

Henderson Ridge Consulting, Inc.

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September 5, 2017

Louisiana Public Service Commission
Attention: Kim Trosclair/Melanie Verzwylvelt
Office of the General Counsel
602 North Fifth Street, 12th Floor (Galvez Building) (70802)
P.O. Box 91154
Baton Rouge, Louisiana 70821-9154

Re: **RFP 17-08 Docket No. TBD**
Entergy Louisiana, LLC, ex parte
In re: Entergy Louisiana, LLC's upcoming request to extend with modifications its Formula Rate Plan.

Dear Kim and Melanie:

Henderson Ridge Consulting is pleased to respond to the Louisiana Public Service Commission's ("LPSC" or "the Commission") August 15, 2017 Request For Proposals ("RFP") for independent technical consultants to assist the Commission in conducting a review of Entergy Louisiana, LLC's ("ELL" or "the Company") request to extend and modify the currently-effective Formula Rate Plan ("FRP"). Our firm has been retained by the Commission in numerous proceedings to evaluate the applications and requests submitted by ELL and Legacy Entergy Gulf States Louisiana, L.L.C. ("Legacy EGSL"), including a review of annual FRP filings. In other engagements with the LPSC, Henderson Ridge Consulting has conducted earnings reviews of several electric distribution cooperatives that are subject to the regulation of the Commission, including the recent FRP Annual Filings of several electric distribution cooperatives. In other proceedings on behalf of the Commission, our firm has evaluated the requests of LPSC-jurisdictional utilities to extend the FRP and whether those plans remained in the public interest. Henderson Ridge Consulting has designed several of the FRPs that are currently in effect for the Louisiana electric distribution cooperatives and water and wastewater utilities.

Scope of Representation

As defined in the RFP, the consultant retained by the Commission shall assist Staff in the review of ELL's request to extend and modify the current FRP. Henderson Ridge Consulting has worked closely with the Commission Staff throughout several proceedings in the evaluation of whether the terms and conditions of the FRP proposed by an electric utility would serve the interests of its customers. Our firm is very familiar with the terms of the FRPs that have been approved by the Commission as well as the individual FRP adjustments, schedules and filings that the utilities are required to submit under the FRP. We will ensure that a comprehensive review of each FRP modification proposed by ELL is undertaken and estimate the effect of the modification upon the Company's customers.

Summary of Work Plan

Henderson Ridge Consulting will examine ELL's request to extend and modify certain terms of the FRP. Based upon our examination, we may recommend alternative terms and conditions to those being proposed in the Company's application with the Commission. We will determine whether additional adjustments should be made outside of those prescribed in the FRP and assess how such adjustments affect the earnings bandwidth set for the Company under the terms of the modified FRP.

The major services and procedures that will be performed include:

- Examine ELL's request to extend and modify certain conditions of the currently-effective FRP;
- Compare the terms and conditions of the modified FRP as proposed by ELL to the terms and conditions of the FRPs in place for other LPSC-jurisdictional utilities;
- Estimate the effect upon the Company's customers of each FRP modification proposed by ELL;
- Prepare formal discovery and review responses;
- Review the prescribed adjustments for their relevance in the post-Business Combination environment;
- Estimate how the proposed modifications would have affected the most recent test year results and change in FRP Rider Revenues;

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- Measure the change in revenues and rates with respect to any midpoint rate reset;
- Meet and hold conference calls with Staff and ELL's representatives;
- Hold status conferences with Staff;
- Prepare final report and/or prefiled testimony;
- Stand cross examination at Commission hearings;
- Attend Business and Executive Sessions;
- Assist Staff counsel in the drafting of motions, briefs, and orders; and
- Provide general support services to Staff throughout the engagement.

Experience of Henderson Ridge Consulting

Henderson Ridge Consulting has performed detailed earnings investigations of several electric utilities that are regulated by the Commission under FRPs, including the FRP test year results of Legacy EGSL for ten years. We have recently completed the review of many applications filed by the electric distribution cooperatives that sought the implementation of a FRP. Over the years, our firm has worked closely with the investor-owned utilities and the electric distribution cooperatives on behalf of the Commission. These engagements have covered a broad range of areas, including earnings investigations and FRP design. We have worked extensively with the Staff in the certification of the St. Charles Power Station, the Lake Charles Power Station, the Occidental Power Purchase Agreement, and the Carville Power Purchase Agreement. Mr. Barta has served as an Independent Monitor in the distribution cooperatives' requests for long-term purchased power and services agreements. Henderson Ridge Consulting has also conducted affiliate transaction audits and storm restoration expense audits on behalf of the Commission. A firm resume has been attached to the proposal and provides further background on our experience and prior engagements.

Minimum Requirements

Henderson Ridge Consulting is experienced in analyzing the operations and the books and records of electric utilities, local gas distribution companies, telecommunications carriers, and water and wastewater companies under the jurisdiction of the Louisiana Public Service Commission. This experience has been applied for the

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purpose of setting just and reasonable rates. To that end, the firm has experience with several regulatory approaches to determine the utility's revenue requirement, including the traditional rate base/rate-of-return methodology, interest coverage approaches, the cash needs study, and the cost plus margin model.

As discussed in the Experience section of our proposal, Henderson Ridge Consulting is very familiar with the ratemaking treatment and principles specific to Louisiana electric utilities. We are very experienced with the Formula Rate Plan currently in effect for these utilities as our firm has been retained in several proceedings to determine whether the FRP as proposed by the utility was in the interests of its customers.

Henderson Ridge Consulting has reviewed the list of minimum requirements identified in Section IV as (A) through (I) of the Commission's RFP. Our firm is experienced with each of the minimum requirements and can readily satisfy this group of professional standards that the Commission expects of its expert consultants.

Estimate of Cost

We estimate the professional fees that Mr. Barta will render at \$150/hour in the course of the engagement to be \$23,250.00. Travel-related expenses are anticipated to be \$1,200.00 for a total budget of \$24,450.00.

Conflict of Interest

Henderson Ridge Consulting has no current assignments, or any prior assignments, that could pose any conflicts of interest, or the appearance of such conflicts, including, but not limited to, any work performed on behalf of the Louisiana Public Service Commission. The firm does not represent any private clients before the Commission.

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Henderson Ridge Consulting appreciates the opportunity to respond to the RFP and to continue its relationship with the Commission and its Staff.

Sincerely,

William Barta
Principal