

Henderson Ridge Consulting, Inc.

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January 3, 2025

Kimberly N. O'Brien
Kathryn H. Bowman
Louisiana Public Service Commission
Galvez Building (12th Floor)
602 North Fifth Street
P.O. Box 91154
Baton Rouge, LA 70821-9154

Re: RFP 24-12 Docket No. TBD – Entergy Louisiana, LLC.

In re: Request for cost recovery associated with Hurricane Francine.

Dear Kimberly and 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 filed by Entergy Louisiana, LLC (“ELL” or “the Company”) on December 30, 2024. Henderson Ridge Consulting, Inc. has extensive experience with the storm restoration filings of Entergy – our firm has been retained by the Commission to evaluate Entergy’s applications for the recovery of the storm restoration costs incurred after the landfall of all the catastrophic hurricanes since 2005: Hurricanes Katrina and Rita (2005),¹ Hurricanes Ike and Gustav (2008),² Hurricane Isaac (2012),³ Hurricanes Laura, Delta, Zeta and Winter Storm Uri (2020),⁴ and Hurricane Ida (2021).⁵ This proposal submitted in response to the Commission’s current Request For Proposal No. 24-12 (“RFP”) reflects the proven work plan that we have developed to

¹ LPSC Docket No. U-29203.

² LPSC Docket No. U-30981.

³ LPSC Docket No. U-32764.

⁴ LPSC Docket No. U-35991.

address the examination of the storm restoration costs, the prudence of the storm restoration effort as well as the rate design and policy issues related to Entergy's prior five storm damage filings. As a result of our past work in evaluating Entergy's hurricane cost recovery filings, we believe that we are particularly qualified to assist the Staff in the upcoming proceeding.

Henderson Ridge Consulting proposes to assist the Commission Staff in the evaluation of ELL's Application for a budget not to exceed \$184,400.00 for professional services and \$4,200.00 for travel-related expenses for the project for a total budget of \$188,600.00.

Principal Issues

In its Application, ELL requests that the Commission determine the prudence of its storm restoration efforts for Hurricane Francine and certify the resulting costs as eligible for recovery from its customers. In addition to the actual Hurricane Francine storm restoration costs, ELL is seeking recovery for the carrying costs it has and will continue to incur through the date that a Commission Order is issued. In total, the Company is requesting that the Commission determine that a total of \$180 million in Hurricane Francine related storm restoration costs was prudently incurred and eligible for recovery from customers, excluding carrying costs.

There is a major difference in ELL's current application to recover the Hurricane Francine related storm restoration costs from the Company's requests in its prior storm damage filings. In the prior five storm damage filings, ELL requested that the recovery of the storm restoration costs be recovered by issuing securitized bonds with a maturity of approximately fifteen years.⁶ For a variety of reasons, ELL proposes in the instant filing

⁵ LPSC Docket No. U-36350.

⁶ Carrying charges, bond issuance costs and other professional fees were also recovered as part of the securitized costs approved by the Commission for recovery through individual riders.

to forego the securitization of the storm restoration costs. Instead, the Company proposes that the recovery of the Hurricane Francine related storm restoration costs and applicable carrying charges be partially recovered through the current storm escrow with the balance being recovered through its existing transmission and distribution riders (*i.e.*, TRM and DRM riders).

Most of the issues raised and the relief sought by ELL in its Application are the very issues which our firm has addressed in the prior five storm damage filings. But the Company's current request represents a significant departure from the traditional cost recovery methodology approved by the Commission in those prior dockets. Particularly of note is that the transmission level customers will not be allocated a share of the distribution related storm damages under ELL's proposal in this filing whereas the transmission level customers bore a 33% allocation of the distribution storm damages under the cost recovery methodology approved by the Commission in the prior filings.

The focus of our efforts will be upon a prudence review of Entergy's planning and execution of the storm restoration effort. We will also conduct a detailed evaluation of the storm restoration costs incurred by ELL and how those costs were functionalized between transmission and distribution. We will confirm that ELL's cost recovery proposal is in the best interest of the Company's ratepayers and recommend modifications where we believe necessary. 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 functionalization of the storm restoration costs between transmission and distribution.

- 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 prudence review of Entergy's planning and execution of the storm restoration effort.
- An analysis of the cost recovery methodology proposed by the Company to determine whether it is in the best interests of ratepayers.
- Any additional issues that the Staff and/or Henderson Ridge Consulting identify as needing to be investigated and addressed during 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.
- An in-depth prudence review of ELL's planning for and management of the storm restoration effort.
- 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.
 - Verifying the accuracy of the carrying charges included as part of the storm restoration filing.
 - Confirming that recovery of the storm restoration costs through the current storm escrow in combination with the existing TRM and DRM Riders as proposed by ELL is in the best interests of the Company's ratepayers.
 - 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 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 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, 2012, the 2020 hurricanes as well as Winter Storm Uri and the most recent catastrophic storm, Hurricane Ida in 2021.

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. With respect to prudence reviews, our firm was retained by the Commission to conduct the prudence investigations of ELL's management of the construction of the J. Wayne Leonard Power Station⁷ and the Lake Charles Power Station.⁸

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) A detailed understanding of the major functional areas of a regulated investor-owned electric utility;
- (2) Appropriate accounting standards and practices for electric public utilities, public utility accounting, and generally accepted auditing standards;
- (3) Storm damage reserve accounting, utility depreciation, and taxation issues;
- (4) The LPSC and FERC approved cost-of-service cost methodologies for electric utilities;
- (5) Appropriate accounting standards and practices for electric utilities, especially those for investor-owned utilities;
- (6) The basic components and requirements of ELL's Formula Rate Plan, including cost of capital, capital structure, cost of debt, cost of equity, and rates of return;
- (7) Alternative sources of funds to offset hurricane damage costs such as insurance proceeds, government aid, and income tax benefits;
- (8) Prior Commission Orders involving storm recovery and/or other securitized debt;
- (9) The cost allocation methodologies for the allocation of investments and expenses among affiliates, including the relationship of the holding company to its

⁷ See LPSC Docket No. U-35884.

⁸ See LPSC Docket No. U-36222.

subsidiary operating companies, the transfer of investment and costs between operating companies, and the provision of services among affiliates; and

(10) Appropriate mechanisms, allocation among customer classes and rate design.

Henderson Ridge Consulting has an experienced and well-qualified team to conduct the evaluation of ELL's Application. Mr. William Barta will be the lead consultant and primarily responsible for the overall efforts of the firm. Mrs. Debbie Barta will provide support in all review areas and lead the evaluation of ELL's project management of the storm restoration effort. 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 \$184,400.00 for professional services and \$4,200.00 for travel-related expenses for the project for a total budget of \$188,600.00. The rates for professional services for Mr. William Barta and Mrs. Debbie Barta are \$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.

Kimberly N. O'Brien
Kathryn Bowman - Executive Counsel
Response to RFP No. 24-12
January 3, 2025

Sincerely,

William J. Barta
President