

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

**PROPOSAL TO THE
LOUISIANA PUBLIC SERVICE COMMISSION**

IN RESPONSE TO RFP 19-22

DOCKET NO. TBD

**IN RE: ENTERGY LOUISIANA, LLC'S REQUEST TO
EXTEND ITS FORMULA RATE PLAN**

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

December 12, 2019

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”) in its review of Entergy Louisiana, LLC’s (“ELL” or “the Company”) planned requests to 1) extend, and potentially seek modifications to, its Formula Rate Plan (“FRP”) and 2) conduct as many as four reviews of ELL’s annual report filings starting in 2021 based on a test year of 2020. This proposal is structured to meet the requirements of the Commission’s Request for Proposal (“RFP”) dated November 21, 2019 (RFP 19-22). The proceeding has not yet been docketed and the Company has not yet submitted its Application.

The Company’s base rates have been set through an FRP since 1995 and are presently set through the FRP approved by the Commission in Order No. U-34631 dated May 8, 2018. The existing FRP expires with the 2019 test year and the resulting change in rates, if any, that will be effective on September 1, 2020.

In its letter to the Executive Secretary, ELL provided advance notice that it will seek to extend the existing FRP for at least three, and possibly four, additional years, i.e., the 2020, 2021, 2022, and 2023 test years (Evaluation Periods). In addition, it may seek to modify the existing FRP, including, without limitation, a modification regarding certain distribution investments.

Kennedy and Associates is well-qualified to assist the Commission in this review in a knowledgeable and efficient manner. We already are familiar with ELL’s existing FRP and its annual Evaluation Report filings, including the Additional Capacity Mechanism (“ACM”), MCRM, environmental cost related revenue requirement, energy efficiency related revenue requirement, and legacy FRP revenue requirements. We also are very familiar with the MISO tariffs and costs as

well as the related retail ratemaking in Louisiana and other states, including Wisconsin and Kentucky, among others.

We have assisted the Staff in the design and development of several utility FRPs as well as in modifications to ELL's FRP necessary to include the energy efficiency related revenue requirement. We also have assisted the Staff in other requests to modify utility FRPs and in numerous reviews of annual FRP filings. In addition to ELL, these utilities include Dixie Electric Membership Cooperative, Inc., South Louisiana Electric Cooperative Association, LLC, Claiborne Electric Cooperative, and Beauregard Electric Cooperative Inc. We also have assisted the Staff in various MISO matters, including the Commission's extensive investigation into Entergy's and Cleco's decisions to join MISO.

We will review the Company's filing in detail to determine if the requests are appropriate, modifications are necessary, and if so, then what modifications should be made. We will work closely with the Staff to attempt to reach a consensual settlement with the Company and the other parties to the proceeding to balance ELL's need for timely rate relief with the need to ensure that customer rates are reasonable. We will conduct discovery, participate in meetings with the Commissioners, Staff and other parties as requested, assist the Staff in preparing briefing materials if there is not a settlement, and attend the Commission's Business and Executive Session if requested. In the event that it becomes necessary to litigate this matter, we will also provide expert testimony, and other regulatory support services as part of our services under our proposed budget.

Budget to Perform These Services

Kennedy and Associates proposes a budget of \$127,200, consisting of \$122,000 for consulting services and \$5,200 for expenses. Our services will be billed based on the hourly billing rates

attached to this letter. We will bill only for actual hours worked and actual expenses incurred. We will not exceed the total labor and expense budgets based on the scope of work outlined without authorization from the Commission. We will not change our hourly rates on this project during the period of representation without authorization from the Commission. We also acknowledge that any expenses charged will be within the Commission's standard expense allowances.

Kennedy and Associates Qualifications

Kennedy and Associates is well qualified to assist the Staff in this docket due to its familiarity with the ELL FRP and other investor owned and cooperative electric utility FRPs. In addition, our firm has provided extensive consulting assistance to the Staff in dozens of other proceedings involving nearly all of the electric and natural gas utilities in the state. These proceedings have involved rate cases, design and modification of FRPs, annual FRP reviews, rulemakings, acquisitions, fuel clause audits, environmental clause audits, resource acquisitions, and affiliate transactions. Our experience and the expert appearances of our consultants are detailed in our Qualifications package, a copy of which is enclosed with our proposal.

Kennedy and Associates meets all professional qualification requirements specified in the Commission's RFP for technical consultants. We are qualified to prepare and render expert testimony and stand for cross-examination with respect to all of the issues addressed in the RFP and which are likely to arise in this proceeding. Each of our consultants is experienced in analyzing the operations, books and records of utility companies for the purpose of setting just and reasonable rates, is prepared and qualified to render expert testimony, and has knowledge of the following:

- 1) Appropriate accounting standards and practices for electric public utilities and/or electric cooperatives, public utility accounting, and generally accepted auditing standards;
- 2) Appropriate ratemaking adjustments to be made to the utility's accounting records;
- 3) Determination and calculation of the appropriate rate base of a utility plant investment dedicated to providing service;
- 4) Traditional cost-of-service and cost allocation methodologies supporting the revenue requirements among classes of customers;
- 5) Cost allocation methodologies for the allocation of investment and expenses between 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 between affiliates;
- 6) Cost of capital, including capital structure, cost of debt, cost of equity and rates of return;
- 7) Familiarity with just and reasonable costs and prudent investments associated with providing reliable and quality service as recommended by NARUC;
- 8) Depreciation and taxation; and
- 9) Detailed understanding of electric utility regulation.

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 designed and developed FRPs and performed numerous audits and reviews of FRP filings 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 investor owned and cooperative utilities, investor owned and cooperative utility ratemaking, the design and implementation of FRPs, and utility taxes. 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 electric cooperatives. Mr. Futral worked closely with the Staff in the development of the Dixie, Claiborne, and SLECA FRPs and has performed numerous audits in conjunction with the Staff, including numerous annual FRP filings made by various electric cooperatives. Mr. Futral also has assisted in various audits of electric cooperatives, including the review and recovery of storm damage costs by Dixie. 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.

Action Plans and Timelines

Kennedy and Associates is prepared to begin work on this project immediately upon being retained by the Commission. We anticipate that there will be as many as five proceedings, consisting of the proceeding in early 2020 to address the Company's request to potentially modify and extend the existing FRP and then three or four subsequent annual proceedings starting in 2021 and to review the Annual Report filings and reset rates in accordance with the

terms of the FRP. We have developed the following Action Plan and Timeline for the major activities in this proceeding.

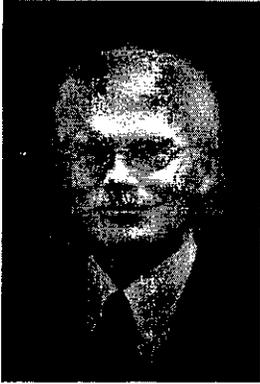
We will assist the Staff in the following actions:

- 1) Review the Company's request to potentially modify and extend its current FRP for an additional term of at least three years and as many as four years. This initial review will take place in early 2020 based on the timing described in the Company's letter to the Executive Secretary seeking to avoid filing a traditional base rate case in Summer 2020.
- 2) Review as many as four Annual Report filings for the test years 2020, 2021, 2022, and 2023 in 2021, 2022, 2023, and 2024, respectively.
- 3) Prepare discovery and review responses in all five proceedings.
- 4) Assist Staff counsel in negotiating and drafting settlement agreement in all five proceedings;
- 5) Prepare direct testimony in support of settlement agreement and appear at hearing, if necessary; prepare direct testimony addressing litigated issues not resolved by settlement agreement and appear at hearing, if necessary; assist Staff counsel in preparation for hearing, if necessary; assist Staff counsel in drafting briefs, if necessary; and appear at the Commission B&E if requested by Staff counsel, if necessary, in all five proceedings.

Kennedy and Associates Has No Conflicts of Interest

Kennedy and Associates has no known conflicts of interest in representing the Louisiana Public Service Commission in this proceeding and none of the Project Team members presently represent other clients before the Commission. Kennedy and Associates does not represent investor-owned gas or electric utilities.

RESUME OF LANE KOLLEN, VICE PRESIDENT



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

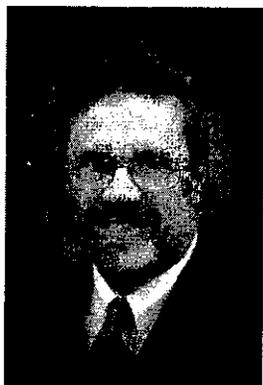
Mr. Kollen has nearly forty years of utility industry experience in nearly every facet of utility planning, performance, and operations, including the financial, accounting, rate, tax, and financing areas. He has conducted prudence and operational audits on behalf of utilities and regulatory commissions; 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



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.
Hourly Fee Schedule
For 2019 Entergy Louisiana, LLC's Extension and
Potential Modification of its Formula Rate Plan and Annual Report
Filings for Test Years 2020, 2021, 2022, and 2023

<u>Title</u>	<u>Name</u>	<u>Hourly Rate</u>
President	Stephen J. Baron	\$275
Vice President	Lane Kollen	\$275
Vice President	Philip Hayet	\$275
Director	Richard A. Baudino	\$260
Director	Brian R. Barber	\$260
Manager	Randy Futral	\$260
Senior Consultant	Ann Bruccoliere	\$240
Consultant	Sam Wyrobeck	\$180
Consultant	Brian Kollen	\$180
Analyst	Jessica Inman	\$130
