

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

***2088 Sylvania Drive  
Decatur, Georgia 30033***

***678.478.0295  
E-mail: [wbarta@comcast.net](mailto:wbarta@comcast.net)***

---

February 10, 2021

Kathryn H. Bowman  
Executive Counsel  
Louisiana Public Service Commission  
Galvez Building  
602 North Fifth Street  
P.O. Box 91154  
Baton Rouge, LA 70821-9154

**Re: RFP 20-22 Docket No. TBD – Entergy Louisiana, LLC.**

***In re: Entergy Louisiana, LLC’s 2020 Hurricanes Laura, Delta, and Zeta Storm Restoration Cost Filing.***

Dear Kathryn,

Henderson Ridge Consulting, Inc. is pleased to submit this proposal to assist the Staff of the Louisiana Public Service Commission (“LPSC” or “the Commission”) with the review of the Application to be filed by Entergy Louisiana, LLC (“ELL” or “the Company”) in the above-captioned docket. Henderson Ridge has extensive experience with the storm restoration filings of Entergy – our firm was retained by the Commission as the lead consultant in the proceedings that were initiated to examine the storm restoration expenditures incurred by the Entergy operating companies after Hurricanes Katrina and Rita (2005),<sup>1</sup> Hurricanes Ike and Gustav (2008),<sup>2</sup> and Hurricane Isaac (2012).<sup>3</sup> Our proposal submitted in response to the Commission’s current Request For Proposal No. 20-22 (“RFP”) reflects the proven work plan that we developed to address all of the ratemaking, rate design, and policy issues related to Entergy’s prior three storm

---

<sup>1</sup> LPSC Docket No. U-29203.

<sup>2</sup> LPSC Docket No. U-30981.

<sup>3</sup> LPSC Docket No. U-32764.

---

restoration filings. As a result of our past work in evaluating Entergy's hurricane cost recovery filings, we believe that we are uniquely qualified to assist the Staff in the upcoming proceeding.

Henderson Ridge Consulting proposes to assist the Commission Staff in the evaluation of ELL's upcoming Application for a budget not to exceed \$173,600.00 for professional services and \$3,600.00 for travel-related expenses for the project for a total budget of \$177,200.00.

***Principal Issues***

The focus of Henderson Ridge Consulting's efforts will be upon the detailed review and the evaluation of the costs incurred by ELL and the development of the appropriate storm restoration revenue requirement for the Company. We will work together with the Commission Staff to examine and resolve the principal issues outlined below:

- The reasonableness and prudence of the claimed storm restoration expenditures.
- The classification of the claimed storm restoration expenditures between capital expenditures and operating expenses.
- The deferral period for recovery of the storm restoration costs.
- The recovery of carrying charges and the accuracy of the calculation of claimed carrying charges.
- The type and extent of available offsets to the balance of claimed storm restoration costs, including insurance proceeds, tax benefits, and any federal and/or State assistance.
- The verification that the storm restoration costs have not already been recovered through the Company's Formula Rate Plan.
- The determination of the appropriate storm reserve escrow amount.

- Any additional issues that the Staff and/or Henderson Ridge Consulting identify as needing to be investigated and addressed during the course of the examination.

***Proposed Services***

The services that Henderson Ridge Consulting will provide in assisting the Staff will include:

- Reviewing ELL's Application and supporting testimony.
- Conducting discovery, including preparing written data requests and conducting follow-up discovery conferences, as necessary.
- Reviewing the responses to discovery requests, work papers, and other data.
- Conducting a detailed examination of all facets of the plan to manage the storm restoration efforts, the nature of the costs incurred (e.g. mutual assistance crews, other Entergy operating companies' labor and materials, third party vendors, etc.), the manner in which the costs were incurred, and the accounting controls in place to ensure the accuracy, completeness, and appropriate business purpose of the expenditures.
- Conducting audit tests and procedures in order to verify the accuracy of ELL's classification of storm-related costs and the reasonableness of the expenditures. These tests include, but are not limited to, random sampling to obtain statistically valid samples and stratified sampling when specific categories of costs warrant further scrutiny.
- Analyzing the availability of insurance proceeds and tax benefits to ELL.
- Examining the accounting treatment and classification of the storm restoration costs.
- Confirming that the storm restoration costs have not been recovered in the Formula Rate Plan of ELL.
- Evaluating the carrying charges included as part of the storm restoration filing.
- Determining the appropriate storm reserve escrow amount for ELL based upon historical data.

- Developing a fair and equitable cost approach for the recovery of storm restoration costs.
- Preparing pre-filed testimony in support of the Staff's positions and recommendations.
- Participating in settlement negotiations on some or all issues as deemed to be appropriate by Staff during the course of the proceeding.
- Participating in pre-trial conferences, depositions, and hearings, as necessary.
- Assisting with the preparation of applicable motions, exceptions, briefing sheets, and orders of the Commission.
- Participating in conference calls, meetings and conferences with Staff and Commissioners, and attending the Business and Executive Sessions, as necessary and appropriate.
- Providing on-going support to Staff throughout the engagement.

### ***Qualifications***

Henderson Ridge Consulting is particularly well-qualified to perform the evaluation of ELL's Application because of our extensive experience with the prior storm restoration filings submitted by ELL after the 2005, 2008, and 2012 hurricanes. In addition to being retained by the Commission to conduct the review of the prior Entergy storm restoration dockets, our firm has assisted the Commission Staff over the years in numerous other matters affecting the rates, revenue requirements, and operations of ELL. Notably, our firm was retained by the Commission to conduct the most recent evaluations of ELL's need for long-term capacity in Docket No. U-33770 and Docket No. U-34283 and the evaluation of the Company's self-bid proposals into the competitive solicitation processes. In the subsequent certification phases of those same proceedings, our firm examined the projected costs for the proposed generating facilities.

Particularly germane to the evaluation of ELL's upcoming Application for cost recovery of the storm restoration costs incurred as a result of the landfalls of the 2020 hurricanes, our firm is currently conducting the prudence review of the Company's

---

management of the construction of the J. Wayne Leonard Power Station.<sup>4</sup> The prudence review requires a detailed knowledge of the Company's planning methods and processes to manage complex construction projects of high value. It is important to have a deep understanding of how the multiple internal and external groups that are involved in the project operate and communicate towards its successful execution – and what project controls are in place to ensure that the costs incurred are prudent and reasonable in light of the circumstances. Although designing a project management strategy to govern the oversight of the construction of a major generating facility differs somewhat from developing a plan to restore service reliably, safely and cost-effectively after the landfall of catastrophic hurricanes, there is overlap with respect to fundamental project management practices and controls.

Henderson Ridge's experience includes extensive work in analyzing the operations, books, and records of utility companies and providing expert testimony on all aspects of utility regulation and ratemaking. Consistent with the Minimum Requirements listed in Section IV of the RFP, the issues addressed in this work have included:

- (1) Appropriate accounting standards and practices for utilities, public utility accounting and generally accepted accounting principles and auditing standards.
- (2) A detailed understanding of the major functional areas of a regulated investor owned utility.
- (3) Appropriate ratemaking adjustments to utility accounting records.
- (4) Appropriate allocation of costs to base rates and fuel charges.
- (5) Recoverable expenses for ratemaking purposes.
- (6) Just and reasonable costs and prudent investments associated with providing reliable and quality service.
- (7) Utility taxation.
- (8) Storm damage reserve accounting and utility depreciation.

---

<sup>4</sup> See LPSC Docket No. U-35584.

- (9) Detailed knowledge of and experience with the ELL Formula Rate Plan, including overall cost of capital, capital structure, cost of debt, and cost of equity.
- (10) The cost allocation methodologies for the allocation of investments and expenses among affiliates, including the relationship of the holding company to its subsidiary operating companies, the transfer of investment and costs between operating companies, and the provision of services among affiliates.
- (11) Standards for prudence and cost recoverability.
- (12) Alternative sources of funds to offset hurricane damage costs such as insurance proceeds, tax benefits, and governmental aid.
- (13) Prior Commission Orders involving storm recovery and/or other securitized debt.
- (14) The cost allocation methodologies for the allocation of investment and expenses among affiliates, including the relationship of the holding company to its subsidiary operating companies, the transfer of investment debt and costs between operating companies, and the provision of services among affiliates.
- (15) Appropriate mechanisms, allocation among customer classes, and rate design.
- (16) The LPSC and FERC approved cost-of-service cost methodologies for electric utilities, and
- (17) Securitization requirements and procedures and the ratemaking treatment of the benefits of securitization.

Henderson Ridge Consulting has an experienced and well-qualified team to conduct the evaluation of ELL's upcoming Application. Mr. William Barta, a principal of the firm, will be the lead consultant and primarily responsible for the overall efforts of the firm. Mrs. Debbie Barta, also a principal of the firm, will provide support in all review areas and coordination among all project team members. The firm will also use the services of Mrs. Brooke Beckert as a subcontractor. Mrs. Beckert has made a substantial contribution as a lead consultant and expert witness while serving as a subcontractor to Henderson Ridge Consulting in a recent, similar engagement on behalf

---

of the Commission. A firm resume providing additional details on our qualifications is attached to our proposal.

***Cost Proposal***

Henderson Ridge Consulting proposes to assist the Commission Staff with the evaluation of ELL’s upcoming Application for a budget not to exceed \$173,600.00 for professional services and \$3,600.00 for travel-related expenses for the project for a total budget of \$177,200.00. The hourly rates for each project team member are shown in the following table.

<b><u>Project Team Member</u></b>	<b><u>Hourly Rate</u></b>
William Barta	\$150/hour
Debbie Barta	\$150/hour
Mrs. Brooke Beckert	\$200/hour

All travel-related expenses will be billed at cost in accordance with the State of Louisiana’s Travel Policies and Procedures.

***Conflict of Interest***

Please note that Henderson Ridge Consulting, Inc. does not have any business relationships with ELL or Entergy Corporation, nor has it ever had such a relationship. Thus, the firm has no conflict of interest that could impair or restrict its ability to provide assistance and objective advice to the Commission Staff.

If you have any questions, please do not hesitate to call. We look forward to continuing our relationship of working with the Commission Staff.

Sincerely,

William J. Barta  
Principal

Kathryn Bowman  
Executive Counsel  
Response to RFP No. 20-22  
February 11, 2021

---