



January 19, 2016

Attention: Kathleen Richardson
Louisiana Public Service Commission
Office of the General Counsel
602 North Fifth Street (Galvez Building) (70802)
Post Office Box 91154
Baton Rouge, Louisiana 70821-9154

RE: RFP 15-15 Docket No. U-33779 Concordia Electric Cooperative, Inc., Application for Approval of Formula Rate Plan

Dear Ms. Richardson:

ReSolved Energy Consulting, LLC (“REC”) is pleased to submit this Proposal for Services to the Louisiana Public Service Commission (“LPSC” or “Commission”) for consulting services to assist the Commission in review and analysis of the request by Concordia Electric Cooperative Inc. for approval of a Formula Rate Plan and the review of the four subsequent annual filings. This proposal describes the consulting services REC will provide including:

- A. Statement of the Project
- B. Firm Profile
- C. Work Plan
- D. Prior Experience
- E. References
- F. Personnel
- G. Statement of Potential Conflicts of Interests
- H. Budget Estimates
- I. Authorized Signature
- J. Resumes

REC believes this proposal is responsive to the LPSC’s needs and that the results of REC’s consulting efforts will ensure that the LPSC is prepared to address any issues brought forth as a result of this review and analysis. We are confident that we can serve the Commission’s needs and look forward to working with you and your staff.

Thank you for the opportunity to prepare this proposal for services. If you have any questions regarding this proposal, please feel free to call me at (512) 331 – 4949, extension 105.

Very truly yours,

Karl J. Nalepa
President

**ReSolved Energy Consulting, LLC
Proposal for Services**

**Louisiana Public Service Commission
Proposal for Consulting Services
RFP 15-15**

**Review of
Docket No. U-33779
Concordia Electric Cooperative Inc.
Application for Approval of Formula Rate Plan**

January 19, 2016

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Proposal for
Louisiana Public Service Commission
U-33779
Concordia Electric Cooperative Inc.
Application for Approval of Formula Rate Plan

STATEMENT OF THE PROJECT

Concordia Electric Cooperative Inc.'s ("Concordia" or "the Cooperative") last rate increase was in 2012 and the Cooperative is now requesting rate relief in the form of a Formula Rate Plan ("FRP"). As a cooperative, Concordia has no stock and obtains long-term debt financing from the Rural Utilities Service ("RUS") and supplemental lenders such as the National Rural Electric Cooperative Finance Corporation ("CFC"), and CoBank. Concordia seeks approval of the Formula Rate Plan because it believes this will provide a sound and consistent financial approach for determining the Cooperative's revenue requirements which lenders should find adequate for providing additional funds.

For Concordia to obtain debt financing its lenders require the Cooperative to maintain minimum DSC levels. CFC requires that Concordia maintain a DSC ratio of not less than 1.35 to qualify for and obtain new long-term financing. CoBank requires a DSC of at least 1.30, and RUS requires a DSC level of at least 1.25 and a Times Interest Earned Ratio ("TIER") of at least 1.25. If minimum levels are not maintained, advances of funds cease until the Cooperative is able to adequately assure the lenders that it will achieve satisfactory financial results.

Concordia's proposed FRP calls for yearly reviews of financial data with resulting revenue adjustments to revise its financial indicators to a proposed minimum DSC level of 1.45. The FRP includes an upper band limit DSC of 1.65. The proposed adjustments to rates are in the form of a rider allocated on a percentage of base revenue.

ReSolved Energy Consulting's ("REC") task is to perform a focused review and analysis of the Cooperative's application. This focused review and analysis will include all studies, documentation and supporting testimony before the LPSC to determine whether this rate mechanism is in the public interest and the appropriate cost recovery mechanism to recover costs from the Cooperative's Louisiana customers.

In determining the reasonableness of the Cooperative's Formula Rate Plan, REC will review the operations, books and records of the Cooperative, conduct discovery, and if necessary, prepare and defend direct and rebuttal testimony, participate in public hearings, assist LPSC Staff ("Staff") in preparation of any post-hearing briefs or filings, and assist in any settlement discussions and/or stipulation hearings. If required, REC will attend and testify at the Commission's Business and Executive Session.

In addition, REC will assist Staff in each of the four proposed annual review filings for the test years 2015-2018. In determining the reasonableness of the rates proposed under these Annual Report filings, REC will review the operations, books and records of the Cooperative, conduct discovery, prepare a report of recommendations, participate in public hearings as needed, assist Staff in preparation of any post-hearing briefs or filings, assist in any settlement discussions and/or stipulation hearings, and, if required, attend and testify at the Commission's Business and Executive Session.

FIRM PROFILE

ReSolved Energy Consulting, LLC is a consulting firm specializing in the electric and natural gas utility industry since 1998. REC services includes regulatory assistance, resource planning, power supply analysis and procurement, economic and financial analysis, cost of service analysis and rate design, competitive assessment, litigation support, and load aggregation services.

REC personnel regularly participate in utility regulatory proceedings. These activities often include representing the interests of municipalities and their ratepayers in utility base rate or fuel cost proceedings, fuel reconciliation and refund filings, annual rate adjustments such as transmission, distribution, and purchased power cost recovery factors, and other such filings by investor owned utilities. REC has also represented public power entities in base rate and wholesale transmission rate increase requests. A majority of our assignments have been before Texas regulatory bodies, but REC consultants have provided services throughout the country.

In addition to regulatory proceeding engagements, REC is also experienced in the procurement of energy supplies at both a wholesale and retail level, and has also assisted clients in asset divestiture and procurement. Following are some representative projects in which REC has assisted clients in these matters.

Since 2001 REC has served as technical consultant to a large power aggregation group that since 2011 is called Texas Cities for Affordable Power ("TCAP"). This group is comprised of over 160 Texas cities and political subdivisions. REC's duties include supply procurement, including issuance of RFPs for power supplies and the negotiation of power supply agreements, provide technical assistance on electric issues, assist individual members with electric problems, and provide new and innovative approaches for saving members money via innovative procurement and contracting. REC developed and implemented one of the first arrangements in the Texas deregulated market where customers separately procure power and REP services from alternative providers.

As consultant to a large Texas municipal utility, REC performed financial analysis and negotiated provisions of the sale of generation assets by the utility to a third party, as well as negotiating a related multi-year transitional power agreement for the municipal utility. In addition, working as consultant to a Texas municipal utility, REC solicited and negotiated a multi-year power purchase agreement totaling \$200 million for full-requirements wholesale electric supply and QSE and energy balancing services in ERCOT. Furthermore, REC

consultants have served as project advisor for numerous other power purchase contracts, interconnection agreements, and a construction contract for a 700 MW combined cycle generation project in Texas.

For additional information please visit our web site at www.ReSolvedEnergy.com.

WORK PLAN

REC will provide regulatory consulting services to the Commission responding to the Cooperative filing. REC, as the LPSC's consultant, will work closely with the Staff in reviewing the operations, books and records of the Cooperative. REC's consultants will thoroughly analyze the Cooperative's filing to determine whether it meets the utility's burden of proof with respect to issues identified by Staff. The consultants will also develop supportable and credible opinions and positions with regard to the adequacy of the utility's filing. REC's consultants, working in concert with Staff, will develop and assist in the development of data requests and shall review and analyze the utility's responses to those data requests as well as responses to data requests submitted by other parties.

Using information obtained through discovery and developed by means of our own analyses, REC will prepare a Report and/or testimony which, after review and vetting by Staff, will be filed on behalf of Staff. Issues that REC will address include, but are not necessarily limited to:

- 1) Whether the FRP proposed by Concordia is in the public interest;
- 2) The appropriate benchmark Debt Service Coverage ("DSC") ratios;
- 3) Whether a DSC bandwidth is appropriate for an annual rate change and if so, at what level;
- 4) Whether the annual adjustment should be based on the Cooperative's books and records or whether to include test year ratemaking adjustments for known and measurable changes;
- 5) Whether billing units are adjusted for customer growth and normalized weather;
- 6) The appropriate means of customer class revenue allocation, and
- 7) Whether the pricing mechanism should be based on a percent of base rate surcharge or other method such as kW/kWh adjustments.

REC's consultants will support and defend its filed testimony in appearances as expert witnesses and shall respond in a timely manner to any data requests filed by the Cooperative or by other parties. Further, REC's consultants will assist Staff in developing cross-examination materials for the Cooperative's witnesses and for the witnesses of intervening parties as necessary. REC's consultants will also assist Staff in preparing briefs, reply briefs, and proposed orders as required. REC's consultants are prepared to assist Staff in any settlement discussions

and/or stipulation hearing and, if necessary, testify at the Commission’s Business and Executive Session.

Estimated Timeline

REC submits the following estimated timeline to complete the work plan as described above:

Activity	Description	Date
1	Concordia files its Application for an FRP	August 31, 2015
2	LPSC selects outside technical consultant	January 26, 2016
3	Review application and submits requests for clarifying data	February – March 2016
4	Participate in status conferences with Cooperative and/or Staff	April – May 2016
5	Conduct analysis and develop recommendations	April – May 2016
6	Prepare and submit recommendations report	June 2016
7	Participate in any settlement discussions and/or stipulated hearing	July – August 2016
If Necessary:		
8	Prepare and submit prefiled testimony, respond to data requests, and prepare for hearing	July – August 2016
9	Appear at hearing. Assist Staff to develop cross-examination materials, prepare briefs, reply briefs and proposed Orders.	August 2016
10	Appear at B&E Session and testify if necessary	September 2016

If an FRP is approved for Concordia, REC will also provide regulatory consulting services to the Commission responding to review of the Cooperative’s subsequent 2015-2018 Annual Report filings. REC, as the LPSC’s consultant, will work closely with Staff in reviewing the operations, books and records of the Cooperative. REC’s consultants will analyze the annual filing to determine whether the utility met its burden of proof with respect to issues identified by Staff. REC’s consultants, working in concert with Staff, will develop and assist in the development of data requests and shall review and analyze the utility’s responses to those data requests as well as responses to data requests submitted by other parties, if any.

REC’s review procedures will include, but not be limited to:

- An analysis of documentation provided in support of each test year adjustment to confirm the accuracy of each adjustment.

- Reconciliation of account balances presented in the FRP filing to the Cooperative's books and records.
- Review of individual account activity to identify any unusual, nonrecurring or out-of-period activity.
- Conduct variance analyses to identify abnormal year-to-year trends.
- Identify appropriate adjustments to the Cooperative's revenues and expenses.
- Verify compliance with the FRP tariff.

Using information provided in the filing, obtained through discovery and developed by means of our own analyses, REC will prepare a report of recommendations which, after review and vetting by Staff, will be filed on behalf of Staff. REC will also participate in public hearings as needed, assist Staff in preparation of any post-hearing briefs or filings, assist in any settlement discussions and/or stipulation hearings, and, if required, attend and testify at the Commission's Business and Executive Session.

PRIOR EXPERIENCE

REC has assisted the Louisiana Public Service Commission Staff in a number of utility dockets, including:

Docket No. U-31971 *Joint Application of Entergy Louisiana, LLC for Approval to Construct Unit 6 at Ninemile Point Station and of Entergy Gulf States Louisiana, L.L.C. for Approval to Participate in a Related Contract for the Purchase of Capacity and Electric Energy, for Cost Recovery and Request for Timely Relief.*

Docket No. U-33033 *Joint Application of Entergy Louisiana, LLC and Entergy Gulf States Louisiana, LLC for Certification of First Year Revenue Requirement Associated with Construction of Ninemile 6 and Related Purchase Power Agreement and Request for Timely Relief.*

Undocketed *Entergy Service's Inc.'s 2014 Request for Proposals for Limited Term Capacity-Only Products.*

Docket No. X-33322 *Audit of Southwestern Electric Power Company's charges flowed through its Fuel Adjustment Charge, Pursuant to Commission General Order U-21497 from the Period Beginning January 1, 2005 Through December 31, 2013 (2005-2013).*

Docket No. S-33492 *Dixie Electric Membership Corporation's Formula Rate Plan Annual Filing Pursuant to Order No. U-33063-A.*

Docket No. X-33577 *Investigation into the Ability of Southwestern Electric Power Company to Maintain Service During Severe Weather Events.*

Docket No. U-33633 *Application of Entergy Louisiana, LLC for Review of the Management of the Construction of Ninemile 6, Pursuant to Order No. U-31971.*

Docket No. U-33906 *Dixie Electric Membership Corporation's Formula Rate Plan Annual Filing Pursuant to Order No. U-33063-A.*

Mr. Nalepa has also been instrumental in the development and subsequent reviews of annual cost adjustment clauses including annual Rate Review Mechanisms ("RRM") and Cost of Service Adjustment ("COSA") filings by utilities in Texas. Following are examples of recent rate filings in which he has participated:

- Docket No. 45084 *Application of Entergy Texas, Inc. for Approval of a Transmission Cost Recovery Factor*
- Docket No. 45083 *Application of Entergy Texas, Inc. for Approval of a Distribution Cost Recovery Factor*
- Docket No. 45071 *Application of Denton Municipal Electric for Interim Update to Wholesale Transmission Rates*
- Docket No. 44572 *Application of CenterPoint Energy Houston for Approval of a Distribution Cost Recovery Factor*
- Docket No. 44496 *Application of Southwestern Electric Power Company for Approval of a Transmission Cost Recovery Factor*
- Docket No. 43111 *Application of Entergy Texas, Inc. for Approval of a Distribution Cost Recovery Factor*

REFERENCES

Stone Pigman Walther Wittmann LLC
Mr. Paul L. Zimmering, Esq.
546 Carondelet Street
New Orleans, Louisiana 70130
(504) 581-3200

The Lawton Law Firm
Mr. Dan Lawton
12600 Hill Country Blvd., Suite R-275
Austin, Texas 78738
(512) 322-0019

Lloyd Gosselink Rochelle & Townsend, PC
Mr. Geoffrey M. Gay
816 Congress Avenue, Suite 1900
Austin, Texas 78701
(512) 322-5875

Herrera & Boyle, PPLC
Mr. Alfred Herrera
816 Congress Avenue, Suite 1120
Austin, Texas 78701
(512) 474-1492

PERSONNEL

REC's project team is proposed to consist of two highly experienced consultants. Although we do not anticipate using other REC consultants during this engagement, additional REC personnel are available to provide additional assistance to this project, if necessary. Brief descriptions of each consultant who will participate in this project are provided below along with that consultant's role in this project. Resumes of each of these individuals are provided in the attachments to this proposal.

REC's project manager will be Karl Nalepa, an economist with more than 30 years of experience in the energy sector. In addition to his consulting experience, he has previously held positions with both the Public Utility Commission of Texas and the Railroad Commission of Texas. He has extensive experience analyzing utility rate filings and has prepared and defended expert testimony in both administrative and civil proceedings. As a Railroad Commission Assistant Director, he has managed participation in all aspects of contested proceedings including cost of service and rate design. Mr. Nalepa has experience in utility cost-of-service and rate analysis for electric and natural gas distribution utilities as well as experience in the analysis of accounting and economic data for determination of revenue requirements. Mr. Nalepa regularly provides consulting assistance in utility matters relating to pricing and regulatory issues. He has provided expert testimony before various regulatory agencies. Mr. Nalepa has been project manager for REC for numerous engagements relating to pricing, cost-of-service, revenue requirements, regulatory issues and other matters. Mr. Nalepa's responsibilities in this engagement include coordination and control of REC's consulting efforts, development of pricing programs and prices and support of other REC consulting personnel in all aspects of REC's work efforts. He will serve as principal contact at REC and will direct the activities of other REC consultants in this engagement.

Robert Stemper's primary emphasis is in microcomputer software development and execution of cost-of-service, rate design, and other support programs. On numerous occasions, Mr. Stemper has been responsible for the gathering and processing of engineering and accounting data, including the system and customer load characteristics, required to complete these analyses. Mr. Stemper's 40 year career began as a rate analyst with the Public Utility Commission of Wisconsin. He has experience in load research, rate design, accounting and marginal cost-of-service studies for electric, gas and water utilities. He has conducted numerous assignments for investor-owned, publicly-owned, and member-owned utilities. He has developed microcomputer-based models for utility applications and provided documentation and training sessions for client personnel.

STATEMENT OF POTENTIAL CONFLICTS OF INTEREST

The Consultant, ReSolved Energy Consulting, has no relationships between itself or its employees and the companies under the jurisdiction of the Louisiana Public Service Commission, or with any subsidiaries or affiliates of such companies. To the best of our knowledge and belief, there are no real or potential conflicts of interest that exist between the Consultant and any utilities in Louisiana.

BUDGET ESTIMATES

<u>Hourly Rates:</u>		<u>Total Budget Estimate:</u>	
Mr. Karl Nalepa	\$260/hr	Professional Fees	\$61,300
Mr. Robert Stemper	\$225/hr	Other Costs	<u>3,000</u>
		Total Cost	\$64,300

Annual Cost Breakdown:

<u>Project</u>	<u>Professional Fees</u>	<u>Other Costs</u>	<u>Total Costs</u>
FRP Application	\$14,100	\$600	\$14,700
2015 Annual Review	\$11,800	\$600	\$12,400
2016 Annual Review	\$11,800	\$600	\$12,400
2017 Annual Review	\$11,800	\$600	\$12,400
2018 Annual Review	\$11,800	\$600	\$12,400

REC will only bill for actual hours of work performed and costs incurred up to the approved budget. The proposed budget is based on REC’s best estimate of the scope of the project as outlined in the RFP and REC will obtain approval of the Commission prior to any change in the budget. If the scope of the project changes as a result of actions outside the control of REC which result in an increase to the budget, the Commission must approve the change in budget prior to REC commencing work under the revised scope.

AUTHORIZED SIGNATURE

RESOLVED ENERGY CONSULTING, LLC
11044 RESEARCH BLVD., SUITE A-420
AUSTIN, TEXAS 78759
PHONE: (512) 331-4949, EXT. 105

KARL J. NALEPA
PRESIDENT

APPENDIX - RESUMES

KARL J. NALEPA

Mr. Nalepa is an energy economist with more than 30 years of private and public sector experience in the electric and natural gas industries. He has extensive experience analyzing utility rate filings and resource plans with particular focus on fuel and power supply requirements, quality of fuel supply management, and reasonableness of energy costs. Mr. Nalepa developed peak demand and energy forecasts for municipal and electric cooperative utilities and has forecast the price of natural gas in ratemaking and resource plan evaluations. He led a management and performance review of the Texas Public Utility Commission, and has conducted performance reviews and valuation studies of a number of municipal utility systems. Mr. Nalepa previously directed the Railroad Commission of Texas' Regulatory Analysis & Policy Section, with responsibility for preparing timely natural gas industry analysis, managing ratemaking proceedings, mediating informal complaints, and overseeing consumer complaint resolution. He has prepared and defended expert testimony in both administrative and civil proceedings, and has served as a technical examiner in natural gas rate proceedings.

EDUCATION

- | | |
|------|---|
| 1998 | Certificate of Mediation
Dispute Resolution Center, Austin |
| 1989 | NARUC Regulatory Studies Program
Michigan State University |
| 1988 | M.S. - Petroleum Engineering
University of Houston |
| 1980 | B.S. - Mineral Economics
Pennsylvania State University |

PROFESSIONAL HISTORY

- | | |
|-------------|--|
| 2003 - | ReSolved Energy Consulting
President and Managing Director |
| 1997 – 2003 | Railroad Commission of Texas
Asst. Director, Regulatory Analysis & Policy |
| 1995 – 1997 | Karl J. Nalepa Consulting
Principal |
| 1992 – 1995 | Resource Management International, Inc.
Supervising Consultant |
| 1988 – 1992 | Public Utility Commission of Texas
Fuels Analyst |
| 1980 – 1988 | Transco Exploration Company
Reservoir and Evaluation Engineer |

AREAS OF EXPERTISE

Regulatory Analysis

Electric Power: Analyzed electric utility rate, certification, and resource forecast filings. Assessed the quality of fuel supply management, and reasonableness of fuel costs recovered from ratepayers. Projected the cost of fuel and purchased power. Estimated the impact of environmental costs on utility resource selection. Participated in regulatory rulemaking activities. Provided expert staff testimony in a number of proceedings before the Texas Public Utility Commission.

As consultant, represent interests of municipal clients intervening in large utility rate proceedings through analysis of filings and presentation of testimony before the Public Utility Commission. Also assist municipal utilities in preparing and defending requests to change rates and other regulatory matters before the Public Utility Commission.

Natural Gas: Directed the economic regulation of gas utilities in Texas for the Railroad Commission of Texas. Responsible for monitoring, analyzing and reporting on conditions and events in the natural gas industry. Managed Commission staff representing the public interest in contested rate proceedings before the Railroad Commission, and acted as technical examiner on behalf of the Commission. Mediated informal disputes between industry participants and directed handling of customer billing and service complaints. Oversaw utility compliance filings and staff rulemaking initiatives. Served as a policy advisor to the Commissioners.

As consultant, represent interests of municipal clients intervening in large utility rate proceedings through analysis of filings and presentation of testimony before the cities and Railroad Commission. Also assist small utilities in preparing and defending requests to change rates and other regulatory matters before the Railroad Commission.

Litigation Support

Retained to support litigation in natural gas contract disputes. Analyzed the results of contract negotiations and competitiveness of gas supply proposals considering gas market conditions contemporaneous with the period reviewed. Supported litigation related to alleged price discrimination related to natural gas sales for regulated customers. Provided analysis of regulatory and accounting issues related to ownership of certain natural gas distribution assets in support of litigation against a natural gas utility. Supported independent power supplier in binding arbitration regarding proper interpretation of a natural gas transportation contract. Provided expert witness testimony in administrative and civil court proceedings.

Utility System Assessment

Led a management and performance review of the Public Utility Commission. Conducted performance reviews and valuation studies of municipal utility systems. Assessed ability to compete in the marketplace, and recommended specific actions to improve the competitive position of the utilities. Provided comprehensive support in the potential sale of a municipal gas system, including preparation of a valuation study and all activities leading to negotiation of contract for sale and franchise agreements.

Energy Supply Analysis

Reviewed system requirements and prepared requests for proposals (RFPs) to obtain natural gas and power supplies for both utility and non-utility clients. Evaluated submittals under alternative demand and market conditions, and recommended cost-effective supply proposals. Assessed supply strategies to determine optimum mix of available resources.

Econometric Forecasting

Prepared econometric forecasts of peak demand and energy for municipal and electric cooperative utilities in support of system planning activities. Developed forecasts at the rate class and substation levels. Projected price of natural gas by individual supplier for Texas electric and natural gas utilities to support review of utility resource plans.

Reservoir Engineering

Managed certain reserves for a petroleum exploration and production company in Texas. Responsible for field surveillance of producing oil and natural gas properties, including reserve estimation, production forecasting, regulatory reporting, and performance optimization. Performed evaluations of oil and natural gas exploration prospects in Texas and Louisiana.

PROFESSIONAL MEMBERSHIPS

Society of Petroleum Engineers
International Association for Energy Economics
United States Association for Energy Economics

SELECT PUBLICATIONS, PRESENTATIONS, AND TESTIMONY

- “Summary of the USAEE Central Texas Chapter’s Workshop entitled ‘EPA’s Proposed Clean Power Plan Rules: Economic Modeling and Effects on the Electric Reliability of Texas Region,’” with Dr. Jay Zarnikau and Mr. Neil McAndrews, USAEE Dialogue, May 2015
- “Public Utility Ratemaking,” EBF 401: Strategic Corporate Finance, The Pennsylvania State University, September 2013
- “What You Should Know About Public Utilities,” EBF 401: Strategic Corporate Finance, The Pennsylvania State University, October 2011
- “Natural Gas Markets and the Impact on Electricity Prices in ERCOT,” Texas Coalition of Cities for Fair Utility Issues, Dallas, October 2008
- “Natural Gas Regulatory Policy in Texas,” Hungarian Oil and Gas Policy Business Colloquium, U.S. Trade and Development Agency, Houston, May 2003
- “Railroad Commission Update,” Texas Society of Certified Public Accountants, Austin, April 2003
- “Gas Utility Update,” Railroad Commission Regulatory Expo and Open House, October 2002
- “Deregulation: A Work in Progress,” Interview by Karen Stidger, *Gas Utility Manager*, October 2002
- “Regulatory Overview: An Industry Perspective,” Southern Gas Association’s Ratemaking Process Seminar, Houston, February 2001
- “Natural Gas Prices Could Get Squeezed,” with Commissioner Charles R. Matthews, *Natural Gas*, December 2000
- “Railroad Commission Update,” Texas Society of Certified Public Accountants, Austin, April 2000
- “A New Approach to Electronic Tariff Access,” Association of Texas Intrastate Natural Gas Pipeline Annual Meeting, Houston, January 1999
- “A Texas Natural Gas Model,” United States Association for Energy Economics North American Conference, Albuquerque, 1998
- “Texas Railroad Commission Aiding Gas Industry by Updated Systems, Regulations,” *Natural Gas*, July 1998
- “Current Trends in Texas Natural Gas Regulation,” Natural Gas Producers Association, Midland, 1998
- “An Overview of the American Petroleum Industry,” Institute of International Education Training Program, Austin, 1993
- Direct testimony in PUC Docket No. 10400 summarized in *Environmental Externality*, Energy Research Group for the Edison Electric Institute, 1992
- “God’s Fuel - Natural Gas Exploration, Production, Transportation and Regulation,” with Danny Bivens, Public Utility Commission of Texas Staff Seminar, 1992
- “A Summary of Utilities’ Positions Regarding the Clean Air Act Amendments of 1990,” Industrial Energy Technology Conference, Houston, 1992
- “The Clean Air Act Amendments of 1990,” Public Utility Commission of Texas Staff Seminar, 1992

**KARL J. NALEPA
TESTIMONY FILED**

DKT NO.	DATE	REPRESENTING	UTILITY	PHASE	ISSUES
<u>Before the Public Utility Commission of Texas</u>					
45084	Nov 15	Cities	Entergy Texas, Inc.	TCRF	TCRF Methodology
45083	Oct 15	Cities	Entergy Texas, Inc.	DCRF	DCRF Methodology
45071	Aug 15	Denton Municipal Electric	Denton Municipal Electric	Interim TCOS	Wholesale Transmission Rate
44941	Dec 15	City of El Paso	El Paso Electric	Cost of Service	CEP Adjustments
44677	Jul 15	City of El Paso	El Paso Electric	EECRF	EECRF Methodology
44572	May 15	Cities	CenterPoint Energy Houston	DCRF	DCRF Methodology
44060	May 15	City of Frisco	Brazos Electric Coop	CCN	Transmission Cost Recovery
43695	May 15	Pioneer Natural Resources	Southwestern Public Service	Cost of Service	Cost Allocation
43111	Oct 14	Cities	Entergy Texas Inc.	DCRF	DCRF Methodology
42770	Aug 14	Denton Municipal Electric	Denton Municipal Electric	Interim TCOS	Wholesale Transmission Rate
42485	Jul 14	Cities	Entergy Texas, Inc.	EECRF	EECRF Methodology
42449	Jul 14	City of El Paso	El Paso Electric	EECRF	EECRF Methodology
42448	Jul 14	Cities	SWEPCO	TCRF	Transmission Cost Recovery Factor
42370	Dec 14	Cities	SWEPCO	Rate Case Expenses	Rate Case Expenses
41791	Jan 14	Cities	Entergy Texas, Inc.	Cost of Service	Cost of Service/Fuel
41539	Jul 13	Cities	AEP Texas North	EECRF	EECRF Methodology
41538	Jul 13	Cities	AEP Texas Central	EECRF	EECRF Methodology

DKT NO.	DATE	REPRESENTING	UTILITY	PHASE	ISSUES
41444	Jul 13	Cities	Entergy Texas, Inc.	EECRF	EECRF Methodology
41223	Apr 13	Cities	Entergy Texas, Inc.	ITC Transfer	Public Interest Review
40627	Nov 12	Austin Energy	Austin Energy	Cost of Service	General Fund Transfers
40443	Dec 12	Office of Public Counsel	SWEPCO	Cost of Service	Cost of Service/Fuel
40346	Jul 12	Cities	Entergy Texas, Inc.	Join MISO	Public Interest Review
39896	Mar 12	Cities	Entergy Texas, Inc.	Cost of Service/ Fuel Reconciliation	Cost of Service/ Nat Gas/ Purch Power
39366	Jul 11	Cities	Entergy Texas, Inc.	EECRF	EECRF Methodology
38951	Feb 12	Cities	Entergy Texas, Inc.	CGS Tariff	CGS Costs
38815	Sep 10	Denton Municipal Electric	Denton Municipal Electric	Interim TCOS	Wholesale Transmission Rate
38480	Nov 10	Cities	Texas-New Mexico Power	Cost of Service	Cost of Service/Rate Design
37744	Jun 10	Cities	Entergy Texas, Inc.	Cost of Service/ Fuel Reconciliation	Cost of Service/ Nat Gas/ Purch Power/ Gen
37580	Dec 09	Cities	Entergy Texas, Inc.	Fuel Refund	Fuel Refund Methodology
36956	Jul 09	Cities	Entergy Texas, Inc.	EECRF	EECRF Methodology
36392	Nov 08	Texas Municipal Power Agency	Texas Municipal Power Agency	Interim TCOS	Wholesale Transmission Rate
35717	Nov 08	Cities Steering Committee	Oncor	Cost of Service	Cost of Service/Rate Design
34800	Apr 08	Cities	Entergy Gulf States	Fuel Reconciliation	Natural Gas/Coal/Nuclear
16705	May 97	North Star Steel	Entergy Texas	Fuel Reconciliation	Natural Gas/Fuel Oil
10694	Jan 92	PUC Staff	Midwest Electric Coop	Revenue Requirements	Depreciation/ Quality of Service

DKT NO.	DATE	REPRESENTING	UTILITY	PHASE	ISSUES
10473	Sep 91	PUC Staff	HL&P	Notice of Intent	Environmental Costs
10400	Aug 91	PUC Staff	TU Electric	Notice of Intent	Environmental Costs
10092	Mar 91	PUC Staff	HL&P	Fuel Reconciliation	Natural Gas/Fuel Oil
10035	Jun 91	PUC Staff	West Texas Utilities	Fuel Reconciliation Fuel Factor	Natural Gas Natural Gas/Fuel Oil/Coal
9850	Feb 91	PUC Staff	HL&P	Revenue Req. Fuel Factor	Natural Gas/Fuel Oil/ETSI Natural Gas/Coal/Lignite
9561	Aug 90	PUC Staff	Central Power & Light	Fuel Reconciliation Revenue Requirements Fuel Factor	Natural Gas Natural Gas/Fuel Oil Natural Gas
9427	Jul 90	PUC Staff	LCRA	Fuel Factor	Natural Gas
9165	Feb 90	PUC Staff	El Paso Electric	Revenue Requirements Fuel Factor	Natural Gas/Fuel Oil Natural Gas
8900	Jan 90	PUC Staff	SWEPCO	Fuel Reconciliation Fuel Factor	Natural Gas Natural Gas
8702	Sep 89 Jul 89	PUC Staff	Gulf States Utilities	Fuel Reconciliation Revenue Requirements Fuel Factor	Natural Gas/Fuel Oil Natural Gas/Fuel Oil Natural Gas/Fuel Oil
8646	May 89 Jun 89	PUC Staff	Central Power & Light	Fuel Reconciliation Revenue Requirements Fuel Factor	Natural Gas Natural Gas/Fuel Oil Natural Gas
8588	Aug 89	PUC Staff	El Paso Electric	Fuel Reconciliation	Natural Gas

DKT NO.	DATE	REPRESENTING	UTILITY	PHASE	ISSUES
<u>Before the Railroad Commission of Texas</u>					
10359	Jul 14	Cities Steering Committee	Atmos Energy Mid Tex	Cost of Service	Cost of Service/Rate Design
10295	Oct 13	Cities Steering Committee	Atmos Pipeline Texas	Revenue Rider	Rider Renewal
10242	Jan 13	Onalaska Water & Gas	Onalaska Water & Gas	Cost of Service	Cost of Service/Rate Design
10196	Jul 12	Bluebonnet Natural Gas	Bluebonnet Natural Gas	Cost of Service	Cost of Service/Rate Design
10190	Jan 13	City of Magnolia, Texas	Hughes Natural Gas	Cost of Service	Cost of Service/Rate Design
10174	Aug 12	Steering Committee of Cities	Atmos Energy West Texas	Cost of Service	Cost of Service/Rate Design
10170	Aug 12	Cities Steering Committee	Atmos Energy Mid Tex	Cost of Service	Cost of Service/Rate Design
10106	Oct 11	Gulf Coast Coalition	CenterPoint Energy Entex	Cost of Service	Cost of Service/Rate Design
10083	Aug 11	City of Magnolia, Texas	Hughes Natural Gas	Cost of Service	Cost of Service/Rate Design
10038	Feb 11	Gulf Coast Coalition	CenterPoint Energy Entex	Cost of Service	Cost of Service/Rate Design
10021	Oct 10	AgriTex Gas, Inc.	AgriTex Gas, Inc.	Cost of Service	Cost of Service/Rate Design
10000	Dec 10	Cities Steering Committee	Atmos Pipeline Texas	Cost of Service	Cost of Service/Rate Design
9902	Oct 09	Gulf Coast Coalition	CenterPoint Energy Entex	Cost of Service	Cost of Service/Rate Design
9810	Jul 08	Bluebonnet Natural Gas	Bluebonnet Natural Gas	Cost of Service	Cost of Service/Rate Design
9797	Apr 08	Universal Natural Gas	Universal Natural Gas	Cost of Service	Cost of Service/Rate Design
9732	Jul 08	Cities Steering Committee	Atmos Energy Corp.	Gas Cost Review	Natural Gas Costs
9670	Oct 06	Cities Steering Committee	Atmos Energy Corp.	Cost of Service	Affiliate Transactions/ O&M Expenses/GRIP
9667	Nov 06	Oneok Westex Transmission	Oneok Westex Transmission	Abandonment	Abandonment
9598	Sep 05	Cities Steering Committee	Atmos Energy Corp.	GRIP Appeal	GRIP Calculation

DKT NO.	DATE	REPRESENTING	UTILITY	PHASE	ISSUES
9530	Apr 05	Cities Steering Committee	Atmos Energy Corp.	Gas Cost Review	Natural Gas Costs
9400	Dec 03	Cities Steering Committee	TXU Gas Company	Cost of Service	Affiliate Transactions/ O&M Expenses/Capital Costs

Before the Louisiana Public Service Commission

U-33633	Nov 15	PSC Staff	Entergy Louisiana, LLC/ Entergy Gulf States Louisiana	Resource Certification	Prudence
U-33033	Jul 14	PSC Staff	Entergy Louisiana, LLC/ Entergy Gulf States Louisiana	Resource Certification	Revenue Requirement
U-31971	Nov 11	PSC Staff	Entergy Louisiana, LLC/ Entergy Gulf States Louisiana	Resource Certification	Certification/Cost Recovery

Before the Arkansas Public Service Commission

07-105-U	Mar 08	Arkansas Customers	CenterPoint Energy, Inc. & pipelines serving CenterPoint	Gas Cost Complaint	Prudence / Cost Recovery
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ROBERT J. STEMPER

Mr. Stemper is an expert in pricing, cost analysis, utility modeling, and regulatory matters. He has over 35 years of experience as a regulator and as a consultant to the energy industry. Mr. Stemper has a background in electric and gas utilities and has provided analytical and technical services in development of utility pricing and costing; in the analysis of demand-side management programs; in quantifying accounting adjustments in regulatory proceedings; in conducting competitive assessments; and in evaluating investor-owned, publicly-owned, and member-owned revenue requirements. Mr. Stemper has considerable experience developing and maintaining sophisticated economic models that have been used in contested cases in a number of jurisdictions.

EDUCATION

- 1979 Conference on Energy and Communications
 Institute of Public Utilities
 Williamsburg, Virginia

- 1979 Symposium on Ratemaking Problems of Regulated Industries
 Kansas City, Missouri

- 1976 NARUC Regulatory Studies Program
 Michigan State University

- 1974 B.S., Marketing & Distributive Education
 University of Wisconsin – Stout

PROFESSIONAL HISTORY

- 2006- ReSolved Energy Consulting
 Senior Management Consultant

- 1984-2006 Management Applications Consulting, Inc.
 Principal Consultant

- 1979-1984 Gilbert Commonwealth
 Senior Management Consultant

- 1975-1979 Public Utility Commission of Wisconsin
 Utility Rate Analyst

REPRESENTATIVE PROJECT EXPERIENCE

As a consultant Mr. Stemper's primary emphasis has been microcomputer software development and execution of cost-of-service, rate design and rate case support programs. He has been responsible for the gathering and processing of engineering and accounting data, including system and customer load characteristics, required to complete these analyses.

As a consultant developed computer models for several of the largest investor owned electric utilities in Texas and elsewhere in the United States to calculate the unbundled cost-of-service in response to deregulated markets. Models were custom designed to reflect the structure and individual characteristics of the systems analyzed. Costs were automatically unbundled by classified component, function, and delivery voltage to meet restructuring needs in a competitive environment. Unbundled costs were identified by line item and by account. The models were integrated with other in-house revenue requirement models and database programs and included user-friendly custom menus that provide the ability to modify the program's input, allocation factors, and other basic assumptions.

Responsible for the calculation of complex alternative cost allocation methodologies such as probability of dispatch, probability of peak, proportional responsibility, and capital substitution approaches.

Mr. Stemper has also conducted cost-of-service and rate design studies for electric cooperatives in Texas and New Mexico. In addition he evaluated cooperative power supply contracts analyzing alternative sources of supply and pricing options and conducted sensitivity analyses to determine the impact on utility earnings of the loss of large industrial consumers.

As a consultant to the largest electric cooperative in the country and a Texas public power generation and transmission agency Mr. Stemper developed the transmission cost-of-service (TCOS) models used to identify recoverable transmission costs and calculate access charges. The models calculated both historic and forecasted transmission costs. Mr. Stemper developed complex forecasting methodologies and integrated data from multiple sources into a single user friendly model.

As a consultant Mr. Stemper has calculated the revenue requirement of numerous municipal utilities, conducted cost-of-service studies allocating cost to customer classes and designed rates. These projects included the development of general fund transfer algorithms and overhead cost assignment methodologies. Mr. Stemper has conducted studies forecasting municipal budget revenue and expenses identifying the need for pricing adjustments. In his work with these municipal utilities Mr. Stemper has developed innovative cost and pricing approaches in response to the economic needs of the municipality's large commercial and industrial consumers in a manner that was equitable to all stakeholders.

Mr. Stemper has also developed cost-of-service and rate design models for natural gas transmission and distribution utilities. Mr. Stemper was responsible for the calculation of weather adjusted sales volumes.

Mr. Stemper has performed detailed functional analyses of transmission and distribution systems for classification of facilities to voltage levels. He has also prepared distribution substation studies identifying and quantifying the levels of distribution and transmission investment.

He has developed and presented distribution plant functionalization studies using minimum system and zero intercept methodologies to identify customer and capacity related costs.

Mr. Stemper developed an in-house gas pipeline transportation customer billing model to provide customer service representatives with the ability to provide consumers with an on-the-spot estimate of

anticipated monthly bills when rate changes are put into effect. The model calculated bulk and network transmission charges for historic, current, and forecast periods so that load altering scenarios could be examined.

As a consultant developed models to calculate cash working capital requirements based on an integrated Lead / Lag analysis of expense and revenue components for electric and natural gas utilities. These studies addressed the lead and lag days related to various revenue, purchased power, operating and maintenance expenses, payroll related expenses, pensions and benefits, income taxes, and other taxes to quantify the revenue requirement impact.

Utilizing individual customer billing cycle energy usage data developed complex models of calendar month system 15 minute interval load profiles needed for power procurement analyses.

Provided technical consulting services in the development of demand-side management programs. Defined program objectives and established measures of program evaluation and implementation. Responsible for the development and regulatory filing of comprehensive analysis of supply and demand side energy efficiency activities.

He has assisted a public power agency in analyzing lines-of-business as part of organizational restructuring efforts. This study unbundled the company's investments and cash flow requirements associated with electric generation and transmission services, water & wastewater, land & recreation, environmental, and community development services. The study quantified the revenue requirements of segregated business entities and corporate overhead functions.

Mr. Stemper analyzed the costs and benefits to the transfer of several large commercial customers between electric utility providers. His analyses included the impact on purchased power costs, transmission investments, and margins. Mr. Stemper provided alternative pricing options including revenue neutral and cost based access charges.

Mr. Stemper has developed user manuals and conducted numerous training presentations to educate clients in the use of cost of service and rate related programs.

As a Commission Rate Analyst identified public policy issues, conducted discovery and analysis advocating a public interest position in electric and natural gas distribution rate proceedings.

As a Commission Rate Analyst prepared and analyzed marginal and accounting time differentiated cost-of-service studies. Presented testimony regarding cost-of-service and tariff design. Cross-examined witnesses at hearings and prepared cross-examination for staff counsel. Responded to Commissioners inquires, prepared orders and audited utility compliance filings.

As a Commission Rate Analyst participated in the conduct of a generic analysis of the economic and environmental impact of alternative electric rate structures.

As a Commission Rate Analyst responded to and resolved public inquiries and complaints.