasonably expected to operate beyond 2028. The early retirement of Rodemacher Unit 2 due to the CCR Rule results in additional depreciation being incurred against the net book value of the plant. This accelerated depreciation is not currently being recovered from retail customers, and is being deferred as a regulatory asset.[12] As of December 31, 2022, the balance of this regulatory asset was approximately $12.7 million, and is projected to reach approximately $21.3 million by June 2024, and approximately $45.8 million by the planned retirement of Rodemacher Unit 2 by 2028.

Q: WHAT IS THE COMPANY PROPOSING REGARDING DEPRECIATION IN ORDER TO PREVENT UNRECOVERED COSTS FOR RODEMACHER UNIT 2?

[12] This regulatory asset was approved in Docket No. U-35299.

A: Cleco Power requests the adjustment of depreciation rates for Rodemacher Unit 2 in accordance with the 2022 depreciation study. Assuming an additional $5.4 million of capital spend on Rodemacher Unit 2 through June 2028, the increased depreciation expense needed would be $12.8 million, which Cleco Power proposes to recover in base rates. This would allow for the recovery of the current regulatory asset balance and Rodemacher Unit 2 would then be fully depreciated by the end of its useful life, which is anticipated to be by 2028.

VIII. <u>TEST YEAR</u>

Q: WHAT IS THE TEST YEAR CLECO POWER IS PROPOSING FOR THIS PROCEEDING?

A: Cleco Power has utilized a test year that will incorporate the historical test year data for the TME June 30, 2022, with a limited number of known and measurable attrition adjustments projected through the TME June 30, 2025. The test year constructed in this proceeding, with all appropriate attrition adjustments, is intended to be representative of the first full year that the rates and charges determined in this proceeding will be in effect. For purposes of this attrition-adjusted test year, Cleco Power has excluded Dolet Hills Power Station from rate base and expenses, as the recovery of these costs are being addressed in LPSC Docket No. U-35753.

IX. <u>TEST YEAR RATE BASE DETAIL</u>

Q: PLEASE DESCRIBE THE GENERAL CONSTRUCT OF <u>EXHIBIT CCM - 6</u>.

A: <u>Exhibit CCM-6</u>, Line 1 begins with 13-month average rate base numbers developed from Cleco Power's books for the 13 months June 30, 2021, through June 30, 2022, as filed in Cleco Power's Monitoring Report dated October 31, 2022. Cleco Power chose this time period to begin constructing its test year for two primary reasons. First, it is the time period utilized in Cleco Power's most recently filed Monitoring Report under its Second Amended and Restated FRP. Second, as of the filing date of Cleco Power's Application in this proceeding, it is the most recent actual 13-month period available.

The adjustment on Line 2 removes all of the Plant in Service, Regulatory Assets, and associated ADIT for all of the storm restoration costs that were included as part of rate base in the Monitoring Report filed for the TME June 30, 2022. In 2020 and 2021, Cleco Power's distribution and transmission systems sustained damage from four separate hurricanes (Hurricanes Laura, Delta, Zeta, and Ida), and two severe winter storms (Winter Storms Uri and Viola). Cleco Power established a separate regulatory asset to track and defer non-capital expenses associated with each corresponding storm, as approved by the LPSC pursuant to Special Orders No. 73-2020, issued December 2, 2020 (Hurricanes Laura, Delta, and Zeta), Special Order No. 21-2021, issued April 5, 2021 (2021 Winter Storms), and Commission action at the September 22, 2021 Business and Executive Open Session (Hurricane Ida; Exhibit 18 of the Commission's Agenda). On June 22, 2022, Cleco Power completed a securitization financing of the Company's storm restoration costs, which included the previously mentioned storm restoration costs that were deferred as regulatory assets. As part of the securitization financing, Cleco Securitization I LLC, a special purpose entity wholly owned by Cleco Power, was established. In connection with that securitization financing, Cleco Securitization I LLC used the net proceeds from its issuance of storm recovery bonds to purchase the "Storm Recovery Property" from Cleco Power. The recovery mechanism for these costs was addressed in LPSC Docket No. U-35807 and these costs are being excluded from this 2023 Rate Case.

Line 3 removes the rate base for Dolet Hills Power Station and Oxbow Mine as it is addressed in separate LPSC proceeding Docket No. U-35753. Line 4 adds the additional rate base for Bayou Vista to Segura transmission line that was not included in the test year. Line 5 removes the St. Mary Clean Energy Center $15 million disallowance from rate base. Lines 6–8 are various other attrition adjustments that Cleco Power is proposing to make for the test year. Line 9 shows the Adjusted Rate Base that will be used in cost of service study developed by the Company and as shown on Exhibit FDW-2 of Cleco Power witness Francesca D. Winter's Direct Testimony.

All numbers are truncated at 1/10 of $1 million (unless less than $0.1 million, in which case, additional decimals will be shown) and may be found in the exhibit. Other numbers are explanatory components of the underlined numbers on the exhibit. The columns in the Exhibit CCM-6 and Exhibit CCM-7 are the functionalized amounts related to fuel, production, transmission, distribution, customer service, and similar items, which are total Company amounts in the cost of service study, and, as such, do not and should not tie to schedules indicating similar numbers for the retail portion of our billings and/or expenses.

Q: PLEASE DESCRIBE THE $230.7 MILLION ADJUSTMENT ON LINE 3 "REMOVE DOLET RATE BASE ITEMS".

A: The Dolet Hills rate base items are excluded for purposes of this 2023 Rate Case as it is being addressed in LPSC Docket No. U-35753. The adjustments on Line 3 remove the balances that are included in the Monitoring Report filed for the TME June 30, 2022.

Q: PLEASE DESCRIBE THE ADJUSTMENTS MADE ON LINE 4 TO ADD THE BAYOU VISTA TO SEGURA TRANSMISSION PROJECT.

A: The Bayou Vista to Segura Transmission project includes the construction of 48 miles of 230 kilovolt transmission line, a 230/138 kilovolt substation, and three substation expansions in south Louisiana. The Phase I Bayou Vista to Segura transmission line was completed in August 2021 and Phase II was completed in December 2021. As part of Cleco Power's Second Amended and Restated FRP, Cleco Power was authorized to establish a regulatory asset and to recover the revenue requirements through Rider IICR associated with the Bayou Vista to Segura Transmission project, starting in the month after completion of each phase of the project. The adjustment on Line 4 adds the remaining amount to rate base that was not included in the test year 13 month average June 2022. The Plant in Service of $32.3 million in Column A is the additional 13 month average cost of the transmission line. The Accumulated Depreciation of $1.7 million in Column B includes the additional accumulated depreciation for Phase I and Phase II. The $1.9 million of Regulatory Assets in Column J, removes the regulatory asset as Cleco Power will collect this through Rider IICR. The Accumulated Deferred Income Tax of $0.5 million in Column L accounts for a full year of ADIT on the project. The net rate base increase including the full year amounts for the transmission line is $28.2 million.

Q: PLEASE DESCRIBE THE ADJUSTMENTS MADE ON LINE 5 FOR THE ST. MARY CLEAN ENERGY CENTER DISALLOWANCE.

A: Pursuant to the settlement approved by the Commission in LPSC Docket No. U-35544 (Application of Cleco Power LLC For a Prudence Determination for St. Mary Clean Energy Center), "there shall be a disallowance of the costs incurred by Cleco Power to construct the project in the amount of $15 million. This disallowance shall be implemented as a reduction of Cleco Power's rate base, and such reduction shall be made in Cleco

Power's next base rate case. The reduction of Cleco Power's rate base shall be made concurrently with the implementation of the Company's new base rates, which are anticipated to be effective July 1, 2024."

Please refer to LPSC Order No. U-35544. Column A, Line 5, Plant in Service is reduced by the $15 million as prescribed in the settlement. The Accumulated Depreciation in Column B, Line 5 and Accumulated Deferred Income Tax in Column L removes the 13-month average balances that are included in the Monitoring Report filed for the TME June 30, 2022 related to the $15 million disallowance. These amounts are adjusted as contemplated in the settlement in Docket No. U-35544, which stated that the $10.4 million refund represented final settlement for carrying charges between the in-service date of the project and the implementation of the $15 million disallowance, which is anticipated to be effective July 1, 2024.

Q: PLEASE DESCRIBE THE ADJUSTMENTS MADE ON LINE 6 TO REMOVE DOLET HILLS POWER STATION AND STORM BALANCES FROM OTHER DEFERRED DEBITS.

A: Other Deferred Debits includes a $3.0 million adjustment in Column J for the 13- month average June 2022 balances to remove the Dolet Hills Power Station closure costs of $1.4 million and storm related costs of $1.6 million. The Dolet Hills Power Station closure costs were moved to a regulatory asset in December 2021 and the storm related costs were all securitized in June 2022. These amounts are removed from rate base in the pro forma as they are addressed in separate LPSC dockets. The associated ADIT in Column L is also removed.

Q: WHY DO YOU REQUEST TO REMOVE THE CLECO CAJUN SAP INTEGRATION ON LINE 7?

A: The Cleco Cajun SAP integration costs were for the benefit of the Cleco Cajun assets. These costs were included on Cleco Power's books and the associated depreciation and maintenance fees were billed to Cleco Cajun. The associated Affiliate Revenue from Cleco Cajun is $0.8 million for the TME June 30, 2022. The 13-month average balance for Plant in Service, Accumulated Depreciation and associated ADIT is also removed from the adjusted rate base for determining base rates.

Q: PLEASE DESCRIBE THE ADJUSTMENT MADE ON LINE 8 TO REMOVE REGULATORY LIABILITY RELATED TO AFUDC WAIVER.

A: When calculating the Allowance for Funds Used During Construction ("AFUDC") as defined by the Federal Regulatory Energy Commission ("FERC"), if average short-term debt balance exceeds average Construction Work in Progress ("CWIP"), electric utility companies are required to use the short-term debt rate and cannot include the long-term rate nor equity return. Early in 2020 during the COVID-19 lockdowns, electric utility companies, including Cleco Power, utilized short-term credit facilities in order to ensure cash was available for unforeseen issues. In order to avoid a material decrease to AFUDC, the FERC issued a waiver of the normal average short-term debt to average CWIP comparison and allowed utility companies to use the debt balance as of December 31, 2019. Cleco Power calculated AFUDC in accordance with the FERC waiver; however, since the LPSC had not issued any specific guidance on the retail treatment of applying the FERC waiver, instead of recognizing the long-term and equity AFUDC on the income statement as usual, Cleco Power recognized a regulatory liability. Cleco Power received approval pursuant to LPSC Order No. U-35806, issued March 29, 2022, authorizing the use of the FERC methodology for the treatment of AFUDC in retail rates, and reversed the regulatory liability into income. Therefore, Cleco Power has excluded the average balance of this regulatory liability from the calculation of rate base.

Q: WHAT IS THE RATE BASE AMOUNT THAT CLECO POWER IS REQUESTING TO BE INCLUDED FOR DETERMINING BASE RATES?

A: Cleco Power's attrition adjusted test year rate base, after attrition adjustments, is $3.479 billion, as shown on Line 9 of Exhibit CCM-6.

X. TEST YEAR EXPENSE DETAIL

Q: PLEASE DISCUSS THE GENERAL CONSTRUCT OF EXHIBIT CCM-7.

A: Line 1 of the Exhibit represents the expenses from Cleco Power's books for the TME June 30, 2022, as filed in Cleco Power's Monitoring Report for the TME June 30, 2022. Cleco Power chose the TME June 30, 2022 to begin constructing its test year for two primary reasons. First, it is the time period utilized in Cleco Power's most recent Monitoring Report filed pursuant to its Second Amended and Restated FRP. Second, it was the most recent actual twelve-month period available as of the filing date of Cleco Power's Application in this proceeding.

Line 2 removes $7.8 million, as shown in Column G, of amortization expense from the test year for the TME June 30, 2022, related to the 2020 and 2021 storm costs incurred that were securitized in June 2022 and are being recovered through the Storm Charge rate schedule as approved in LPSC Docket No. U-35807. This amount represents the removal of the return of storm carrying charge that is included in the test year.

Lines 3-9 contain the attrition adjustments. Line 3 removes the Dolet Hills Power Station expenses as this will be handled in a separate docket. Line 4 includes the Bayou Vista to Segura transmission line increase in depreciation expense. Line 5 removes the depreciation for the St Mary Clean Energy Center disallowance. Line 6 requests the payroll merit attrition adjustment. Line 7 removes the Cleco Cajun SAP integration depreciation and maintenance fees. Line 8 removes the non- recoverable fuel expense for the wholesale customers whose contracts end by June 2024. Line 9 adds the Rodemacher Unit 2 accelerated depreciation request.

Lines 10-14 contain the attrition adjustments for the current Rider IICR items to adjust the expense amounts from test year TME June 30, 2022 to projected TME June 30, 2025.

Line 15 removes the Energy Efficiency expenses from test year amounts, as this is collected under a separate surcharge. The COVID expense on Line 16 adds the amortization expense as this is expected to be approved for collection through Rider IICR.

Line 17 includes the amortization of the deferred expenses that have been approved for recovery in prior rate cases as part of Rider IICR and are requested to be recovered through Rider IICR again. Line 18 adds the Madison 3 property tax to expense as it was accrued to regulatory asset in test year TME June 30, 2022. The property tax increase on Line 19 accounts for the increase due to ad valorem tax exemption roll-offs. Line 20 adds the storm replenishment and preparation costs that are proposed to be collected through Rider IICR.

The total test year amounts on Line 21 are those utilized in the cost of service study developed by the Company and shown on Exhibit FDW-2 to Cleco Power witness Francesca D. Winter's Direct Testimony.

The amounts in the exhibit are functionalized as they relate to fuel, production, transmission, distribution, customer service, and similar items. The amounts are total Company expenses in the cost of service study, and, as such, do not and should not tie to schedules indicating similar amounts for the retail-only portion of Cleco Power's billings and/or expenses.

Q: PLEASE EXPLAIN THE REMOVAL OF THE DOLET HILLS POWER STATION EXPENSES ON LINE 3.

A: On Line 3 of the expense proforma for Cleco Power, all non-ongoing expenses for Dolet Hills Power Station were removed from the test year for the TME June 30, 2022, due to the retirement of Dolet Hills Power Station on December 31, 2021.

Other Production	($5.8)	(Column B)
Administrative and General	$0.1	(Column F)
Depreciation and Amortization	($6.0)	(Column G)
Taxes Other Than Income	<u>($1.7)</u>	(Column H)
TOTAL EXPENSES	($13.4)	(Column I)

The unrecovered cost associated with the retirement of Dolet Hills Power Station is being addressed in LPSC Docket No. U-35753, as discussed above.

Q: WHAT ARE THE BAYOU VISTA TO SEGURA TRANSMISSION PROJECT ADJUSTMENTS ON LINE 4?

A: Line 4 adds the additional depreciation expense related to the Bayou Vista to Segura Transmission project of approximately <u>$1.0 million</u>, as shown in Column G, which is assuming a 40 year book life. As the Bayou Vista to Segura Transmission Project Phase I was completed in August 2021 and Phase II was completed in December 2021, it did not include a full year of depreciation expense. This attrition adjustment increases depreciation expense to account for a full year of depreciation.

Although collected through Rider IICR after the completion of the construction phases, Cleco Power is proposing to recover these costs in base rates going forward and to remove these costs from Rider IICR.

Q: PLEASE EXPLAIN THE REMOVAL OF THE ST. MARY CLEAN ENERGY CENTER DISALLOWANCE SHOWN ON LINE 5 COLUMN G.

A: Line 5 removes <u>$0.5 million</u>, as shown in Column G, of depreciation expense from the test year for the TME June 30, 2022. As described previously, in Order No. U-35544 the LPSC approved the settlement for the St. Mary Clean Energy Center prudence review, which requires that the $15 million disallowance be implemented in this rate case. This $0.5 million depreciation reduction is the $15 million disallowance assuming a 30 year depreciable life for the unit.

Q: PLEASE DESCRIBE THE INCREASE IN PAYROLL AND BENEFITS EXPENSE ON LINE 6.

A: Line 6 for Cleco Power, payroll and benefits costs, are projected to increase in the test year primarily due to additional payroll merits and promotions of $11.5 million from test year 2022 to the first year of rate implementation (the TME June 30, 2025). As there will be three years between the test year and first year of rate implementation, then accordingly there should be three years of payroll merits and promotions included.

Other Production	$4.6 (Column B)
Transmission	$0.9 (Column C)
Distribution	$2.0 (Column D)

Customer Accounting, Info., & Sales	\$1.4 (Column E)
Administrative and General	\$2.6 (Column F)
TOTAL EXPENSES	<u>\$11.5</u> (Column I)

Q: PLEASE EXPLAIN THE REMOVAL OF THE CLECO CAJUN SAP INTEGRATION SHOWN ON LINE 7.

A: Line 7 removes <u>\$0.8 million</u>, which is the twelve months ended June 2022 amount of the maintenance fees and depreciation for the portion of the Cleco Cajun SAP Integration.

Q: PLEASE EXPLAIN THE REMOVAL OF THE NON-RECOVERABLE FUEL EXPENSE FOR TWO CUSTOMERS CONTRACTS SHOWN ON LINE 8 COLUMN A.

A: Line 8 removes the non-recoverable fuel expense for two customer contracts that will expire prior to the implementation of new rates on July 1, 2024. The contracts expired December 2022, and May 2023.

Q: WHAT IS THE ADDITION OF DEPRECIATION EXPENSE SHOWN ON LINE 9?

A: Line 9 adds <u>\$12.8 million</u>, as shown in Column G, of depreciation expense to recover the Rodemacher Unit 2 accelerated depreciation through June 2028.

Q: PLEASE EXPLAIN THE ATTRITION ADJUSTMENTS ON LINE 10 – 14.

A: The attrition adjustments on Lines 10 – 14 are to adjust the Rider IICR expense in the test year TME June 30, 2022 amounts to the projected TME June 30, 2025 amounts. Note that these Rider IICR amounts will be trued-up to actual expense amounts, but are updated to match the proposed Rider IICR. Line 10 increases the MISO Administrative expense by <u>\$0.9 million</u> in Column C as this expense is projected to be \$6.6 million. Line 11 increases the Production O&M amortization expense in Column G by <u>\$2.2 million</u> to account for the projected $4.8 million of amortization and carrying costs. Line 12 increases the taxes other than income taxes in Column H by $0.6 million as this expense is projected to be $2.0 million Line 13 adjusts the Transmission and Distribution ROW amounts in Columns C and D to the projected amounts. Line 14 decreases the MISO Northlake Transmission expense by $1.4 million in Column C as this expense is expected to decrease to $12.6 million.

Q: PLEASE EXPLAIN THE REMOVAL OF ENERGY EFFICIENCY EXPENSE ON LINE 15.

A: The Energy Efficiency expense is removed from the test year TME June 2022 in Column E as this expense is recovered through a separate energy efficiency surcharge.

Q: WHY ARE COVID EXPENSES ADDED ON LINE 16?

A: The test year TME June 2022 does not include any expenses for COVID. In LPSC Docket No. U-35806,[13] Cleco Power has requested approval to begin collecting these costs through Rider IICR beginning July 1, 2024, over a four-year period. As these costs are recovered, the COVID regulatory asset will amortize off, which is shown in Column G of $1.1 million.

Q: WHY IS CLECO POWER REQUESTING TO ADD DEFERRED EXPENSE AMORTIZATION ON LINE 17?

A: The deferred expenses requested in Depreciation and Amortization are the regulatory expenses related to rate case costs, IRP costs, RFP costs, FAC and FEAC audits, and the St. Mary Clean Energy Center prudence review that Cleco Power is requesting be collected over four years. These type of regulatory costs have been approved for recovery in prior

[13] LPSC Docket No. U-35806, Cleco Power LLC, ex parte. *In re: Request for Recovery of Lost Revenues Related to LPSC Special Order Nos. 22-2020, 28-2020, and 43-2020, and Request for Accounting Order.*

rate cases as part of Rider IICR. The 2019 Rate Case (Docket U-35299) approved a portion of the regulatory expenses incurred for the 2019 Rate Case, but the amount was not trued-up to actuals. The projected balances are as follows: 2019 Rate Case $1.0 million; 2017 IRP $0.2 million; St Mary Clean Energy Center prudence review $0.2 million; 2023 IRP $0.5 million; 2023 Rate Case $2.2 million; FAC and FEAC audits $0.1 million; and 2023 Renewable RFP– Solar $3.0 million. Cleco Power is requesting that these costs be recovered through Rider IICR to allow for timely recovery and is proposing a true-up for actual expenses incurred.

Q: PLEASE DESCRIBE LINE 18 (PLUS MADISON 3 PROPERTY TAX).

A: As shown in Column H, Cleco Power increased Taxes Other than Income Taxes by <u>$8.6 million</u>. For the test year TME June 30, 2022, this property tax was recorded as a regulatory asset. Cleco Power did not begin collecting this in Rider IICR until July 2022; therefore, Madison 3 property tax was not included in expense but was included in a regulatory asset for the test year. This is related to the expiration of the ten-year property tax exemption for Madison Unit 3. This exemption expired in 2020; therefore, beginning in 2021, Cleco Power began incurring an increase in property tax expense. Due to the uncertainty regarding the estimated future property taxes, Cleco Power was allowed to exclude this amount from base rates and include it in Rider IICR, subject to an annual true-up mechanism in the Second Amended and Restated FRP.

Q: PLEASE DESCRIBE LINE 19 (PLUS PROPERTY TAX INCREASE DUE TO EXEMPTION ROLL OFF).

A: As shown in Column H, Cleco Power increased Taxes Other than Income Taxes by <u>$2.6 million</u>. There are two components to this increase:

The first component is the increase for property tax exemption roll-off.

Where eligible, Cleco Power has applied for the industrial property tax exemption ("ITEP") for eligible property. This exemption (in its current form) allows taxpayers to exclude 80% of the value of the property for five years (with an additional 5 years renewal) for a total of ten years. Cleco Power's ratepayers have benefited from this ITEP for the prior years in the form of reduced property tax expense recovered through rates. However, by statute, the ITEP is only available for ten years. As the ITEP reaches the end of the ten years, property tax expense will increase. This is mandated by the State, but it is simply restoring property tax expense to what it would have been had Cleco Power never applied for the ITEP. The expected increase $2.6 million.

The second component is the higher assessments.

Cleco Power's property tax valuations are centrally assessed by the Louisiana Tax Commission. These are determined based upon a combination of Cleco Power's Net Plant in Service and Net Utility Operating Income using a five-year average. Cleco Power projects its average Net Utility Operating Income to increase over the next three years, and this will have a direct correlation to Cleco Power's property tax assessment that will ultimately increase property tax.

Due to this volatility in Net Utility Operating Income and exemption roll-offs, Cleco Power is requesting all of the Company's property tax be moved out of base rates and be recovered through Rider IICR, subject to an annual true-up.

Q: PLEASE DESCRIBE LINE 20 (PLUS STORM REPLENISHMENT AND PREPARATION COSTS).

A: As discussed above, Cleco Power is requesting authorization to recover $1.2 million of storm preparation costs that are no longer recoverable from the funded restricted storm reserve and that historically have not been included in base rates or in Rider IICR. Cleco Power is also requesting an additional $10.0 million annually to replenish the funded restricted storm reserve. Based on a storm cost analysis that the Company conducted for the period 2013 through 2020, the Company has averaged $40 million annually of storm-related costs for both capital costs and O&M expenses. This analysis indicates that the established funded restricted storm reserve of $100 million will deplete quickly, which will give rise to the need to replenish the storm reserve to mitigate customer bill impacts for future storms.

Q: WHAT ARE THE EXPENSES FOR DETERMINING BASE RATES ON LINE 21?

A: Line 21 reflects a total of $516.6 million of expenses for determining base rates, excluding Energy Efficiency. These amounts are used in the cost of service for setting base rates.

Q: DOES THIS CONCLUDE YOUR TESTIMONY?

A: Yes, at this time.

STATE OF LOUISIANA

PARISH OF RAPIDES

AFFIDAVIT

BE IT KNOWN, that before me, the undersigned Notary Public, duly commissioned and qualified for the state and parish/county aforesaid, personally came and appeared:

CHRISTINA C. MCDOWELL

("Affiant"), who after being duly sworn did depose and say:

1. Affiant has prepared Direct Testimony on behalf of Cleco Power LLC, dated June 30, 2023, in support of the Application of Cleco Power LLC for: (1) Implementation of Changes in Rates to be Effective July 1, 2024; and (2) Extension of Existing Formula Rate Plan.

2. To the best of Affiant's knowledge, information, and belief, Affiant's Direct Testimony is true, accurate, and complete in all material respects as of the date of this Affidavit.

Christina C. McDowell

Christina C. McDowell
Cleco Power LLC
2030 Donahue Ferry Road
Pineville, LA 71360

SWORN TO AND SUBSCRIBED
BEFORE ME, NOTARY PUBLIC,
THIS 19th DAY OF JUNE, 2023.

Catina L. Ivey

NOTARY PUBLIC
BAR ROLL/NOTARY ID NO.: 51231
MY COMMISSION EXPIRES: at death

CATINA L. IVEY
NOTARY PUBLIC
COMMISSIONED FOR LIFE
NOTARY ID NO. 51231
RAPIDES PARISH PARISH, LA