



February 5, 2024

Via Facsimile & UPS

Ms. Terri Lemoine Bordelon
Records and Recording Division
Louisiana Public Service Commission
Galvez Building, 12th Floor
602 N. 5th St.
Baton Rouge, LA 70802

**IN RE: Cleco Power, LLC, ex parte In the Matter of the Request for: 1)
implementation of change in rates with an effective date of July 1, 2024; and 2)
extension of existing Formula Rate Plan.
(LPSC DOCKET No. U-36923)**

Dear Ms. Bordelon:

Please find attached the Alliance for Affordable Energy's limited testimony in lieu of Direct Testimony in the above-mentioned docket. Please file this in the record in accordance with the Commission's fax filing procedures. The original and two (2) copies, along with a check to cover the \$25.00 fax filing fee will be submitted via UPS within five (5) business days. Thank you for your attention to this matter.

Respectfully submitted,

Jessica Hendricks
Alliance for Affordable Energy



February 5, 2024

The Honorable Joy Guillot
Administrative Law Judge
Louisiana Public Service Commission
Administrative Hearings Division
11th Floor, Galvez Building
602 North Fifth Street
Post Office Box 91154
Baton Rouge, Louisiana 70821-9154

IN RE: LPSC Docket U-36923, Cleco Power, LLC, ex parte In the Matter of the Request for: 1) implementation of change in rates with an effective date of July 1, 2024; and 2) extension of existing Formula Rate Plan.

Dear Judge Guillot:

The Alliance for Affordable Energy (“The Alliance”) filed its Petition for Intervention in this proceeding on August 1, 2023. By way of this letter, The Alliance provides limited comments in lieu of Direct Testimony (due on February 5, 2024).

The Alliance has reviewed Cleco Power, LLC (“Cleco” or the “Company”) Application and supporting documentation and has concerns regarding the significant proposed rate increases to a residential customer base already overburdened by electric bills, and potential risks unduly placed on a captive customer base associated with plant operations at Madison 3.

Cleco has a poor track record of bidding expensive generation into the Midcontinent Independent System Operator (“MISO”) market as demonstrated by the Company’s operations at the Dolet Hills power station. Cleco customers will bear all risk associated with the high fuel costs associated with continued operations at Rodemacher Unit 2 and Madison Unit 3. Cleco should not be allowed to recover the requested \$5.4 million in future spending at Rodemacher 2 without adequately justifying its intended use, and without removing from rate base the portion of Madison 3 that was previously allocated to the wholesale customer and selling that unit to another entity or transferring the capacity to its unregulated arm.

The Company is currently conducting a Front End Engineering Design (“FEED”) study to determine the feasibility of a Carbon Capture and Sequestration (“CCS”) facility, Project Diamond Vault, at



Madison Unit 3. Cleco claims here that Diamond Vault will reduce Madison 3's CO₂ emissions by 95% and reduce company-wide emissions by approximately 40%.¹ Cleco also claims that “[f]ederal tax credits . . . will provide sufficient revenue streams to financially support . . . Project Diamond Vault”² and that the Project may even “provide for a decrease in customer costs as well.”³ These claims are utterly unsupported as Cleco has repeatedly refused to provide basic information regarding Project cost and feasibility, much less any analysis supporting the speculation that the Project, with a current estimated capital cost of \$1.1 to \$1.4 billion, could somehow reduce costs for customers. Rather than provide such information and substantiate its claims made in testimony, Cleco responded to multiple requests for information on Diamond Vault with the same stock objection.⁴ Cleco likewise refused to provide such information in its recent IRP.⁵

While the Company indicates that no costs associated with Project Diamond Vault are included in this proposal, customers are still bearing all of the risks associated with the uncertainty of the future of Madison Unit 3. Cleco should not use ratepayer funds or have any ratepayer backing for its proposed Project Diamond Vault. And any settlement and/or final Commission order in this proceeding should give no weight to Cleco's contentions regarding Project Diamond Vault, and make clear that it in no way suggests support for the unsubstantiated Project.

Recognizing the risks, Cleco has proposed a proposed 10.4% Return on Equity (“ROE”) with a proposed 52% common equity capital to safeguard their shareholders. The proposed 10.4% ROE is out of line with the Company's peers and does not reflect current industry trends in ROE. An average residential customer can expect over a 5% monthly increase in the first year which exceeds the standard 2-3% inflation rate. Low-income customers will likely be most impacted by the increase as energy efficiency upgrades and weatherization are less attainable. While we appreciate the Company's phased in and tiered approach to address concerns for low-income customers, we'd recommend a more accessible Percentage of Income Payment Plan (“PIPP”) or an Arrearage Management Program (“AMP”) to allow vulnerable populations to eliminate utility debt prior to any

¹ Direct Testimony of William Fontenot at 12:1-5.

² *Id.* at 12:5-7.

³ Direct Testimony of J. Robert Cleghorn at 27:1-7.

⁴ *See, e.g.*, Cleco's Responses to Alliance for Affordable Energy's First Set of Data Requests (attached);

⁵ Staff Report and Recommendations, Dkt. No. I-36175 (Jan. 23, 2024) at 4 (“Staff remains concerned about Cleco's treatment and transparency around its proposed Project Diamond Vault. . . . It is a potentially huge investment, using untested technology, in an existing plant which is already a high-cost source of energy. This is an economic risk to ratepayers and to Cleco, but Cleco provided no economic analysis of the project in its Final IRP Report.”); *id.* at 6 (“It is unimaginable that quadrupling the size of Cleco's rate base would not increase customer rates, and Cleco provided no evidence to support its claim that rates would not increase.”); *id.* at 21 (“The lack of inclusion of an estimate of the cost of the Project Diamond Vault and its impact on revenue requirements and rates, and the skimpy information provided in Cleco's Addendum barely meet the IRP Rule. Staff asked specifically for the estimated LCOE of Project Diamond Vault, and Cleco could easily have provided this.”).



bill increases. Further, Cleco could consider waiving late fees and reconnection fees for low-income and elderly customers. Entergy Louisiana is considering this.

The Alliance respectfully submits these comments in lieu of testimony and look forward to further discussions with other parties.

Respectfully,

Jessica Hendricks
State Policy Director
Alliance for Affordable Energy

Certificate of Service

I hereby certify that on this 5th day of February, 2024, I have served the required number of copies of the foregoing correspondence upon all other known parties of this proceeding, by USPS or electronic mail.

Jessica Hendricks
Alliance for Affordable Energy