

FILED  
OCTOBER 12, 2016  
INDIANA UTILITY  
REGULATORY COMMISSION

Joint Petitioners' Exhibit No.

INDIANA UTILITY REGULATORY COMMISSION

CAUSE NO. 44868

DIRECT TESTIMONY

OF

WILLIAM LEE DAVIS

ON BEHALF OF LIGHTSTONE GENERATION LLC AND  
LAWRENCEBURG POWER, LLC

SPONSORING ATTACHMENT 1

**DIRECT TESTIMONY  
OF  
WILLIAM LEE DAVIS**

1 **Q1. Please state your name, job title, employer, and business address.**

2 A1. My name is William Lee Davis. I am the Chief Executive Officer of  
3 Lightstone Generation LLC ("Lightstone Generation") and of its wholly  
4 owned subsidiary, Lawrenceburg Power, LLC ("Lawrenceburg Power"),  
5 which I refer to collectively as the "Lightstone Entities." My business  
6 address is c/o Kindle Energy LLC, 500 Alexander Park, Suite 300, Princeton  
7 NJ 08540.

8 **Q2. What is your educational background?**

9 A2. I received a bachelor's degree from the Georgia Institute of Technology and  
10 an MBA degree from Emory University – Goizueta Business School in 1999.

11 **Q3. Please describe your professional qualifications.**

12 A3. I have more than 25 years of experience in the U.S. power industry. After  
13 graduation from Georgia Institute of Technology, I joined Georgia Power  
14 Company, a utility subsidiary of Southern Company, where I performed  
15 power system flow analyses, developed load forecasts, and analyzed and  
16 managed services to large bulk-power customers.

17 In 1996, I transferred to Southern Energy Inc. ("SEI"), the deregulated  
18 subsidiary of Southern Company, which was later spun off as Mirant

1 Corporation. In these positions, I analyzed business transactions and  
2 helped launch SEI's European trading business. Later, I served on the team  
3 that formulated Mirant's domestic investment strategy, and subsequently  
4 co-managed Mirant's generation portfolio in the Mid-Atlantic, New York, and  
5 New England.

6 In 2006, I moved to NRG Energy, Inc. ("NRG") in Asset Management and  
7 Development for the Northeast Region, where I stayed until January 2010,  
8 when I became Vice President of Northeast Business Development for  
9 NRG. After a brief time working for Calpine, I returned to NRG in July 2011  
10 to serve as President of NRG's Northeast Region. When NRG merged with  
11 GenOn Energy, Inc. in December 2011, I became President of NRG's East  
12 Region. In that role, I oversaw all commercial, operating, and business-  
13 development activities for a nearly 22,000 MW generation fleet spread  
14 across ten states.

15 Most recently, I have held the position of Senior Advisor with The  
16 Blackstone Group and Chief Executive Officer of Kindle Energy LLC  
17 ("Kindle Energy") and Lonestar Generation LLC ("Lonestar Generation").  
18 Kindle Energy provides strategic advice to Blackstone regarding all aspects  
19 of the electric generation industry. Lonestar Generation owns and operates  
20 approximately 1,600 MW of generating capacity across four power plants  
21 (one coal-fired, three combined-cycle natural gas-fired), along with a coal  
22 mine, all located in Texas.

1 **Q4. What is the purpose of your testimony?**

2 A4. The purpose of my testimony on behalf of Lightstone Generation and  
3 Lawrenceburg Power is to support the Verified Joint Petition filed in this  
4 proceeding. In doing so, I will demonstrate the Lightstone Entities'  
5 technical, financial, and managerial capability to own and operate a  
6 1,096 MW natural-gas-fired, combined-cycle generating facility located near  
7 Lawrenceburg, Indiana (the "Facility"). I will also describe the purchase and  
8 sale agreement (the "Agreement") among Lightstone Generation (f/k/a  
9 Burgundy Power LLC), AEP Generation Resources, Inc., and AEP  
10 Generating Company ("AEG") whereby Lightstone Generation has agreed  
11 to purchase the Facility from AEG.<sup>1</sup> Finally, I will discuss the Lightstone  
12 Entities' willingness to abide by the terms and conditions contained in the  
13 April 18, 2007 and August 8, 2007 Orders in Cause No. 43212 (the "43212  
14 Orders") in which the Commission declined to exercise jurisdiction over the  
15 Facility.

16 **Q5. Please describe the nature of the Lightstone Entities' business.**

17 A5. Lightstone Generation is a newly established joint venture of Blackstone  
18 (NYSE:BX) and ArcLight Capital Partners, LLC ("ArcLight") organized under  
19 the laws of the State of Delaware. Blackstone and ArcLight are two of the  
20 leading private equity funds focused on energy infrastructure. Through their

---

<sup>1</sup> The Agreement also provides for the purchase by Lightstone Generation of three electric generating facilities located in Ohio from AEP Generation Resources, Inc.

1        respective investment fund vehicles, Blackstone and ArcLight have  
2        significant investments and experience owning and/or operating power  
3        generation in North America and Europe. Combined, they have managed,  
4        owned, and/or operated more than 38,000 MWs of power generation  
5        globally, including operations in the PJM Interconnection, the Midcontinent  
6        Independent System Operator, the New York ISO, the Electric Reliability  
7        Council of Texas, and the California Independent System Operator  
8        competitive markets in the United States.

9        Lawrenceburg Power is a limited liability company organized under the laws  
10       of the State of Delaware and is a wholly owned subsidiary of Lightstone  
11       Generation. It is one of four newly established subsidiary companies that  
12       Lightstone Generation has formed for the purpose of holding the ownership  
13       interest of the generating facilities that are to be acquired from AEG and  
14       AEP Generation Resources, Inc. The corporate relationship of the  
15       Lightstone Entities is shown in the organizational chart that I have provided  
16       as Attachment 1 to this testimony. Upon close of the Transaction,  
17       Lightstone Generation will contribute 100% ownership interest in the Facility  
18       to Lawrenceburg Power. Lightstone Generation will, however, retain  
19       responsibility for operation and management of the Facility, including  
20       ongoing regulatory compliance responsibilities.

21       To satisfy these responsibilities, Lightstone Generation will leverage the  
22       collective management and capital resources of Blackstone and ArcLight.

1           These resources include Blackstone’s Kindle Energy asset management  
2           team, which brings a deep level of energy industry knowledge and  
3           experience, and the operations teams of ArcLight’s affiliates Consolidated  
4           Asset Management Services (“CAMS”) and Eastern Generation, LLC  
5           (“Eastern Generation”), which similarly bring broad and deep experience in  
6           owning and operating electric generation in the United States.

7           Subject to any necessary regulatory approvals, the Lightstone Entities will  
8           operate the Facility and will sell energy, capacity, and ancillary services  
9           exclusively at wholesale. All power sales will be made pursuant to market-  
10          based rate authority, except for reactive power sales that will be made  
11          pursuant to a cost-of-service rate schedule. The Lightstone Entities’ sales  
12          from the Facility and all rates for those sales will be subject to regulation by  
13          the Federal Energy Regulatory Commission (“FERC”).

14   **Q6. Do Blackstone or ArcLight, individually or through the Lightstone**  
15   **Entities, currently own any utility property in Indiana?**

16   A6. No.

17   **Q7. Are Blackstone or ArcLight, individually or through the Lightstone**  
18   **Entities, currently affiliated with any other utility in Indiana?**

19   A7. No.

1 **Q8. Do the Lightstone Entities have the technical, financial, and**  
2 **managerial capability to properly own and operate the Facility?**

3 A8. Yes. Blackstone has invested or committed more than \$48 billion of equity  
4 in 184 separate private equity transactions, with an aggregate transaction  
5 value of more than \$360 billion. In 2015, Blackstone reported approximately  
6 \$4.65 billion in total revenues. It has been an active investor in the power  
7 and infrastructure space for almost 15 years and has significant experience  
8 making investments in energy infrastructure assets, having sponsored over  
9 \$21 billion of successful greenfield energy projects around the world. As of  
10 2016, Blackstone has owned and operated 20,056 MW of power generation  
11 assets globally. ArcLight has committed over \$16 billion of private equity  
12 capital in 99 transactions since its founding in 2001. It has deep, project-  
13 level knowledge with significant experience managing the ownership and  
14 operations of power generation facilities throughout North America and  
15 Europe. It has invested \$8 billion in the power sector since its inception and  
16 funds managed by ArcLight, in the aggregate, have owned interests in  
17 approximately 30,000 MWs of electric generating and transmission capacity  
18 (17,000 MW net to ArcLight's ownership).

19 Kindle Energy, a Blackstone portfolio company, will provide executive and  
20 asset management services to the joint venture and will have primary  
21 responsibility for managing the Facility for the joint venture. Kindle is  
22 comprised of seasoned power industry executives and skilled professionals

1 and provides asset management services for Blackstone's Lonestar  
2 Generation portfolio.

3 CAMS will provide the operating services for the joint venture at each of the  
4 plants that Lightstone Generation will purchase from AEG and AEG  
5 Generating Resources, Inc., including the Facility. CAMS currently  
6 manages over 30 power plant facilities representing over 8,000 MW of  
7 generating capacity.

8 Eastern Generation will provide select operating and management services  
9 for the joint venture in conjunction with CAMS and will provide asset  
10 management services to ArcLight for its investment in the joint venture.  
11 Eastern Generation owns and operates seven facilities for ArcLight with a  
12 total capacity of approximately 5,000 MW through its Astoria Generating,  
13 New Covert, Lincoln, Crete, and Rolling Hills subsidiaries.

14 By virtue of its access to these Blackstone and ArcLight resources through  
15 the joint venture, the Lightstone Entities have the capability and resources  
16 to own and operate the Facility in a reliable, safe, environmentally-compliant  
17 and efficient manner.

1 **Q9. Could you describe the major terms and conditions of the purchase**  
2 **and sale agreement pertinent to this proceeding?**

3 A9. Yes. Under the Agreement, AEG's ownership of the Facility is transferred  
4 to Lightstone Generation subject to satisfaction of closing conditions.  
5 Lightstone Generation will assume the liabilities and obligations of AEG  
6 relating to the Facility, except for limited liabilities expressly retained by AEG  
7 under the Agreement. The Agreement is contingent upon required  
8 regulatory approvals, including the Commission's approval of the transfer.

9 The Agreement also provides to AEG a guarantee of certain obligations of  
10 Lightstone Generation by the parent entities of both Blackstone and  
11 ArcLight.

12 In accordance with the Agreement, Lightstone Generation, or an affiliate,  
13 will make offers of employment to the employees presently operating the  
14 Facility, enabling Lightstone Generation to maintain continuity of service  
15 and operational knowledge at the Facility.

16 The Agreement also specifies that at Closing, Lightstone Generation will  
17 enter a Transition Services Agreement with American Electric Power  
18 Service Corporation ("AEPSC") pursuant to which AEPSC or its affiliates  
19 will provide Lightstone Generation with certain services on a transitional  
20 basis. The transition services include, but are not limited to, human  
21 resources and payroll transition services, information technology support,

1 and other services to support transition of business data and processes  
2 related to operation of the Facility.

3 In addition, the Agreement provides for a FERC-jurisdictional Power  
4 Purchase Agreement between Lightstone Generation and AEP Energy  
5 Partners, Inc., which will be effective upon closing, whereby Lightstone  
6 Generation will provide 500 MWs of capacity for a limited term, through  
7 May 31, 2017, subject to agreed-upon terms and conditions, including price.

8 **Q10. Are you familiar with the Commission's Orders dated April 18, 2007**  
9 **and August 8, 2007 in Cause No. 43212?**

10 A10. Yes. The April 18, 2007 Order in Cause No. 43212 ("April 43212 Order")  
11 granted approval of the sale of the Facility to AEG by PSEG Lawrenceburg  
12 Energy Company LLC and provided that upon consummation of the sale of  
13 the Facility to AEG, AEG would succeed to the declination of jurisdiction  
14 granted by the Commission's Order dated December 20, 2000 in Cause  
15 No. 41757, subject to certain conditions. With the exception of an added  
16 "financial assurance" requirement imposed by the Commission's April  
17 43212 Order, those conditions were stated in direct and supplemental  
18 testimony offered by AEG.

1 **Q11. You have already opined that the Lightstone Entities have the**  
2 **necessary technical, financial, and managerial capability to own and**  
3 **operate the facility. Is it the Lightstone Entities' intention to abide by**  
4 **the terms and conditions previously imposed by the Commission?**

5 A11. Yes, to the extent that a particular term or condition remains applicable.

6 **Q12. Does that mean you believe certain terms and conditions contained in**  
7 **the 43212 Orders are no longer applicable?**

8 A12. Yes. For example, the 43212 Orders incorporated by reference conditions  
9 stated in the direct and supplemental testimony of Stephan T. Haynes on  
10 behalf of AEG, some of which specifically related to AEG's relationship to  
11 American Electric Power, Inc. ("AEP") and Indiana Michigan Power  
12 Company ("I&M"). For example, one of the conditions incorporated into the  
13 April 43212 Order was that AEG would not engage in retail electric sales  
14 and shall become subject to applicable Indiana regulations governing  
15 affiliate relationships only to the extent (i) AEG sells electric power to I&M  
16 and (ii) I&M is considered an "affiliate" of AEG, as defined in Ind. Code § 8-  
17 1-2-49. The conditions stated in the supplemental testimony offered by  
18 AEG in Cause No. 43212 and correspondingly recited in the April 43212  
19 Order largely related to AEG's relationship with, and sale of electricity to,  
20 affiliated regulated Indiana utilities, compliance with affiliate guidelines that  
21 had been established in a separate docket regarding the relationships  
22 among AEP and its regulated and non-regulated affiliates, and further  
23 transfers of the Facility to other subsidiaries of AEP. These conditions are

1 not applicable to Lightstone Generation because Lightstone Generation is  
2 not affiliated with any regulated Indiana utilities.

3 **Q13. Would you recite each term and condition that remains applicable and**  
4 **affirm the Lightstone Entities' consent?**

5 A13. Yes. The Lightstone Entities consent and agree to the conditions listed  
6 below, which list reflects the Lightstone Entities' understanding of the  
7 remaining applicable conditions set forth in the direct and supplemental  
8 testimony of Stephan T. Haynes in Cause No. 43212 and incorporated by  
9 the Commission into the 43212 Orders:

- 10 (1) The Lightstone Entities do not intend, nor do they request, authority  
11 to sell electricity generated by the Facility to the general public or to  
12 any retail customer.
- 13 (2) The Lightstone Entities agree to operate the Facility in a manner  
14 consistent with good utility practice.
- 15 (3) The Lightstone Entities do not seek or request authority to exercise  
16 any of the rights, powers, or privileges of an Indiana public utility in  
17 the operation of the Facility, *e.g.*, the power of eminent domain, the  
18 use of public rights of way, etc.
- 19 (4) The Lightstone Entities' costs will not be recovered through a rate  
20 base/rate of return or other process typically associated with public  
21 utility rates.
- 22 (5) The Lightstone Entities' wholesale rate and charges for the sale of  
23 energy will be subject to the jurisdiction of FERC and are required to  
24 be just and reasonable in conformity with standards set by FERC.
- 25 (6) The Lightstone Entities shall, prior to operating the Facility, have  
26 obtained all appropriate air, water, and other permits in accordance  
27 with the law.
- 28 (7) The Lightstone Entities shall not engage in retail electric sales.  
29  
30  
31  
32  
33  
34  
35

- 1 (8) The Lightstone Entities will seek IURC approval prior to any future  
2 transfer of ownership of the Facility.  
3  
4 (9) The Lightstone Entities will file an Annual Report with the  
5 Commission as provided in Ind. Code § 8-1-2-49.  
6  
7 (10) The Lightstone Entities agree to provide other information regarding  
8 the Facility as the IURC may from time to time request.  
9  
10 (11) The Lightstone Entities agree to obtain approval from the  
11 Commission prior to taking action to increase, decrease or otherwise  
12 materially change the Facility's capacity or operation.  
13  
14 (12) The Lightstone Entities agree to establish and maintain an  
15 independent financial instrument to ensure that funds will be  
16 available in the event of abandonment, financial failure, and/or  
17 bankruptcy to decommission the site.

18  
19 Consistent with the 43212 Orders, Lightstone Generation agrees to select  
20 a financial instrument and submit it for approval within sixty (60) days of the  
21 date the Commission approves the requested transfer and succession. As  
22 provided in the April 43212 Order, the financial instrument will take the form  
23 of either (1) a surety bond; (2) a letter of credit; (3) a certificate of insurance;  
24 (4) a financial test; (5) a corporate guarantee; or (6) other financial  
25 guarantee approved by the Commission. Consistent with the April 43212  
26 Order, the Lightstone Entities agree to update the cost estimate and  
27 instrument every five years, with the first update in 2021.

1 **Q14. Do you believe it is in the public interest for the Commission to**  
2 **approve a transfer of ownership and operating of the Facility from**  
3 **AEG to the Lightstone Entities and continue its declination of**  
4 **jurisdiction over the Facility?**

5 A14. Yes. Based on the Lightstone Entities' demonstrated technical, financial  
6 and managerial capability to own and operate the facility, and acceptance  
7 of the specified conditions listed above, as drawn from the 43212 Orders,  
8 the Commission should grant the Joint Petition as filed.

9 **Q15. Does this conclude your verified prepared direct testimony?**

10 A15. Yes, it does.

**VERIFICATION**

I, William Lee Davis, Chief Executive Officer for Lightstone Generation LLC affirm under penalties of perjury that the representations contained in the foregoing are true and correct to the best of my knowledge, information and belief.

A handwritten signature in cursive script, appearing to read "William Lee Davis".

---

William Lee Davis

Dated: October 12, 2016

**Attachment 1: Lightstone Entities Organizational Chart**

**Direct Testimony of William Lee Davis**

**On Behalf of Lightstone Generation LLC and Lawrenceburg Power, LLC**

*Lightstone Entities Organizational Chart*

*Attachment 1: Direct Testimony of William Lee Davis*

