

Henderson Ridge Consulting, Inc.

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May 5, 2022

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 22-13 Docket No. TBD – Entergy Louisiana, LLC.

In re: Entergy Louisiana, LLC’s Hurricane Ida Storm Restoration Cost Recovery 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 filed by Entergy Louisiana, LLC (“ELL” or “the Company”) on April 29, 2022. Henderson Ridge Consulting has extensive experience with the storm restoration filings of Entergy – our firm has just completed the evaluation of ELL’s application for cost recovery of the storm restoration costs incurred after the landfall of the 2020 hurricanes and Winter Storm Uri along with the Company’s additional requests in that proceeding.¹ We were also 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),² Hurricanes Ike and Gustav (2008),³ and Hurricane Isaac (2012).⁴ Our

¹ LPSC Docket No. U-35991.

² LPSC Docket No. U-29203.

³ LPSC Docket No. U-30981.

proposal submitted in response to the Commission’s current Request For Proposal No. 22-13 (“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 four storm damage 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 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

In its Application, ELL requests that the Commission determine the prudence of its storm restoration efforts for Hurricane Ida and certify the resulting costs as eligible for recovery from its customers. The Company is also seeking Commission approval of the functionalization of the storm restoration costs among Generation, Transmission, and Distribution as well as how those costs will be allocated to and recovered from each customer class. In addition to the actual Hurricane Ida storm restoration costs, ELL is seeking recovery for carrying costs and additional storm restoration costs related to the 2020 hurricanes and Winter Storm Uri. In total, the Company is requesting that the Commission determine that a total of \$2.637 billion was prudently incurred and eligible for recovery from customers.

The issues raised and the relief sought by ELL in its Application are the very issues which our firm addressed in the recently completed storm damage proceeding in Docket No. U-35991. The focus of our efforts will be upon the detailed review and the evaluation of the costs incurred by ELL and the development of the appropriate storm

⁴ LPSC Docket No. U-32764.

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.
- The appropriate allocation of all costs to be securitized among customer classes.
- The confirmation of the accuracy of the initial Periodic Billing Requirement ("PBR") and Storm Cost Offset ("SCO") amounts.
- 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.
- 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 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, 2012, and 2020 hurricanes as well as Winter Storm Uri. 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 recent prudence reviews of ELL's management of the construction of the J. Wayne Leonard Power Station⁵ and the Lake Charles Power Station.⁶

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 See LPSC Docket No. U-35884.

⁶ See LPSC Docket No. U-36222.

- (5) The basic components and requirements of ELL's Formula Rate Plan, including cost of capital, including capital structure, cost of debt, cost of equity, and rates of return;
- (6) Alternative sources of funds to offset hurricane damage costs such as insurance proceeds, government aid, and income tax benefits;
- (7) Prior Commission Orders involving storm recovery and/or other securitized debt;
- (8) 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;
- (9) Appropriate mechanisms, allocation among customer classes and rate design; and
- (10) 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 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 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 \$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 rates for professional services for Mr. William Barta and Mrs. Debbie Barta are \$150/hour.

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

Kathryn Bowman
Executive Counsel
Response to RFP No. 22-13
May 5, 2022

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