

***Henderson Ridge Consulting, Inc.***

***2088 Sylvania Drive  
Decatur, Georgia 30033  
678.478.0295  
E-mail: [wbarta@comcast.net](mailto:wbarta@comcast.net)***

---

June 7, 2018

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

Re: **RFP 18-05 Docket No. TBD**  
***Entergy Louisiana, LLC, ex parte***  
***In re: Entergy Louisiana, LLC's Formula Rate Plan Annual Evaluation Reports for Test Years Ending December 31, 2017, 2018, and 2019.***

Dear Kim, Melanie, and Melissa:

Henderson Ridge Consulting is pleased to respond to the Louisiana Public Service Commission's ("LPSC" or "the Commission") May 18, 2018 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") Formula Rate Plan ("FRP") Annual Evaluation Reports for the Test Years ending December 31, 2017, 2018, and 2019. Our firm has extensive experience with the filings and applications of ELL, including the evaluation of its former affiliate's (i.e., Entergy Gulf States Louisiana, L.L.C.) FRP Annual Evaluation Reports for the test years of 2004 through 2011.

In addition to conducting the annual earnings reviews of Entergy Gulf States, L.L.C. as filed in accordance with its FRP for multiple test years, we have reviewed the FRP filings of numerous electric distribution cooperatives that are subject to the regulation of the Commission. Our firm has also examined the Rate Stabilization Clause annual filings submitted by gas local distribution companies under the Commission's jurisdiction. Henderson Ridge Consulting has designed several of the Formula Rate Plans that are currently in effect for LPSC-jurisdictional electric distribution cooperatives and

water and sewer utilities. We have also assisted the Commission Staff and Special Counsel in the renegotiation and modification of the terms of FRPs that have been in effect for Entergy.

### **Scope of Representation**

As defined in the RFP, the consultant retained by the Commission shall assist Staff in the evaluation of ELL's FRP Annual Evaluation Reports for the Test Years ending December 31, 2017, 2018, and 2019 pursuant to the provisions of Order No. U-34361. Henderson Ridge Consulting is very familiar with the FRP approved by the Commission in Docket No. U-34631 as most of the revisions to the terms of the FRP were being contemplated and discussed in the prior renegotiation of the Entergy FRPs in effect at that time. Our knowledge of the FRP under which ELL is regulated extends to the special cost recovery mechanisms provided in the plan as well as the individual FRP adjustments, schedules and filings that the Company is required to submit under the provisions of Order No. U-34631. We will ensure that a comprehensive review of each Annual Evaluation Report of ELL is undertaken and that the filing is consistent with the terms of the FRP approved by the Commission.

### **Summary of Work Plan**

Henderson Ridge Consulting will examine the FRP Annual Evaluation Reports submitted by ELL. 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 FRP.

The major services, procedures, and tests that will be performed include:

- Examine documentation provided in support of test year pro forma adjustments;
- Prepare formal discovery and review responses;
- Perform a detailed review of the test year trial balance;
- Examine documentation in support of specific financial transactions;
- Perform trend analyses of major Operations & Maintenance and General & Administrative accounts to identify unusual swings in expense activity;
- Meet and hold conference calls with Staff and Company representatives;
- Hold status conferences with Staff;

*Louisiana Public Service Commission*  
*RFP No. 18-05: Entergy Louisiana, LLC FRP Annual Evaluation Reports*  
*June 7, 2018*

---

- Prepare final report and/or prefiled testimony;
- Stand cross examination at Commission hearings; and
- Attend Business and Executive Session;
- Assist Staff counsel in the drafting of motions, briefs, and orders.

**Experience of Henderson Ridge Consulting**

Henderson Ridge Consulting has extensive experience with the filings and applications of ELL. As mentioned, Henderson Ridge Consulting has conducted the evaluation of the annual FRP filings submitted by Entergy Gulf States Louisiana, L.L.C. for the test years of 2004 through 2011. Our firm assisted the Commission Staff in the monitoring of the RFP process and the subsequent proceedings that certified that the construction, ownership, and operation of the St. Charles Power Station and the Lake Charles Power Station served the public convenience and necessity. Based upon the extensive records established in those dockets, we have a deep and broad understanding of the Company's operations, including its projected load, anticipated unit retirements, transmission construction plans, expectations of the MISO market, and forecasted revenues and expenses. Henderson Ridge Consulting has also evaluated the applications of ELL for the certification of the recently approved Power Purchase Agreements ("PPA") between the Company and Carville Energy, LLC ("Carville PPA") and Occidental Chemical Corporation ("Oxy PPA") on behalf of the Commission. In addition, we conducted a review of ELL's proposal to modify the existing PPA with Rain CII Carbon, LLC

In addition to our examination of multiple Entergy FRP Annual Evaluation Reports and our evaluation of several applications by the Company for certification of resources as being in the public interest, Henderson Ridge Consulting has conducted numerous audits of Entergy on behalf of the Commission. We have conducted extensive audits of the storm restoration expenditures incurred by the LPSC-jurisdictional Entergy operating companies after the landfall of the 2005 and 2007 hurricanes and worked out the terms of the subsequent rate relief. Our firm has also conducted a series of Federal Environmental Adjustment Clause ("FEAC") audits of the monthly FEAC filings

submitted by the Company. We have conducted a detailed Fuel Adjustment Clause (“FAC”) audit of ELL’s monthly FAC filings as well as avoided cost audits to confirm that payments made to Qualifying Facilities were just and reasonable.

Our work in prior proceedings involving Entergy includes the determination of the appropriate revenue requirement for the decommissioning of the River Bend nuclear facility and the terms and rate relief for the cancellation of the proposed River Bend 3 nuclear unit. We have also been retained by the Commission to investigate individual tariffs of the Company, mediate disputes between Entergy and other parties, and resolve a tariff dispute between ELL and a large load customer.

A firm resume has been attached to the proposal and provides further background on our experience and prior engagements. Our firm has been retained by the Louisiana Public Service Commission over the years to assist Staff in numerous dockets covering the myriad requests, issues, and audits of utilities under its jurisdiction. These engagements have involved electric distribution cooperatives, investor-owned electric utilities, gas local distribution companies, telecommunications carriers, and water and wastewater utilities.

**Minimum Requirements**

Henderson Ridge Consulting is experienced in analyzing the operations and the books and records of electric utilities, telecommunications services providers, and water and wastewater companies under the jurisdiction of the Commission. This experience has been applied for the purpose of setting just and reasonable rates. As discussed in the Experience section of our proposal, Henderson Ridge Consulting is very familiar with the ratemaking treatment and principles under which investor-owned electric utilities are regulated. We are also experienced with the terms and provisions of those utilities’ Formula Rate Plans.

*Louisiana Public Service Commission  
RFP No. 18-05: Entergy Louisiana, LLC FRP Annual Evaluation Reports  
June 7, 2018*

---

Henderson Ridge Consulting has reviewed the list of minimum requirements identified in (1) through (4) in Section IV 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**

For the review of ELL's Formula Rate Plan Annual Evaluation Reports for the Test Years ending December 31, 2017, 2018, and 2019, the professional fees are estimated for each test year at \$37,200.00 based upon an hourly rate of \$150 for William Barta. Travel-related expenses are anticipated to be \$900.00, for each test year. The budget of \$38,100.00 for each test results in a total budget of \$111,600.00 in services and \$2,700.00 in expenses for a total budget of \$114,300.00 for the three test years combined.

**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.

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