

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

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July 25, 2025

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

**Re: RFP 25-06 In Re:**

Docket No. X-37602

*Audit of Purchase Gas Adjustment filings for CenterPoint Energy Arkla for the period of January 2023 through March 31, 2025.*

Docket No. X-37604

*Audit of Purchased Gas Adjustment filings for CenterPoint Energy Entex for the period of January 2023 through March 31, 2025.*

Docket No. X-37603

*Audit of Purchased Gas Adjustment filings for the natural gas division of Entergy Louisiana, LLC for the period of January 2023 through June 30, 2025.*

Dear Kimberly and Kathryn,

Henderson Ridge Consulting is pleased to respond to the Louisiana Public Service Commission's ("LPSC" or "the Commission") June 9, 2025 Request For Proposals ("RFP") for independent technical consultants to assist the Commission in reviewing the technical and jurisdictional issues related to the Commission's audit of the Purchased Gas Adjustment filings ("PGAs") of CenterPoint Energy Arkla ("Arkla"), CenterPoint Energy Entex ("Entex") and the natural gas division of Entergy Louisiana, LLC ("ELL"). The RFP defines the audit period of Arkla and Entex as January 2023 through March 31, 2025 and the audit of ELL covers the period of January 2023 through June 30, 2025.

Henderson Ridge Consulting is very experienced with the filings and applications of the gas local distribution companies ("LDCs") under the Commission's jurisdiction. In

prior engagements with the Commission, our firm has conducted PGA audits of Arkla and Entex, the natural gas division of Entergy Gulf States, L.L.C. and the Louisiana natural gas divisions of Atmos Energy Corporation. As part of those audits, we identified multiple errors and omissions in the monthly PGA filings.

Over the years, Henderson Ridge Consulting has performed several and diverse audits on behalf of the Commission including: the Fuel Adjustment Clause of Entergy Louisiana, LLC, the audit of the Entergy Operating Companies' ("EOCs") avoided costs calculations and verifying the accuracy of the payments made to Qualified Facility providers, the audits of the EOCs' storm restoration expenditures incurred as a result of the hurricanes that have made landfall over the past twenty years, audits of the EOCs' Federal Environmental Adjustment Clause filings, affiliate transaction audits of regulated utilities, and compliance audits. Additional detail on the experience of Henderson Ridge Consulting can be found in the firm resume that is attached to our proposal.

The proposed budget for the PGA audits of Arkla and Entex for the period of January 2023 through March 31, 2025 is \$44,800.00 in professional services. The proposed budget for the PGA audit of the natural gas division of ELL for the period of January 2023 through June 30, 2025 is \$34,800.00 in professional services. Travel and related expenses are estimated at \$1,800.00 for a not-to-exceed budget of \$81,400.00 for all three PGA audits.

### **Scope of Representation**

Henderson Ridge Consulting has developed a cost-effective work plan that builds upon our experience of the prior PGA audits conducted on behalf of the Commission. We will undertake a comprehensive review of the monthly PGA filings for the designated audit periods and our work plan will ensure that the scope of services identified in the Commission's RFP (see Section II, Scope of Representation) is fulfilled. The proposed work plan is designed to achieve the Commission's objectives for the audit including:

- Whether the costs passed through the PGA clause were reasonable and prudent.
- Whether the costs were appropriate and eligible for recovery in the PGA clause mechanism consistent with Commission General Order dated March 24, 1999.
- Whether the costs passed through the PGA clause produced just and reasonable rates.
- Whether the costs passed through the PGA clause were necessary for the provision of gas service.

The audit will result in three separate Audit Reports that present the findings, conclusions, and recommendations of our examination.

### **Period of Representation**

Although the Period of Representation is 18 months as presented in the RFP, we estimate that the period necessary to complete the three PGA audits is six to eight months.

### **Proposed Work Plan of Henderson Ridge Consulting**

The work plan proposed by Henderson Ridge Consulting includes audit procedures that are routinely performed in the course of investigating a regulated utility's PGA filings. These activities include, but are not limited to, an examination of the monthly PGA filings (and related support) submitted by the utilities during the audit period. The monthly PGA filings will be reviewed for completeness and accuracy and to detect computational errors and/or clerical inaccuracies that may have affected the PGA rates. We will also perform analytical review procedures that seek to determine whether any significant changes or abnormalities in pricing occurred during the audit review period. In addition, we will assess whether the types of costs (i.e. fuel related) flowed-through the PGA filings were consistent with the requirements of the Commission's March 24, 1999 General Order.

We will conduct additional audit procedures that focus more on the operations and practices of the Companies in order to assess how these measures may have ultimately

affected the PGA filings and rates. For instance, the PGA rates are based upon a weighted average cost of purchased gas (“WACOG”). We will perform trend analyses to assess the reasonableness of the WACOG over the audit period and to identify any abnormal patterns (e.g. month-to-month spikes).

We will evaluate the hedging strategies of CenterPoint Energy and ELL and gauge whether those efforts have resulted in cost savings for the benefit of ratepayers or higher PGA rates. Our work plan will also evaluate the performance of the gas procurement function and gas supply arrangements in the context of whether those areas were effectively managed and helped reduce the costs included in the PGA filings.

The impact of any affiliate transactions upon the PGA rates in effect during the audit period will be determined. The affiliate transactions will be reviewed in order to ascertain whether they represent arms-length relationships and result in a lower cost gas procurement arrangement.

We will undertake price analyses that compare what the utilities paid for delivered gas purchased from other suppliers versus the average market index prices paid for gas during the audit periods.

Once our audit fieldwork is complete, we will prepare a separate Audit Report for Arkla, Entex, and ELL that presents the findings, conclusions, and recommendations that are based upon our auditing efforts.

In summary, the scope of services, at a minimum, shall include the preparation of the three Audit Reports and the following activities:

- The review and analysis of all PGAs and related filings made to the Commission by Arkla and Entex during the period of January 2023 through March 31, 2025 and by ELL during the period of January 2023 through June 30, 2025;

- Review of On-System Loss and Unaccounted-For and Company Use (“LUFG”) activity;
- Evaluation of the Use of Projected Purchased Gas Costs;
- Examination of Capacity Release Revenues and Net Margins from Off-System Sales;
- Assessment of Rate Stability and Over/Under Recoveries;
- Verification of the accuracy of the Carrying Charges on Over/Under Recoveries;
- Review of Corrections and Errors and any Prior Period Adjustments;
- Investigation into and examination of Exceptions and Treatment of Exceptions, if any;
- Trend analyses of historical PGA data;
- Meetings with the Commission Staff and Commissioners, as necessary;
- Preparation of discovery;
- Preparation of the Audit Reports and, if necessary, prefiled direct and rebuttal testimony; and
- Presentation of the Audit Reports at the Commission Business & Executive Session.

### **Experience of Henderson Ridge Consulting**

The extensive utility auditing experience of Henderson Ridge Consulting and our familiarity with the major Louisiana gas local distribution companies makes the firm particularly well-suited to conduct the three audits of the PGA filings. Our firm’s auditing experience includes PGA audits, Fuel Adjustment Clause audits, Environmental Adjustment Clause audits, avoided cost audits, compliance audits, storm restoration expenditure audits, affiliate transaction audits, management audits, and single-issue audits.

Henderson Ridge Consulting was retained to conduct over twenty biennial compliance audits and over twenty Universal Access Fund audits of regulated utilities on behalf of the Georgia Public Service Commission. Henderson Ridge Consulting has also been retained by state regulatory authorities, including the Louisiana Public Service Commission, to conduct affiliate transaction audits and single-issue audits (e.g. disbursements from State funds, traffic usage data, etc.).

Our firm is experienced in analyzing the operations and books and records of utility companies. This experience covers (1) appropriate accounting standards and practices for utilities, public utility accounting, and generally accepted auditing standards, (2) the appropriate fuel adjustments to be made by a utility pursuant to the Commission's PGA Order, (3) specific adjustments allowed by the Commission to be flowed through the Utilities' PGA; and (4) a detailed understanding of natural gas utility regulation.

Mr. Barta, a CPA, will lead the audit team and manage the engagement. The following personnel will be assigned to the project:

William Barta	\$250/hour
Debbie Barta	\$250/hour
Lauren Coppola	\$200/hour
Brooke Beckert	\$200/hour

Lauren Coppola and Brooke Beckert will serve as subcontractors to Henderson Ridge Consulting and both have rendered services in the past in support of the firm's engagements, including the filing of expert testimony.<sup>1</sup> A firm resume has been attached to our response to the proposal which provides further background on our firm's experience

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<sup>1</sup> See the prefiled Direct Testimony of M. Brooke Beckert in Docket No. U-35991 and Docket No. U-36222.

and qualifications and individual team member resumes can be made available upon request.

### **Minimum Requirements**

Henderson Ridge Consulting is experienced in analyzing the operations and the books and records of electric utilities, local gas distribution companies, telecommunications carriers, and water and wastewater companies under the jurisdiction of the Louisiana Public Service Commission. This experience has been applied for the purpose of setting just and reasonable rates in the recovery of costs from ratepayers.

As discussed in the Experience section of our proposal, Henderson Ridge Consulting is very familiar with the ratemaking treatment and principles specific to the monthly PGA filings of CenterPoint Energy, ELL, and Atmos Energy Corporation.

Henderson Ridge Consulting has reviewed the list of Minimum Requirements identified in Section IV of the Commission's RFP. Our firm is experienced with each of the Minimum Requirements and can readily satisfy this group of professional standards that the Commission expects of its expert consultants.

### **Estimate of Cost**

The proposed budget for the PGA audits of Arkla and Entex for the period of January 2023 through March 31, 2025 is \$44,800.00 in professional services. The proposed budget for the PGA audit of the natural gas division of ELL for the period of January 2023 through June 30, 2025 is \$34,800.00 in professional services. Travel and related expenses are estimated at \$1,800.00 for a not-to-exceed budget of \$81,400.00 for all three PGA audits.

**Conflict of Interest**

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.

I appreciate the opportunity to respond to the RFP and to continue our relationship with the Commission and its Staff.

Sincerely,

William Barta  
President