

**Henderson Ridge Consulting, Inc.**  
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**SERVICES PROVIDED:**

Henderson Ridge Consulting, Inc. is a regulatory consulting firm founded in 1996. The firm's practice addresses the traditional regulatory matters (e.g. earnings investigations, affiliate transaction reviews, fuel adjustment clause audits, etc.) that routinely confront regulators in the electric, gas, telecommunications, and water and wastewater utility industries. In addition, the firm has increasingly focused its work on the technical and policy issues challenging the regulatory authorities overseeing the competitive developments occurring within the telecommunications and electric utility industries.

**EXPERIENCE:**

Electric Utility Industry:

- Monitoring of competitive solicitation process of electric utility's Request For Proposals for long-term, supply-side resources
- Certification of electric utility's self-build generating facility as serving the public interest
- Prudence audits of generating plant environmental retrofits
- Evaluation of proposed long-term Purchased Power Agreements to meet capacity deficits
- Earnings investigations of major investor-owned utilities, generation and transmission cooperative, and distribution cooperatives
- Earnings investigations conducted under various approaches including traditional rate base/rate-of-return, TIER, cash flow requirements studies, and Formula Rate Plans
- Financial and public interest assessment of Waste Heat Recovery generation facility
- Cost-Benefit Analyses of integration into Regional Transmission Organizations
- Public interest determination of transfer of control of transmission facilities
- Evaluation of Integrated Resource Plans
- Financial and regulatory policy assessment of proposed renewable generation projects
- Evaluation of investor-owned utilities transmission expansion plans and upgrades
- Evaluation of electric service provider Smart Grid network infrastructure investments, customer service enhancements, and retail program initiatives
- Development of nuclear decommissioning revenue requirement
- Evaluation of long term Power Supply and Services Agreements for certification
- Storm restoration cost audits
- Rulemaking to develop "best practices" for storms and other disasters
- Fuel Adjustment Clause audits of investor-owned utilities
- Nuclear generating facility siting and licensing evaluation

- Management audits of Gulf States Utilities, Inc., generation and transmission cooperative and distribution cooperatives
- Merger analyses of Entergy-Gulf States Utilities, Inc.
- Affiliate transaction audits
- Demand Side Management program analyses

#### Natural Gas Industry

- Purchased Gas Adjustment audits of local distribution companies
- Evaluation of fuel procurement and hedging practices
- Fair and reasonable cost of capital
- Evaluation of Asset Management Agreements
- Review of Rate Stabilization Plan Annual Filings

#### Telecommunications Industry

- Earnings investigations of major investor-owned utilities, independent local exchange carriers, and telephone cooperatives conducted under various approaches
- Price cap regulation reviews and alternative regulation assessments
- Biennial compliance audits of local exchange carriers
- Reactive audits of rural incumbent local exchange carriers
- Affiliate transaction audits
- Addressed policy and technical issues in regulatory proceedings initiated in response to the pro-competitive mandates of the 1996 Act. Subject areas include universal service and access charge reform, interim and permanent pricing for local interconnection and unbundled network elements, avoided retail cost studies for resale purposes, evaluation of local number portability cost studies, assessment of Contract Service Arrangements, and mediation of joint use pole disputes
- Financial review of special State regulatory funds (e.g. access funds, Telecommunications Relay Service fund) including implementation of accounting system to track contributions and disbursements from the funds
- Structuring of Louisiana State Universal Service Fund
- Retail Service Quality Measurements rulemaking

#### Water and Wastewater Utility Industry:

- Earnings investigations
- Affiliate transaction reviews
- Prospective financial statement studies
- Rate design support to ensure compliance with bond covenants
- Formula Rate Plan design
- Project administration and oversight of expenditures
- Public interest determination for transfer of control and ownership requests
- Valuation of assets in a business combination (under GAAP) and determination of rate base (for ratemaking purposes)
- Phased rate increases for recovery of planned capital improvements

**AUDITING EXPERIENCE:**

- Fuel Adjustment Clause audits
- Purchased Gas Adjustment audits
- Prudence audits
- Compliance audits
- Reactive audits
- Affiliate transaction audits
- Storm restoration cost audits
- Management audits
- Attestation of accuracy of semi-annual bond securitization true-ups
- Avoided cost audits in support of payments to Qualifying Facilities
- Federal Environmental Adjustment Clause audits

**REGULATORY CLIENTS SERVED:**

Henderson Ridge Consulting, Inc. has served a diverse range of clients including the State regulatory authorities of:

- Louisiana Public Service Commission
- Georgia Public Service Commission
- Nevada Public Utilities Commission

References are available upon request.

**EXPERT TESTIMONY PROVIDED IN THE FOLLOWING JURISDICTIONS:**

California	Florida	Georgia
Louisiana	Mississippi	Nevada
Ohio	North Carolina	Tennessee
	South Carolina	Texas

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November 2, 2017

Louisiana Public Service Commission  
Melanie Verzwylt  
Staff Attorney  
P.O. Box 91154  
Baton Rouge, Louisiana 70821-9154

Re: Claiborne Electric Cooperative, Inc.'s Fiber-to-the Home Project

Dear Melanie,

Henderson Ridge Consulting is pleased to respond to your October 24, 2017 solicitation letter that requests the services of a consultant to assist the Staff of the Louisiana Public Service Commission ("LPSC" or "the Commission") in its review of Claiborne Electric Cooperative, Inc.'s ("Claiborne" or "the Cooperative") decision to initiate its proposed deployment of a broadband network.

Henderson Ridge Consulting is very familiar with the LPSC-jurisdictional electric distribution cooperatives, including Claiborne. Our firm has conducted numerous examinations and evaluations of the cooperatives' filings, ranging from applications for increases in retail rates, the implementation of Formula Rate Plans and subsequent annual earnings evaluations, the deployment of Advanced Metering Infrastructure, the cost recovery for storm restoration expenditures, and the oversight of entering into Purchase Power Service Agreements.

We will review the feasibility study that has been conducted on behalf of Claiborne with respect to the Fiber-to-the-Home Project. The proposed business model and the timing of the construction work plan will be thoroughly evaluated – the estimated expenditures to be made by the Cooperative will be approximately, on average, \$3,240 per member according to the information provided in the solicitation letter. Our firm will also review the accounting safeguards and cost allocation methodologies that Claiborne will (or should) implement in order to avoid the cross-subsidy of the Fiber-to-the-Home Project by the regulated electric operations. For good reason, the Commission has historically scrutinized the transactions between the regulated utility and its non-regulated affiliate.

Henderson Ridge Consulting is very experienced with an electric utility's forays into the competitive broadband business. Since the late 1990's, our firm has been involved in major proceedings where a municipality has deployed broadband networks in order to engage and compete in "triple play" service offerings. We have served as the

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Commission's consultant in the review of Lafayette Utilities System's decision to deploy a fiber network, developed a cost allocation manual in order to put in place adequate accounting safeguards and minimize the opportunity for anti-competitive behavior, and conducted the annual affiliate transaction reviews.

Henderson Ridge Consulting is experienced in analyzing the operations and the books and records of gas local distribution companies, electric utilities, telecommunications carriers, and water and sewer companies under the jurisdiction of the Louisiana Public Service Commission. This experience covers (1) appropriate accounting standards and practices for utilities, (2) appropriate ratemaking adjustments to the utility's accounting records, (3) appropriate allocations of costs to base rates and fuel charges and allocation of investment and expenses among affiliates, (4) recoverable expenses for ratemaking purposes, (5) utility tax issues and (6) cost of capital and capital structure issues. A firm resume has been attached to our proposal in order to provide more detailed information on our qualifications.

Henderson Ridge Consulting anticipates that the review of Claiborne's proposed Fiber-to-the-Home Project can be conducted in a cost-effective manner. The professional fees for the project are estimated at \$28,500.00 based upon an hourly rate of \$150 for William Barta. Travel-related expenses are anticipated to be \$1,200.00 for a total project budget of \$29,700.00.

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.

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

Sincerely,

William Barta  
Principal