

**J. KENNEDY**  
**AND**  
**ASSOCIATES, INC.**

**PROPOSAL TO THE  
LOUISIANA PUBLIC SERVICE COMMISSION**

**IN RESPONSE TO RFP 16-06**

**DOCKET NO. X-33971**

**IN RE: AUDIT OF ENVIRONMENTAL ADJUSTMENT CLAUSE  
FILINGS FOR ENTERGY LOUISIANA, LLC  
FOR THE PERIOD OF  
NOVEMBER 2010 THROUGH DECEMBER 2015**

**570 Colonial Park Drive  
Suite 305  
Roswell, Georgia 30075  
770-992-2027**

## **Executive Summary**

J. Kennedy and Associates, Inc. (“Kennedy and Associates”) is pleased to submit this proposal to assist the Louisiana Public Service Commission Staff (“Commission” and “Staff”) with the review of the Federal Environmental Adjustment Clause (“FEAC”) filings of Entergy Louisiana, LLC (“ELL”)<sup>1</sup> pursuant to Order No. R-29380 Subdocket A for the period of November 2010 through December 2015. Kennedy and Associates has provided consulting services to the Commission in numerous utility rate proceedings, audits, and other proceedings. This proposal is structured to meet the requirements of the Commission’s Request for Proposal (“RFP”) 16-06 dated April 22, 2016.

We will assist the Staff in analyzing ELL’s FEAC filings and related expense pursuant to the requirements of the Commission’s General Order in Docket No. R-29380. We are very familiar with the requirements of the General Order. We assisted the Staff in the first annual review of Southwestern Electric Power Company’s (“SWEPCO”) FEAC filings in Docket No. X-32020 for the period of October 2009 through October 2010. We also assisted the Staff in the first annual review of Cleco Power, LLC’s (“Cleco”) FEAC filings in Docket No. X-32150 for the same period. We are very familiar with other fuel and purchased power expense mechanisms in Louisiana. We assisted Staff in the rulemaking that led to the Fuel Adjustment Clause (“FAC”) General Order in Docket No. U-21497. We have assisted the Staff in FAC audits pursuant to the requirements of the FAC General Order as well as Purchased Gas Adjustment (“PGA”) audits pursuant to the companion General Order in Docket No. U-22407.

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<sup>1</sup> Filings were also made separately by Entergy Gulf States Louisiana L.L.C. (“EGSL”) during the majority of this period until it was combined with ELL in October, 2015.

**Kennedy and Associates Qualifications**

Kennedy and Associates is extremely well qualified to perform these audits. First, we assisted Staff with the review of the first annual FEAC audits for SWEPCO and Cleco in Docket Nos. X-32020 and X-32150, respectively.

Second, our firm, on behalf of the Commission, developed the current fuel adjustment clause (“FAC”) process in the Docket No. U-21497 generic fuel proceeding, including the various guidelines and rules as well as the various reporting forms, adopted by the Commission in its General Order dated November 6, 1997. The Commission’s General Order dated March 24, 1999 for the PGA filings was patterned after the General Order for the FAC filings. The Commission’s General Order in Docket R-29380 Subdocket A dated July 21, 2009 for the FEAC filings includes similar guidelines and rules as well as similar reporting requirements.

Third, our firm, also on behalf of the Commission Staff, has performed several comprehensive reviews and audits of fuel and purchased gas costs. One of these reviews involved ELL for the years 2002-2004 in Docket No. U-25116. Two of these reviews involved Entergy Gulf States, Inc. (“EGSI”), the predecessor of EGSL, in Docket Nos. U-20647 and U-19904. Another review involved SWEPCO in Docket No. U-23327. Kennedy and Associates also performed a special “Fuel and Purchased Power Cost” audit of ELL and EGSL in 2005 and 2006 following Hurricanes Katrina and Rita in Docket Nos. U-29175 and U-29176. Our firm completed an audit of the FAC filings and trading activities of Cleco in Docket No. U-26994, which resulted in a settlement and significant refunds to ratepayers. We recently performed an audit of Cleco’s FAC filings for a period of five years over the period 2009 through 2013 in Docket No. X-33325. Currently, we are

in the process of reviewing the FAC filings of ELL and EGSL for the period 2010 through 2013, in Docket Nos. X-33323 and X-33324, respectively. We have also completed numerous PGA audits. We completed a PGA audit of EGSL in Docket No. X-32581, PGA audits of CenterPoint Energy Arkla in Docket Nos. X-32769 and X-33603, PGA audits of CenterPoint Energy Entex in Docket Nos. X-32770 and X-33602, and a PGA audit of Atmos Energy Corporation regulatory divisions Trans Louisiana Gas Company and Louisiana Gas Service Company in Docket No. X-32583. In these proceedings, our firm identified numerous instances of non-compliance with the Commission's prior Orders, the applicable General Orders, and sound ratemaking principles. As a result of these reviews, the Commission ordered tens of millions of dollars of refunds to Louisiana retail ratepayers.

Fourth, our firm has represented consumer interests in numerous environmental, PGA and FAC proceedings in other jurisdictions, including Georgia, Ohio, Pennsylvania, and Kentucky. Among the issues we addressed were the prudence and reasonableness of environmental plans and costs, acquisition and costs of emission allowances, excessive fuel prices due to corruption, mine closure and reclamation costs, capital versus expense, and various accounting and ratemaking issues, including transactions with affiliates.

Fifth, our firm has been involved in hundreds of regulatory proceedings since its formation, with each of the principals having provided expert testimony on more than 150 occasions. These proceedings have included analyzing the operations, books, and records of utility companies for the purpose of setting just and reasonable rates, addressing affiliate transactions and cost-sharing among utility affiliates (regulated and non-regulated), environmental cost recovery through surcharges, fuel

and purchased power cost recovery through FAC filings, natural gas cost recovery through PGA filings, and recoveries of these costs through the base ratemaking process, and addressing the effects of various intercompany system agreements on costs recovered through these surcharges. Our principals and consultants are experienced and have filed testimony on the following subjects, among others:

1. Requirements for electric utility compliance with the Clean Air Act and the Clean Air Interstate Rule as it existed at the time the audited costs were incurred, including the purchases of allowances.
2. Appropriate accounting standards and practices for utilities, public utility accounting, and generally accepted auditing standards.
3. Appropriate ratemaking adjustments to the utility's accounting records.
4. Appropriate allocations of costs to base rates and FEAC, PGA or FAC.
5. Recoverable expenses for ratemaking purposes.
6. Just and reasonable costs and prudent investments associated with providing reliable and quality service.
7. Costs passed through to ratepayers which are considered reasonable and prudent, appropriate and/or eligible for recovery pursuant to Commission orders, which are necessary for the provision of the FEAC and which have or will produce just and reasonable rates.
8. Utility taxation issues.

Along with the hard copies of this proposal sent to the Commission, we have enclosed a single copy of Kennedy and Associates' qualifications, which includes the resumes of all principals and consultants. The resumes list the regulatory proceedings and subject matters addressed by our consultants in the form of expert testimony provided in those proceedings. We will be pleased to provide you with additional copies of the qualifications upon request.

**Kennedy and Associates Project Team**

Mr. Lane Kollen, Vice President, CPA, CMA, CGMA will manage this project. He will be assisted by other Kennedy and Associates personnel as appropriate, including primarily Mr. Randy Futral. Mr. Kollen and Mr. Futral are experienced regulatory consultants and have performed numerous audits and reviews in conjunction with the Staff. Mr. Kollen and Mr. Futral have both testified on regulatory matters on numerous occasions in multiple jurisdictions, including the Commission.

Mr. Kollen has several decades of experience in nearly all facets of utility operations, including FEAC, FAC and PGA reviews. In addition, he is an expert in the financial, rate, tax, and planning areas. He specializes in revenue requirements analyses, taxes, evaluation of rate and financial impacts of traditional and nontraditional ratemaking, utility mergers/acquisitions and diversification. Mr. Kollen has expertise in various software systems used by utilities for budgeting, rate case support and strategic and financial planning. Mr. Kollen has testified on hundreds of occasions before federal and state regulatory commissions and courts on utility matters. Mr. Kollen's regulatory experience is described further in his biography attached to this proposal and his extensive expert testimony and appearances are detailed in the enclosed Qualifications package.

Mr. Randy Futral, Manager, Consulting, is an expert on utility ratemaking and analyses, including FEAC, FAC and PGA reviews. Mr. Futral has worked closely with the Staff in the review of the majority of the cases listed above involving FEAC, FAC and PGA reviews. In addition, he has participated in the development and implementation of Formula Rate Plans for both investor owned utilities and distribution cooperatives providing service in Louisiana. Mr. Futral's regulatory

experience is described further in his biography attached to this proposal and his expert testimony and appearances are detailed in the enclosed Qualifications package.

### **Scope of Comprehensive Review**

Kennedy and Associates' project team will review the FEAC filings of ELL for the period November 2010 through December 2015. The scope of our review will be focused upon the ratemaking aspects of the Companies' environmental expenses and revenues and compliance with the Commission's General Order in Docket No. R-29380 Subdocket A and the requirements set forth in the RFP. We will work closely with the Staff to analyze and resolve the principal issues outlined below, together with any additional issues the Staff may deem appropriate and relevant to this review.

1. Whether the costs passed through the ELL FEACs were reasonable and prudent.
2. Whether the costs were appropriate and eligible for recovery in the ELL FEACs were consistent with the Commission's General Order dated July 21, 2009.
3. Whether the costs passed through the ELL FEACs produced just and reasonable rates.
4. Whether the costs passed through the ELL FEACs were necessary for the provision of electric service to Louisiana retail ratepayers.

### **Action Plan to Perform Comprehensive Review**

Kennedy and Associates will follow the Audit approach outlined in the Commission's General Order dated March 24, 1999 in Docket U-22407.

First, we will obtain copies from the Commission of all ELL (including former EGSL) filings and the related supporting documentation for the audit period.

Second, we will review the Company's purchase and sale practices for allowances and other environmental costs. We will obtain an understanding of the Company's environmental compliance practices, including the involvement of the utility's affiliates in that process, in order to assess the effect on the FEAC filings. This also will include a review of the Company's accounting for such costs and revenues, including the effects on their allowance inventory and expense accounting.

Third, we will perform analytics comparing the Company's environmental costs and revenues during the review period and prior to the review period to determine any significant changes or abnormalities in pricing or utilization during the audit period.

Fourth, we will compare the Company's purchase costs of and sale revenues from allowances against publicly available information in order to identify any significant differences or abnormalities.

Fifth, we will systematically review the costs included by ELL during the audit review period against the requirements in the Commission's General Order.

Sixth, we will quantify all adjustments to the extent it is possible to do so.

Seventh, we will prepare an Audit Report for the utility, as required by the Commission's General Order, detailing the results of our investigation. The Audit Report will contain specific findings and recommendations regarding whether the costs passed through the FEAC were or were not reasonable and prudent, and whether the costs were appropriate for recovery in the FEAC mechanism consistent with the General Order.

Eighth, we will review and respond to comments on the Audit Reports by ELL and other parties.

Ninth, we will work with the Staff to attempt to resolve issues that are identified in the Audit Reports through settlement negotiations with the parties.

Tenth, if any of the issues identified in the Audit Reports cannot be resolved among the parties and move to litigation, we will prepare and file testimony; review and respond to the testimony of Entergy and other parties; assist Staff counsel in preparation for hearings, during the hearings, and after the hearings; and stand for cross-examination.

To perform this comprehensive review, Kennedy and Associates' project team will work closely with the Staff at the onset to develop a detailed audit plan and to incorporate the Staff into the review, consistent with the Staff's time availability and desire to participate in particular areas of interest. We anticipate several rounds of written discovery on ELL and technical conferences with ELL personnel as necessary.

Assuming timely responses to the Staff's written discovery, we can complete this review and prepare initial drafts of the Audit Reports for the Commission Staff to review within nine to twelve months of commencing work. We will work with the Staff and the other parties to develop a procedural schedule for ELL and the other parties to comment on the Audit Reports, engage in settlement discussions, hold hearings, file briefs, respond to proposed and final recommended decisions of the ALJ, and prepare a final Commission Order.

**Budget to Perform Comprehensive Review**

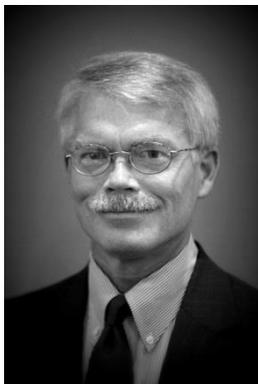
Kennedy and Associates proposes a budget of \$44,500, consisting of \$43,700 for consulting services and \$800 for expenses, to perform the comprehensive review of the FEAC filings. This budget assumes the scope identified in the Commission's RFP and reflected in this proposal and includes the audit, preparation of the Audit Report, settlement discussions, filing of testimony, hearings, and assistance to the Commission Staff and Staff Counsel through the issuance of the Commission's final order. The costs of such services will be billed at the hourly rates on the Attachment to this proposal.

**No Conflicts of Interest**

Kennedy and Associates has no known conflict of interest in representing the Louisiana Public Service Commission in this proceeding. Kennedy and Associates does not represent investor-owned gas or electric utilities.

## **RESUME OF LANE KOLLEN, VICE PRESIDENT**

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### **EDUCATION**

**University of Toledo, BBA (Accounting)**  
**University of Toledo, MBA**  
**Luther Rice University, MA**

### **PROFESSIONAL CERTIFICATIONS**

**Certified Public Accountant (CPA)**  
**Certified Management Accountant (CMA)**  
**Chartered Global Management Accountant (CGMA)**

### **PROFESSIONAL AFFILIATIONS**

**American Institute of Certified Public Accountants**  
**Georgia Society of Certified Public Accountants**  
**Institute of Management Accountants**  
**Society of Depreciation Professionals**

### **EXPERIENCE**

Mr. Kollen has nearly forty years of utility industry experience in nearly every facet of utility planning, performance, and operations, including the financial, accounting, rate, tax, and financing areas. He has conducted prudence and operational audits on behalf of utilities and regulatory commissions; participated in and reviewed mergers and acquisitions on behalf of utilities and regulatory commissions; conducted performance and financial analyses on behalf of utilities and regulatory commissions; developed and reviewed alternative and performance based ratemaking plans; performed traditional ratemaking evaluations and filed reports and/or provided expert testimony before state and federal courts and regulatory commissions on hundreds of occasions addressing prudence and restructuring, including staffing levels and organizational structure; mergers, acquisitions, and divestitures; contract performance; revenue requirements; taxes; depreciation; financing; operation and maintenance expense; reliability; cost of service; and other issues. Mr. Kollen also is experienced in various proprietary and nonproprietary software systems used by utilities for budgeting, rate case support and strategic and financial planning.

**J. Kennedy and Associates, Inc. (1986 to Present):** Vice President and Principal. Mr. Kollen provides consulting services that address planning, performance, operational, financial, accounting, and tax issues. Clients include state regulatory commissions and other government agencies, large users of electricity, natural gas, water, and steam.

**Energy Management Associates (1983 to 1986):** Lead Consultant, Product Manager. Mr. Kollen provided consulting services to electric and natural gas utility clients throughout the country in numerous planning, financial, accounting, and budgeting areas. In addition, he used and developed proprietary software tools widely used throughout the regulated utility industry.

**The Toledo Edison Company (1976-1983):** Planning Supervisor, Auditor, Accountant. Mr. Kollen was engaged in financial planning activities, including generation expansion planning; construction monitoring; capital and expense budgeting; evaluation of tax law changes; rate case strategy and support; production cost and financial modeling; and operational and financial audits.

## RESUME OF RANDY A. FUTRAL, MANAGER OF CONSULTING

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### EDUCATION

**Mississippi State University, BBS in Business Administration**  
Accounting

### EXPERIENCE

Mr. Futral has nearly thirty years of utility and related industry experience in the areas of management, accounting, budgeting, forecasting, financial reporting, ratemaking, tax, banking, and both as a management employee and as a consultant. He has conducted utility revenue requirements analyses, affiliate transaction auditing and analysis, fuel adjustment clause auditing, purchase gas adjustment auditing, environmental adjustment clause auditing, and research involving tax and public reporting matters. He has filed reports and/or testimony before state and federal courts and regulatory commissions on numerous occasions addressing revenue requirements, tariff development and compliance, operation and maintenance expenses, and other issues.

**J. Kennedy and Associates, Inc. (2003 to Present):** Manager of Consulting. Mr. Futral provides consulting services that address compliance, performance, and operational issues. Clients include state and regulatory commissions and other government agencies as well as large users of electricity and natural gas.

**Telscape International, Inc. (1997 – 2003):** Corporate Assistant Controller and Corporate Controller. Mr. Futral had complete responsibility and accountability for the accounting and financial functions of a \$160 million newly public company providing telecommunication and high-end internet access services. Telscape served as a telephony carrier of services domestically and to Latin and Central America targeting other service carriers as well as individuals. Mr. Futral reported directly to the CFO and managed a staff of eleven.

**Comcast Communications, Inc. (1988 - 1997):** Regional Senior Financial Analyst, Regional Assistant Controller and Regional Controller. Mr. Futral had complete responsibility and accountability for the accounting functions of a \$2.1 billion regional division of then the world's third largest cable television provider serving approximately 490,000 subscribers. Mr. Futral reported to the Regional VP of Finance and managed a staff of twelve.

**Storer Cable Communications, Inc. (1987 – 1988):** Senior Accountant for Operations. Mr. Futral had responsibility for the accounting, budgeting, and forecasting activities of this 82,000 subscriber area for this cable television concern that was acquired by Comcast listed above.

**Tracey-Luckey Pecan & Storage, Inc. (1986 – 1987):** Senior Accountant

**Tarpley & Underwood, CPA's ( 1984 – 1986):** Staff Accountant

**J. Kennedy and Associates, Inc.**  
**2016 Hourly Fee Schedule**  
**Louisiana Public Service Commission**

<u>Title</u>	<u>Name</u>	<u>Hourly Rate</u>
President	Stephen J. Baron	\$250
Vice President	Lane Kollen	\$250
Vice President	Philip Hayet	\$250
Director	Richard A. Baudino	\$239
Director	Brian R. Barber	\$239
Manager	Randy Futral	\$239
Senior Consultant	Ann Bruccoliere	\$180
Consultant	Leah Justin Wellborn	\$160
Consultant	Brian Kollen	\$140
Analyst	Jessica Inman	\$100

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