

Henderson Ridge Consulting, Inc.

***2088 Sylvania Drive
Decatur, Georgia 30033
678.478.0295
E-mail: wbarata@comcast.net***

June 11, 2018

Louisiana Public Service Commission
Kim Trosclair/Melissa Watson
Office of the General Counsel
602 North Fifth Street (Galvez Building)
P.O. Box 91154
Baton Rouge, Louisiana 70821-9154

*Re: Docket No. X-34853
Audit of Environmental Adjustment Clause Filings for Southwestern Electric Power
Company for the period of January 2016 through December 2017.*

Dear Kim and Melissa:

Henderson Ridge Consulting is pleased to respond to your June 1, 2018 solicitation letter that requests the services of independent technical consultants to assist the Commission in reviewing all issues related to the Louisiana Public Service Commission's ("LPSC" or "the Commission") audit of the Federal Environmental Adjustment Clause ("FEAC") filings of Southwestern Electric Power Company ("SWEPCO" or "the Company"). The audit period will cover the Company's FEAC filings for the period of January 2016 through December 2017. The audit will be conducted pursuant to the requirements of General Order No. R-29380 Subdocket A, dated July 21, 2009 (the "Federal Environmental Adjustment Clause Order" or "FEAC Order").

Henderson Ridge Consulting has conducted prior FEAC audits authorized by the Commission. We are very familiar with reviewing the reasonableness and prudence of environmental compliance costs that may be claimed by LPSC-jurisdictional electric utilities. In addition, our firm has conducted Fuel Adjustment Clause audits, Purchased Gas Adjustment audits, and avoided cost audits on behalf of the Commission.

*Louisiana Public Service Commission
Response to June 1, 2018 Solicitation Letter
Review of FEAC Filings of Southwestern Electric Power Company (2016 – 2017)
June 11, 2018*

The Commission's FEAC General Order became effective on July 21, 2009 and that order will provide guidance for the audit. The areas of examination that we will pursue in the review and analysis of the Company's FEAC filings include: (A) whether the costs passed through the FEAC during the review period were reasonable and prudent; (B) whether the costs were appropriate and eligible for recovery under the FEAC mechanism; (C) whether the costs passed through the FEAC produced just and reasonable rates; and (D) whether the costs passed through the FEAC were necessary for the provision of electric service.

With respect to this solicitation letter, we are particularly qualified to perform the Commission's audit of the FEAC filings of SWEPCO. We have just completed our examination and submitted testimony in Docket No. U-34369 – that proceeding required us to extensively review the environmental retrofit projects that were undertaken at the Company's Flint Creek plant and the Welsh Units in order to have those facilities continue to operate in compliance with the recently passed federal environmental regulations. The Company may claim that a portion of the costs associated with those environmental compliance projects should be recovered through the FEAC.

We anticipate that the audit of the Company's FEAC filings for the 24 month review period will require professional services totaling \$26,550.00 based upon an hourly rate of \$135 for Debbie Barta and \$150 for William Barta. Travel-related expenses are anticipated to be \$900.00 for a total budget of \$27,450.00.

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.

*Louisiana Public Service Commission
Response to June 1, 2018 Solicitation Letter
Review of FEAC Filings of Southwestern Electric Power Company (2016 – 2017)
June 11, 2018*

Henderson Ridge Consulting appreciates the opportunity to respond to your solicitation letter and to continue our relationship with the Commission and Staff.

Sincerely,

William Barta
Principal